OSHIDORI
INTERNATIONAL HOLDINGS LTD
威華達控股有限公司*

(Formerly known as Enerchina Holdings Limited)
(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

THIS IS OUR NEW BEGINNING

ANNUAL REPORT
2018

* *For identification purpose only*

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SAM Nickolas David Hing Cheong
(Re-designated as Chairman on 28 January 2019)
Mr. CHOW Chi Wah Vincent
Mr. WONG Yat Fai
Ms. WONG Wan Men Margaret
(Appointed on 28 January 2019)

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Enerchina Holdings Limited ("Enerchina" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group's revenue is a negative amount of approximately HK$94.5 million, compared with the positive revenue of approximately HK$55.5 million over last year. Loss for the year ended 31 December 2018 amounted to approximately HK$1.4 million compared with the profit of approximately HK$21.3 million for last year. Basic earnings per share is HK0.5 cents compared with basic earnings per share of HK2.41 cents for last year.

OVERVIEW

After several years of steady growth in asset prices, 2018 has been a challenging time for investors, primarily due to the market uncertainties linked with the US-China trade conflict and the Brexit negotiations. Both the China A share market and Hong Kong markets were slower due to the direct impact from the trade conflict, the depreciation of the Renminbi, and a general economic slowdown and stricter listing review process throughout 2018.

OUTLOOK

Looking ahead, the Group believes the economic outlook is expected remain challenging in 2019. Even with the trade disputes between China and the United States eventually coming to an end and with the Chinese government enhancing policies to support the private sector, the afterpain of the trade friction could still affect both mainland China and Hong Kong's external trade performance. It is broadly projected that the growth momentum will slow notably in 2019 with steady global economic recovery, the gradual normalization of Hong Kong dollar interest rates and the asset market corrections. However, positive factors still exist. On one hand, the Hong Kong SAR government has implemented proactive fiscal policies to help cope with the rise of trade protectionism as well as relieve the financial burden of local enterprises, while on the other hand, with the implementation of Belt-and-Road Initiative, Guangdong-Hong Kong-Macau Bay Area, RMB internationalization, further interconnection between the capital markets of China and Hong Kong, as well as the modification of listing rules in Hong Kong, the financial and business services sectors will have plenty opportunities ahead through providing wide range of cross-border financial and business services to China.

For 2019, the Group intends to actively source (i) investment opportunities, both in Hong Kong and globally, to enrich the Group's investment portfolio; (ii) lending opportunities at higher yields in anticipation for higher funding costs consistent with the Group's prudent lending policy; and (iii) sound and flexible marketing strategies to expand the customer base and channels of services. The Group will continue to conduct fund-raising activities and search for experienced professionals to join the Group in order to enhance and expand the Group's 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 follow developments in the financial sector to maintain its competitive edge.

APPRECIATION

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

SAM Nickolas David Hing Cheong
Chairman

Hong Kong, 21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the year ended 31 December 2018, the Group's revenue is a negative amount of approximately HK$94.5 million, compared with the positive revenue of approximately HK$55.5 million over 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 year ended 31 December 2018 amounted to approximately HK$1.4 million compared with the profit of approximately HK$21.3 million for last year. Basic earnings per share is HK0.50 cents compared with earnings per share of HK2.41 cents for last year.

The net loss of the Company was mainly attributable to (1) the narrowed unrealised gain on financial assets at fair value through profit or loss and (2) the realised loss from securities trading and investments. The performance of the financial assets was strongly related to the turbulence in the stock market, especially the Hong Kong stock market which had a bullish beginning of 2018 while suffered series of drastic decline thereafter. The concerns over the escalation of trade protectionism and the global influence of the Brexit negotiation were key factors that jittered the market.

Brokerage Services

Brokerage commission income generated from provision of securities brokerage services amounted to approximately HK$2.5 million for the year (2017: approximately HK$1.5 million).

Interest income generated from provision of margin financing services amounted to approximately HK$16.4 million for the year (2017: approximately HK$22.5 million).

Unfavorable market conditions may also increase the risk of defaults in margin loans which the Group provides to customers. Therefore, the Group maintained a balance on yield relative to risk and cautious approach to the credit control of its margin financing business. Accordingly, 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 provision of money lending services decreased by approximately 55.7% to approximately HK$22.4 million for the year (2017: approximately HK$50.6 million).

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 year of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing and Underwriting Services

During the year, Win Wind Securities Limited, a wholly-owned subsidiary of the Company, has placed and underwritten securities with a value of approximately HK$22.5 million, and generated placement commission income of approximately HK$0.02 million (2017: HK$9.4 million). Win Wind Securities Limited has executed 1 placement and underwriting (including sub-placing).

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

Corporate finance advisory fees decreased by approximately 40.0% to approximately HK$0.3 million as a result of a decrease in customers' portfolio, as compared to approximately HK$0.5 million in last year.

Investment advisory

No investment advisory services income has been generated for the year ended 31 December 2018 (2017: approximately HK$1.1 million).

Proprietary Trading and Investments Holding

The Group engages in proprietary trading of both listed securities and unlisted securities, which is classified as financial assets at fair value through profit or loss ("FVPL"). The fair value of the portfolio amounted to approximately HK$2,585.3 million (2017: approximately HK$2,790.7 million), with a net loss on sales of financial assets at FVPL of approximately HK$301.2 million was recognised (2017: net loss of approximately HK$239.8 million) in last year. Dividend income decreased by approximately 21.3% to approximately HK$161.2 million (2017: approximately HK$204.7 million).

During the year ended 31 December 2018, the Group continues to actively build up its diverse proprietary trading portfolio managed by the asset management arm of the Group. The asset management team consist of SFC licensed professionals with extensive investment advisory experience in various fields. In addition, the Group established the systems and controls customary for regulating risks and other matters relating to securities investment businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investments held which were classified as Designated FVOCI and financial assets at FVPL:

Name of investments	Notes	Percentage of shareholding as at 31 Dec 2018	Percentage of shareholding as at 31 Dec 2017	Fair value/ carrying amount as at 31 Dec 2018	Fair value/ carrying amount as at 31 Dec 2017	Net gain/ (loss) for the year ended 31 Dec 2018	Net gain/ (loss) for the year ended 31 Dec 2017
		%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Designated FVOCI							
Unlisted shares in overseas							
– Satinu Resources Group Limited	1	10.34	8.83	406,083	688,639	(282,556)	–
– Freewill Holdings Limited	2	7.71	7.71	57,209	29,588	27,621	(130,012)
– Co-Lead Holdings Limited	3	2.95	3.71	110,708	100,000	10,708	–
Listed shares in Hong Kong							
– Shengjing Bank Co., Ltd. (stock code: 2066)	4	12.33	12.33	647,900	1,176,100	(528,200)	(77,900)
Financial assets at FVPL							
Listed shares							
– China Evergrande Group (Stock code: 3333)	5	0.05	0.26	139,293	913,605	(29,911)	215,254
– Evergrande Health Industry Group Limited (stock code: 708)	6	1.38	0.89	187,306	238,394	532,344	124,983
– C C Land Holdings Limited (stock code: 1224)	7	3.54	2.15	259,662	144,303	13,410	(35,334)
– Guosheng Financial Holding Inc. (stock code: 002670.SZ)	8	1.35	0.33	201,426	114,653	(95,533)	21,421
– Asia Standard International Group Limited (stock code: 129)	9	3.09	3.09	55,547	77,602	(22,055)	13,070
– Newton Resources Ltd. (stock code: 1231)	10	2.18	2.27	81,784	85,450	(580)	23,018
– Larry Jewelry International Co. Limited (stock code: 8351)	11	3.55	3.81	5,015	63,004	(57,990)	49,118

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

2. **Freewill Holdings Limited ("FHL")**
   FHL engages in the business of property investment, investment advisory and financial services, investment in securities trading and money lending.

3. **Co-Lead Holdings Limited ("Co-Lead")**
   Co-Lead and its subsidiaries engage in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

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

5. **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.

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

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

8. **Guosheng Financial Holding Inc. ("Guosheng Financial") (Stock code: 002670. SZ)**
   Guosheng Financial is a China-based company listed on Shenzhen Stock Exchange and principally engages in security, investment and cable and wire businesses.

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

MANAGEMENT DISCUSSION AND ANALYSIS

10. Newton Resources Ltd ("Newton Resources") (Stock code: 1231)

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

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

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

Going forward, the Group expects that the stock markets in Hong Kong and the PRC will remain challenging for 2019, as the economies continue to show signs of slowing down. 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.

FINANCIAL POSITION

The Group's certain bank balances are denominated in RMB and USD in amount of HK$867.5 million and HK$6.5 million respectively. The Group's financial services business is not exposed to significant foreign exchange risk as most of the transactions are denominated in HK$. No financial instruments were used for hedging purposes.

Capital commitments

As at 31 December 2018, the Group had HK$60 million of capital commitments in respect of the acquisition of property, and equipment that have not been provided in the Group's consolidated financial statements.

MATERIAL TRANSACTIONS

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

On 18 January 2018, the Group entered into a sale and purchase agreement with Satinu to sell back the 30% of the issued share capital of HEC Securities at consideration of HK$525,000,000 of which HK$125,000,000 is payable in cash and HK$400,000,000 is payable by 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 value of the promissory notes was 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.

(b) Acquisition of 11.78% of equity interests in 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) 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. The Rights Issue was completed on 20 July 2018, and the issued share capital of the Company was increased from 2,905,883,141 shares to 5,811,766,282 shares.

Reference is made to the (i) the prospectus of the Company dated 28 June 2018; (ii) the 2018 interim report of the Company published on 19 September 2018; and (iii) the announcement of the Company dated 3 January 2019. The details of the proposed use of proceeds, change in use of proceeds, and the actual use of proceeds from the Rights Issue up to the date of this announcement are as follows:

			Proposed use of proceeds from the Rights Issue *HK$'000*	Change in use of proceeds from the Rights Issue *HK$'000*	Amount utilised *HK$'000*	Amount unutilised *HK$'000*
(i)	Business development of the Group's financial services					
	a)	provide additional resources to the Group's money lending business	300,000	–	300,000	–
	b)	provide additional resources to the Group's margin financing business	180,000	–	180,000	–
	c)	conduct marketing activities *(Note)*	10,000	(8,858)	1,142	–
	d)	hire high caliber professionals *(Note)*	10,000	(10,000)	–	–
			500,000	(18,858)	481,142	–
(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)	General working capital *(Note)*		–	18,858	3,276	15,582
(v)	Finance any investment opportunities		23,418	–	23,418	–
(vi)	Settlement of the promissory note in relation to the acquisition of Win Wind		320,000	–	120,000	200,000
Total			1,268,418	–	1,052,836	215,582

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

Note:

As disclosed in the Company's announcement dated 3 January 2019, the Board proposed to reallocate certain unutilised amount being approximately HK$18.86 million (which was initially allocated for conducting marketing activities and hiring high caliber professionals), as general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(d) 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.

EVENT AFTER THE REPORTING PERIOD

Proposed change of company name and proposed adoption of new bye-laws

On 1 February 2019, the Board of the Company proposed to change the name of the Company from "Enerchina Holdings Limited" to "Oshidori International Holdings Limited" (the "Proposed Change of Company Name") and the existing Chinese name of the Company of "威華達控股有限公司" used for identification purpose only as well as the Company logo will remain unchanged. The Board also proposed to amend the existing bye-laws (the "Bye-laws") to, inter alia, reflect certain amendments to the Listing Rules as well as the laws of Bermuda and the Proposed Change of Company Name. In view of the number of amendments proposed to be made to the existing Bye-laws, the Board proposed that a new set of Bye-laws of the Company with all the proposed amendments to the existing Bye-laws incorporated be adopted to replace the existing Bye-laws, instead of carrying out piecemeal modifications on the existing Bye-laws. Details of the Proposed Change of Company Name and proposed adoption of new Bye-laws were set out in the Company's announcement dated 1 February 2019 and the circular dated 27 February 2019.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

On 13 February 2018, the Group received approximately RMB102.3 million (equivalent to approximately HK$116.8 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 Appeal for leave to appeal the judgement dated 15 August 2018 in the Court of Final Appeal. The appeal was heard before the Court of Appeal on 16 November 2018 and it was dismissed with costs on an indemnity basis. On 14 December 2018, Mr. Qin Jun filed a Notice of Motion in the Court of Final Appeal for leave to appeal the judgment of the Court of Appeal. The Registrar of the Court of Final Appeal issued a notice to show cause as to why Mr. Qin Jun's application should not be dismissed by the Appeal Committee, but the decision of the Appeal Committee is still pending and it is not known to us whether or not Mr. Qin Jun has made submissions in respect of the notice. Win Wind Resources has been advised by its legal counsel that the Appeal Committee is likely to dismiss Mr. Qin Jun's application, as the judgement handed down by the Court of Appeal on 16 November 2018 dismissed Mr. Qin Jun's appeal with costs on an indemnity basis, reflecting that the only ground of appeal is unarguable.

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 Defendant Parties have been advised by their legal advisor that the validity of one of the writs of summons was extended for 12 months from 9 January 2019 by way of ex parte application by the liquidators while the other writ of summons has now expired.

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 2018. However, the management of the Company considers the Writs are groundless and amount to attempts to adversely affect the reputation and the business operations of the Group.

PROSPECTS

With the trade dispute between China and the United States looming behind the stock markets in both China and Hong Kong kicked off 2019 with losses. Decline in manufacturing contracts as well as other statistics or projections further added to concerns of a slowdown in economy. Even with the trade disputes between China and the United States eventually coming to an end and with the Chinese government enhancing policies to support the private sectors, the afterpain of the trade friction could still affect both mainland China and Hong Kong's external trade performance. It is broadly projected that the growth momentum will slow notably in 2019 with steady global economic recovery, the gradual normalisation of Hong Kong dollar interest rate and the asset market corrections.

The operating environment of the banking and financial industry in Hong Kong will be even more competitive and volatile and will undoubtedly exert pressure on the pricing of financial products. Furthermore, 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. The Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is constantly seeking (1) investment opportunities, domestic or abroad, to enrich its investment portfolio; (2) lending opportunities 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 follow developments in the financial sector to maintain its competitive edge.

Recently, the Company has proposed to change its English name into "Oshidori International Holdings Limited". The name change aims to bring a new image to the Company and represents the Company's intention to participate in potential investment opportunities in fintech, lifestyle, real estate and integrated resort projects in other regions. By adopting the new English name, the Company hopes to draw investors' attention to the existing as well as potential investments of the Group.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.015 per share for the year ended 31 December 2018 (2017: HK$0.01 per share), amounting to approximately HK$87.2 million, subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). Upon approval of the shareholders, the proposed final dividend will be paid on Thursday, 27 June 2019 to the shareholders of the Company whose names appear on the Company's register of members as at Monday, 17 June 2019.

An interim dividend of HK$0.005 per share in respect of the six months ended 30 June 2018 was paid on 27 September 2018, amounting to approximately HK$29.1 million.

PROPOSED SHARE PREMIUM REDUCTION

The Board proposes to put forward to the Shareholders a proposal to reduce the entire amount standing to the credit of the Share Premium Account of the Company pursuant to the laws of Bermuda and the Company's bye-laws.

As at 31 December 2018, the amount standing to the credit of the Share Premium Account was HK$5,739 million. It is proposed that (i) the entire amount of HK$5,739 million standing to the credit of the Share Premium Account be reduced to nil, (ii) the credit of approximately HK$5,682 million arising from the Share Premium Reduction be transferred to the Contributed Surplus Account, and (iii) the amount standing to the credit of the Contributed Surplus Account following the Share Premium Reduction be applied in any manner permitted by the laws of Bermuda and the bye-laws of the Company, including but not limited to setting off the entire amount of the accumulated losses of the Company.

Upon completion the Share Premium Reduction, the balance of the Share Premium Account will become nil and the credit balance of the Contributed Surplus Account will be increased by approximately HK$5,682 million to approximately HK$5,726 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Conditions for the Share Premium Reduction

The Share Premium Reduction is subject to the following conditions:

(a) the passing of a special resolution by the Shareholders to approve the Share Premium Reduction at the AGM;

(b) the Board being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the reduction would be, unable to pay its liabilities as they become due; and

(c) compliance with the relevant procedures and requirements under the laws of Bermuda, including publication of a notice of the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the Effective Date, and the Listing Rules.

Subject to the fulfillment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the Effective Date, i.e. being the next business day immediately following the date of passing of the relevant special resolution approving the Share Premium Reduction at the AGM.

Reasons for the Share Premium Reduction

According to Bermuda law, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to the share premium account. A company shall not declare or pay a dividend out of the sums standing in the share premium account of the company. On the other hand, a company can declare or pay a dividend out of contributed surplus provided that there are no reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or the realisable value of the company's assets would thereby be less than its liabilities.

The Share Premium Reduction and the subsequent transfer of the credit arising therefrom to the Contributed Surplus Account will give the Company greater flexibility to declare dividends or make distribution to the Shareholders in the future as and when the Board considers appropriate. The Board is satisfied that implementation of the Share Premium Reduction would not make the Company unable to pay its liabilities as they become due.

Based on the foregoing reasons, the Board is of the view that the Share Premium Reduction is in the best interests of the Company and Shareholders as a whole.

Effects of the Share Premium Reduction

The implementation of the Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares.

Save for the expenses to be incurred in relation to the Share Premium Reduction, the Board considers that the implementation of the Share Premium Reduction will not, in itself, have material adverse effect on the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the underlying assets of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Shareholders and potential investors should note that the Share Premium Reduction is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions for the Share Premium Reduction" in this announcement and due compliance with the Companies Act. Accordingly, the Share Premium Reduction may or may not finally proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM of the Company was scheduled to be held on Thursday, 6 June 2019. The notice of AGM will be published on the Company's website at www.enerchina.com.hk and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

For determining the qualification as members of the Company to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 13 June 2019 to Monday, 17 June 2019, both days inclusive, during which period no transfers of shares will be registered. In order to be eligible for the entitlement to the proposed final dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed approximately 40 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sam Nickolas David Hing Cheong, aged 37, has been appointed as an executive director and a member of the nomination committee of the Company since March 2012, and a member of the remuneration committee and the acting chairman of the Company respectively since 15 June 2016 and 5 April 2017. Mr. Sam was formerly the chief executive officer of the Company from 27 March 2012 to 6 April 2017. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, the British Virgin Islands and New Zealand. Mr. Sam is also a consultant of George & Partners, a specialist corporate law firm principally advising on the laws of the British Virgin Islands. He was formerly an executive director of Radford Capital Investment Limited, a company listed on the Stock Exchange from 30 June 2011 to 15 March 2012, and prior to that appointment, was a lawyer at international law firm Ogier. Before that, Mr. Sam practiced commercial law in New Zealand, and was also previously a regulatory advisor for a government department in New Zealand. Save as disclosed above, Mr. Sam has not held any directorship in other listed public companies in the past three years.

Mr. Chow Chi Wah Vincent, aged 50, has been appointed as an executive director of the Company since 1 June 2016 and company secretary of the Company since 12 July 2016. He was appointed as the managing director of the Company with effect from 5 April 2017. He obtained a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 20 years' experience in the finance and accounting fields in Hong Kong. Mr. Chow holds directorship of various wholly-owned subsidiaries of the Company and Mr. Chow was appointed as an independent non-executive director of Celebrate International Holdings Limited (Stock Code: 8212), a company listed on the Stock Exchange on 31 August 2018. Mr. Chow was an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585), a company listed on the Stock Exchange for the period from 28 January 2016 to 10 April 2017. Mr. Chow was an executive director of Mascotte Holdings Limited, now renamed HengTen Networks Group Limited (Stock Code: 136), a company listed on the Stock Exchange, for the period from 3 November 2014 to 26 October 2015. Save as disclosed above, Mr. Chow has not held any directorship in other listed public companies in the last three years in Hong Kong or overseas.

Mr. Wong Yat Fai, aged 59, has been appointed as an executive director of the Company since 19 April 2017. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Mr. Wong has over 13 years of working experience in an international banking group. He was an executive director of China Soft Power Technology Holdings Limited (formerly known as China Jinhai International Group Limited, Stock Code: 139) for the period from 1 April 2000 to 31 July 2015, a non-executive director of Y. T. Realty Group Limited (Stock Code: 75) for the period from 1 October 2007 to 28 February 2016 and C C Land Holdings Limited (Stock Code: 1224) for the period from 1 October 2007 to 29 February 2016, an independent non-executive director of Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited, Stock Code: 1141) for the period from 14 November 2014 to 29 July 2015 and an executive director of Imagi International Holdings Limited (Stock Code: 585) for the period from 28 January 2016 to 9 April 2017. Save as disclosed above, Mr. Wong has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong Wan Men, Margaret, aged 34, was appointed as an executive director of the Company with effect from 28 January 2019. She holds a Bachelor of Social Science in Economics with Honours from the Chinese University of Hong Kong. She has over 10 years' extensive experience in corporate finance advisory. Prior to joining the Group, she held senior positions in the corporate finance advisory division of several financial services groups in Hong Kong. Currently, she serves as a managing director of Win Wind Capital Limited which is the holding company of the Company's financial services group and a director of various subsidiaries within the Group. She is also a responsible officer for type 1 (dealing in securities) regulated activities and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"). She is familiar with the operation and management of the Company and provides corporate finance advice to the Group. Her contributions to financial services business of the Group have been greatly valued by the Board and she is promoted to take up the role of executive director of the Company. Save as disclosed above, Ms. Wong has not held any directorship in other listed public companies in the last three years in Hong Kong or overseas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Ping, aged 52, has been appointed as an independent non-executive director of the Company, a member of nomination committee and the member and chairman of audit committee and remuneration committee of the Company since 21 May 2015. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of Freeman Financial Corporation Limited (Stock Code: 279) and Heritage International Holdings Limited (Stock Code: 412), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Mason Group Holdings Limited (formerly known as Willie International Holdings Limited, Stock Code: 273) from July 2013 to September 2016, which is publicly listed company in Hong Kong. Save as disclosed above, Mr. Cheung has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Cho Sing, aged 78, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder and general manager of Delon International Film Corporation since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993 and the Chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of Hong Kong in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of Hong Kong as a member of the Hong Kong Film Development Council. Mr. Hung had served as a member of the Election Committee of Hong Kong and he has been appointed by the Government of Hong Kong as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission since January 2013. Mr. Hung was an independent non-executive director of Freeman Fintech Corporation Limited (stock code: 279) from 9 January 2013 to 25 January 2017 and an independent non-executive director of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136) from 22 January 2013 to 26 October 2015. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247), an executive director of Universe International Financial Holdings Limited (stock code: 1046) and an executive director and chairman of the board of directors of Jia Meng Holdings Limited (stock code: 8101). Save as disclosed above, Mr. Hung has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Mr. Chan Hak Kan (B.B.S., J.P.), aged 42, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He graduated from The Chinese University of Hong Kong with a Bachelor of Social Science Honour (Government and Public Administration) degree in December 1997 and a Master of Social Science (Law and Public Affairs) degree in December 2003. From January 2000 to December 2003, Mr. Chan served as an elected member of the Sha Tin District Council. From October 2008 to October 2011, he was appointed as a member of the Council of the Chinese University of Hong Kong. Mr. Chan was appointed as a member of the Fish Marketing Advisory Board of Hong Kong since January 2011 to December 2016. From March 2011 to February 2017, he was appointed as a member of the Hong Kong Community Involvement Committee on Greening. He was also appointed as a member of Marine Fish Scholarship Fund Advisory Committee since April 2011 to March 2017. Mr. Chan has been a member of each of the Legislative Council of Hong Kong, the Beat Drugs Fund Association Governing Committee, the Advisory Board of Tung Wah Group of Hospitals and the Advisory Committee on Corruption of the Hong Kong Independent Commission Against Corruption respectively since October 2008, July 2012, October 2016 and January 2017. In 2012, Mr. Chan was appointed as a Justice of the Peace by the Chief Executive of Hong Kong. Mr. Chan is currently an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 8328). Save as disclosed above, Mr. Chan has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" from page 3 and pages 4 to 15 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 148 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report particularly in note 35 to the consolidated financial statements and the "Management Discussion and Analysis" on pages 4 to 15 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the year ended 31 December 2018 and up to the date of this Annual Report, we have complied with all the relevant rules, laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Marshall Islands and Hong Kong that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

An interim dividend of HK$0.005 per share, amounting to approximately HK$29.1 million in respect of the six months ended 30 June 2018, was paid to the shareholders during the year. The Board now recommends the payment of a final dividend of HK$0.015 per share for the year ended 31 December 2018, amounting to approximately HK$87.2 million to the shareholders of the Company whose names appear on the Company's register of members as at 17 June 2019, subject to the approval of the shareholders at the forthcoming annual general meeting.

PROPERTY AND EQUIPMENT

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

REPORT OF THE DIRECTORS

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 63.

As at 31 December 2018, the Company had no reserves available for distribution to its shareholders. A resolution will be propped in the forthcoming annual general meeting that the amount of HK$5,682 million standing to the credit of the share premium account be reduced and transferred to the contributed surplus account for distribution of final dividends. Details of the Proposed Share Premium Reduction are set out in note 44 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:
Mr. SAM Nickolas David Hing Cheong (Re-designated as Chairman on 28 January 2019)
Mr. CHOW Chi Wah Vincent
Mr. WONG Yat Fai
Ms. WONG Wan Men Margaret (Appointed on 28 January 219)

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

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

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

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

As at 31 December 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.

REPORT OF THE DIRECTORS

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

At no time during the twelve months ended 31 December 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.

SHARE OPTION SCHEME OF THE COMPANY

(A) The Company operated a share option scheme adopted by shareholders of the Company on 24 May 2002 (the "2002 Share Option Scheme"), under which the Board 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:

Option type	**Date of grant**	**Exercise period**	**Exercise price**
			HK$
2015 Option	15.05.2015	01.08.2015 – 14.05.2018	3
		15.11.2015 – 14.05.2018	3
		15.05.2016 – 14.05.2018	3

Option type	**Date of grant**	**Exercise period**	**Exercise price**
			HK$
2017 Option	05.07.2017	05.07.2017 – 04.07.2027	0.88

REPORT OF THE DIRECTORS

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

	Option type	Outstanding at 1.1.2018	Granted during the period	Exercised during the period	Transferred during the period	Lapsed during the period	Outstanding at 30.06.2018
Category: Other Participants							
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 year, no options were granted under 2012 Share Option Scheme.

3. During the year, 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 31 December 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 29 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

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

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

CONNECTED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 34 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

MANAGEMENT CONTRACT

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

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued shares of the Company as at 31 December 2018:

Long positions 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)*	600,002,000	10.32%

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 all these 600,002,000 shares of the Company which are owned by VMS under SFO.

Save as disclosed above, as at 31 December 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 OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 47.9% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments. Sales to the largest customer accounted for 20.2% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments.

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

At no time during the year, did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's shares) have an interest in the largest customer or any of the five largest suppliers of the Group for the year ended 31 December 2018.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$630,000.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 26 to 37 of this Annual Report.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2018 had been audited by the Company's auditor, Mazars CPA Limited, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on page 32.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2018.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by Mazars CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited.

On behalf of the Board
Enerchina Holdings Limited

SAM Nickolas David Hing Cheong
Chairman
Hong Kong, 21 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

STATEMENT OF COMPLIANCE

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

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

On 28 January 2019, Mr. Sam Nickolas David Hing Cheong was re-designated from acting chairman to chairman of the Company.

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 7 members (each member of the Board, a "Director"), including four Executive Directors, namely Mr. Sam Nickolas David Hing Cheong (re-designated as chairman on 28 January 2019), Mr. Chow Chi Wah Vincent (managing director), Mr. Wong Yat Fai and Ms. Wong Wan Men Margaret (appointed on 28 January 2019) and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan, one of the Independent Non-executive Directors have appropriate professional accounting experience and related financial management expertise and representing at least one-third of the Board. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in pages 16 to 18 of this Annual Report.

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

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

The term of office of each Non-executive Director or Independent Non-executive Director is for a period of 1 year, from 1 January 2018 to 31 December 2018, subject to retirement by rotation and re-election in accordance with the Bye-laws.

In accordance with bye-laws 84(1) and 84(3) of the Bye-laws of the Company (the "Bye-laws"), Ms. WONG Wan Men Margaret, Mr. HUNG Cho Sing and Mr. CHAN Hak Kan will retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election threat.

CORPORATE GOVERNANCE REPORT

Responsibilities of the Board and Management

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

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

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

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

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

During the year 2018, the Board held 2 regular Board meetings (within the meaning of the Code) at approximately quarterly intervals, 21 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and a special general meeting were also held during the year. Details of individual attendance of Directors are set out below:

	No. of regular Board meetings attended	**No. of other Board meetings attended**	**No. of general meetings attended**
Executive Directors			
Sam Nickolas David Hing Cheong *(Re-designated as Chairman on 28 January 2019)*	2	21	2
Chow Chi Wah Vincent	2	21	2
Wong Yat Fai	2	18	2
Independent Non-executive Directors			
Cheung Wing Ping	2	12	2
Hung Cho Sing	2	12	2
Chan Hak Kan	2	12	1
Chui Kark Ming *(Resigned on 1 April 2018)*	1	4	1
Ma Ka Ki *(Retired on 4 June 2018)*	1	4	1

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

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

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

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

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

	Corporate Governance/ Updates on laws, rules and regulations	
	Read materials	**Attend briefings/ in-house workshop**
Executive Directors		
Sam Nickolas David Hing Cheong *(Re-designated as Chairman on 28 January 2019)*	✓	✓
Chow Chi Wah Vincent	✓	✓
Wong Yat Fai	✓	✓
Independent Non-executive Directors		
Cheung Wing Ping	✓	✓
Hung Cho Sing	✓	✓
Chan Hak Kan	✓	✓
Chui Kark Ming *(Resigned on 1 April 2018)*	✓	✓
Ma Ka Ki *(Retired on 4 June 2018)*	✓	✓

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year the role of the Chairman, Mr. Sam Nickolas David Hing Cheong, remains separate from that of the Managing Director, Mr. Chow Chi Wah Vincent. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

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

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

Responsibilities of Directors

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

- attending regular board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse in related party transaction; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

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

- review of the policies and practices adopted by the Company, trainings for directors and senior management, and code of conduct and compliance manual, etc;
- review the continuing connected transactions and the annual cap; and
- review of the compliance with the Code and the disclosure of this report;
- review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee; and
- adoption of revised corporate governance practices relating to risk management system and internal audit function as well as amendments to the terms of reference of the Audit Committee to reflect the new requirement of risk management system.

Board Committees

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong, and three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

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

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

During the year 2018, the Remuneration Committee:

– reviewed the remuneration policy for 2018/2019;

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

– made recommendation to the Board on the above matters.

The Remuneration Committee held 2 meetings during 2018 with individual attendance as follows:

Members of Remuneration Committee	No. of meeting(s) attended
Cheung Wing Ping	2
Sam Nickolas David Hing Cheong	2
Hung Cho Sing	2
Chan Hak Kan	2
Chui Kark Ming *(Resigned as member on 1 April 2018)*	1
Ma Ka Ki *(Retired as member on 4 June 2018)*	1

The remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration bands (HK$)	Number of person(s)
Nil to 1,000,000	1
1,000,001 to 2,000,000	1
2,000,001 to 2,500,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

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

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

During 2018, the Audit Committee:

– reviewed financial statements for the year ended 31 December 2017 and for the six months ended 30 June 2018;

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

– reviewed the external auditor's audit findings;

– reviewed and approved remuneration of auditor for 2017 and recommended the reappointment of auditor;

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

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

As at 31 December 2018, the arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters was in place. No reporting has been received by Audit Committee during the year.

The Audit Committee held 3 meetings during the year. Details of individual attendance of its members are as follows:

Members of Audit Committee	**No. of meeting(s) attended**
Cheung Wing Ping	3
Hung Cho Sing	3
Chan Hak Kan	3
Chui Kark Ming *(Resigned as member on 1 April 2018)*	2
Ma Ka Ki *(Retired on 4 June 2018)*	2

CORPORATE GOVERNANCE REPORT

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

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

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

During the year 2018, the Nomination Committee:

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

– reviewed the board diversity policy;

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

– reviewed and made recommendations to the Board on re-election of retiring Directors at the 2018 annual general meeting.

The Nomination Committee held 1 meeting during the year 2018 with individual attendance as follows:

Members of Nomination Committee	**No. of meeting(s) attended**
Cheung Wing Ping	1
Sam Nickolas David Hing Cheong	1
Hung Cho Sing	1
Chan Hak Kan	1
Chui Kark Ming *(Resigned on 1 April 2018)*	1
Ma Ka Ki *(Retired on 4 June 2018)*	1

The Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively as well as the independent factors set out in the Listing Rules, etc., and made recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2018, all Directors have complied with the required standard set out in the Model Code.

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR

Mazars CPA Limited ("Mazars") provided professional services in respect of the audit of the Company's consolidated financial statements prepared under HKFRSs for the year ended 31 December 2018.

Fee charged by Mazars in respect of audit service for the year 2018 amounted to HK$2,020,000. Non-audit services fees charged by Mazars were as follows:

Description of service performed	**Fee**
	HK$'000
Professional services in connection with the environmental, social and governance review	60
Professional services in connection with the interim review	300
Professional services in connection with the internal control review	240
Professional services in connection with the proposed rights issue	200
Professional services in connection with the tax compliance	291

INTERNAL CONTROL

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

GOING CONCERN

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

COMPANY SECRETARY

Mr. Chow Chi Wah, Vincent has been the Company secretary and an employee of the Group since 2016. The company secretary supports the Board by ensuring an unimpeded flow of information within the Board and that policies and procedures formulated by the Board are followed. He is responsible for advising the Board through the chairman and chief executive officer on governance matters and facilitates induction and professional development of the Directors.

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

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

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

(b) Procedures for putting forward proposals at general meetings

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

(c) Communication with shareholders and investors

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

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

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

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

At the 2018 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemised in the notice, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their duly appointed delegates and representatives of Mazars attended the 2018 Annual General Meeting and answered questions from the Shareholders.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows of the Group for the year. The statement of the auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 53 to 58.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "Report") of Enerchina Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2018 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

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

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

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 21 March 2019.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in investment holdings, trading and investment of securities, securities brokerage services, placing and underwriting services, corporate financial advisory services, margin financing services, money lending services and investment advisory and management services. The Group operates in Hong Kong. Particulars of the Group's principal entities are set out in note 42 to the consolidated financial statements for the year ended 31 December 2018.

Strategies

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Objectives

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

Environmental objectives:

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

Social objectives:

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

Approach

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and social management system comprises:

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

Measures for the achievement of environmental and social objectives are:

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

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

Stakeholder Engagement and Materiality

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL DISCLOSURE AND KPIs

A. Environmental

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

Aspect A1: Emissions

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

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

- **Air and Greenhouse Gas Emissions**

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

  – ***Air and Greenhouse Gas Emissions from Production***

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

  – ***Air and Greenhouse Gas Emissions from Vehicles and a Yacht***

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

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

    KPI A1.1 Emissions from vehicles

	2018 (g)	2017 (g)
Types of emissions		
NO_x	1,179	1,203
SO_x	66	59
Particulate Matter ("PM")	87	89

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

GHG emissions in total are 196 tonnes for the year ended 31 December 2018 (2017: 454 tonnes), which includes scope 1, scope 2, and scope 3 emissions as disclosed below.

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

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

	2018 (kg)	2017 (kg)
Types of emissions		
Carbon Dioxide ("CO_2")	116,341	300,067
Methane ("CH_4")	147	358
Nitrous Oxide ("N_2O")	15,108	38,668
Total GHG emissions	131,596	339,093

– ***Indirect Greenhouse Gas Emissions from Electricity Consumption***

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

	2018 (kg)	2017 (kg)
Types of emissions		
CO_2 equivalent emission	58,336	107,852
Total GHG emissions	58,336	107,852

– ***Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills***

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

To reduce paper usage, we have incorporated the principles of the "3Rs" (Reduce, Reuse, and Recycle) into our business activities. We target to establish a paperless office by using electronic administrative platforms and communication channels to our staff as well as customers whenever possible.

– ***Indirect Greenhouse Gas Emissions from Business Travel by Employees***

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Activities from which indirect GHG emissions arise:

	2018 (kg)	2017 (kg)
• Paper waste disposed at landfills		
Types of emissions		
CO_2 equivalent emission	3,780	4,830
• Business air travel by employees		
Types of emissions		
CO_2 equivalent emission	1,937	1,890
Total GHG emissions	5,717	6,720

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

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

  – ***Hazardous Waste***

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

    KPI A1.3 Total hazardous waste produced and intensity

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– ***Non-hazardous Waste***

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

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

	2018 (Tonnes)	**2017** (Tonnes)
Non-hazardous waste produced – Landfill	0.96	3
	(Tonnes/per employee)	(Tonnes/per employee)
Non-hazardous waste intensity	0.024	0.0625

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

In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2018.

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

Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill without recycling. We consider such measures had been achieved for the year ended 31 December 2018.

• **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A2: Use of Resources

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

- **Efficient Use of Energy**

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

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

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

	2018	**2017**
	(kWh in'000s)	(kWh in'000s)
Direct energy consumption by type		
Non-renewable fuel consumed	395	1,012
Electricity purchased for consumption	74	137
Total energy consumed	469	1,149
	(kWh in'000s/ per employee)	(kWh in'000s/ per employee)
Total energy consumption intensity	12	24

- **Water Consumption**

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

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

  KPI A2.2 Water consumption in total and intensity

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2018.

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

The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2018.

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

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

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

Aspect A3: The Environment and Natural Resources

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

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

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impacts on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2018 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

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

Employment and Labour Practices

Aspect B1: Employment

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

- **Compensation and Dismissal**

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

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

- **Recruitment and Promotion**

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

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

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

  We are committed to maintaining a safe and hygienic workplace by regularly monitoring the physical conditions of our office and branches including with regards to cleanliness, indoor air quality, pest controls, security, fire precautions etc..

- **Protecting Employees from Occupational Hazards**
  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to employees. In addition, the Group has a comprehensive insurance plan in place providing medical benefits for all staff and covering accidents occurring in our premises. Health and safety incidents are reported to management and are promptly dealt with.

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

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B3: Development and Training

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

- **Employee Development**

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

- **Training Activities**

  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer services standards. Furthermore, on-job training including coaching by supervisors, job rotation and shadowing, are offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during their performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate. During the year, all directors received the training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the code on continuous professional development.

Aspect B4: Labour Standards

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

- **Preventing Child and Forced Labour**

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

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

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

Operating Practices

Aspect B5: Supply Chain Management

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and monitoring. We also consider suppliers' ESG performance as well as related qualifications including ISO 14001 and OHSAS 18001. In addition, we regularly evaluate suppliers' performance and require suppliers to take remedial measures where this performance is sub-standard. We even terminate our business relationships if suppliers fail to meet our quality standards. Our suppliers are also required to strictly comply with all applicable laws and regulations.

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

- **Health and Safety**
  The Group is fully responsible for our services. We ensure health and safety relating to our services provided. We strictly follow the internal policies and regulatory requirements when delivering our services and regularly review our services quality and seek customer feedback to identify areas of improvement. Apart from complying with regulations relating to custody of customer assets, we protect our clients' assets by adopting adequate controls such as maintaining designated trust accounts to manage customers' funds, which are audited regularly by independent accountants.

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

- **Labelling**
  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights are protected. In our daily operations, we explain to our customers the underlying risks derived from our financial products and facilitate their financial decision-making process. We ensure that the information and marketing materials we provided do not contain any misleading content, and perform preventive measures, including implementation of "Know-Your-Customers" procedures, to protect customers' interests more effectively.

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Aspect B7: Anti-corruption

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

Our expectations on employees' ethical requirements and conduct are stipulated in our Employee Handbook, which is distributed and communicated to all employees. The Group has established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, trainings are regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud, and money-laundering matters.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2018, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

Community

Aspect B8: Community Investment

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

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

OPINION

We have audited the consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 147, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matters
Valuation of unlisted financial assets designated at fair value through other comprehensive income ("Designated FVOCI")	
As at 31 December 2018, the Group has unlisted Designated FVOCI of approximately HK$643,702,000 which is stated at fair value based on valuations carried out by independent qualified professional valuer (the "Valuer"). We identified the valuation of unlisted Designated FVOCI as a key audit matter due to the significance of carrying amounts to the consolidated financial statements and the significant judgement associated with determining the fair value. Details of the related disclosures of unlisted Designated FVOCI are set out in notes 4, 16 and 37 to the consolidated financial statements.	Our key procedures in relation to management's assessment on the valuation of unlisted Designated FVOCI included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding of the valuation process and techniques adopted by the Valuer; • Evaluating and challenging the appropriateness of the model used by the Valuer to calculate the fair value; • Challenging the reasonableness of key assumptions and variables based on our knowledge of the business and industry; and • Obtaining the valuation reports to assess the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the management and the Valuer.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matters
Loss allowance for expected credit loss ("ECL") on loan and interest receivables from money lending business	
We identified the loss allowance for ECL on loan and interest receivables from money lending business as a key audit matter due to the application of significant judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. Management assessed the provision for ECL of loan and interest receivables based on probability-weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances. In particular, as detailed in note 36 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the five largest clients represents 30% and 95% of the total loans to money lending clients as at 31 December 2018 respectively. As any impairment of such receivables will have a significant impact on the Group's financial position and financial performance, we consider impairment assessment of such receivables as a key audit matter. The carrying value of the loan and interest receivables from money lending business was HK$330,422,000 as at 31 December 2018, in respect of which loss allowance of HK$9,945,000 on ECL has been made during the year. Further details are set out in notes 4 and 21 to the consolidated financial statements.	Our key audit procedures in relation to management's recoverability assessment of loan and interest receivables from money lending business included: • Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables from money lending business; • Assessing and evaluating the design of controls with respect to the identification of receivables with overdue or default payments or insufficient collateral; and • Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience and subsequent settlement of the loan and interest receivables.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2018 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21 March 2019

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000 (Represented)
Revenue	5	**(94,493)**	55,472
Other income	6	**75,714**	49,614
Other gains and losses	8	**5,420**	143,477
Net unrealised fair value gain on financial assets at fair value through profit or loss ("FVPL")	10	**183,199**	399,605
Impairment losses in respect of available-for-sale investments		**–**	(130,012)
Depreciation of property and equipment	15	**(20,821)**	(25,587)
Employee benefits expenses	10	**(25,035)**	(92,426)
Other expenses		**(89,031)**	(144,731)
Share of results of associates	17	**(1,812)**	41,531
Loss on early settlement of promissory notes		**–**	(153,622)
Finance costs	9	**(54,382)**	(57,013)
(Loss) Profit before taxation	10	**(21,241)**	86,308
Income tax credit (expense)	11	**19,865**	(65,019)
(Loss) Profit for the year		**(1,376)**	21,289
Other comprehensive (loss) income:			
Items that will not be reclassified to profit or loss			
Fair value change on Designated FVOCI	16	**(1,073,983)**	–
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**(48,644)**	65,220
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal		**–**	55,082
Fair value change on available-for-sale investments		**–**	(62,553)
		(48,644)	57,749
Total other comprehensive (loss) income for the year		**(1,122,627)**	57,749
Total comprehensive (loss) income for the year		**(1,124,003)**	79,038
(Loss) Profit for the year attributable to:			
Owners of the Company		**21,035**	57,464
Non-controlling interests		**(22,411)**	(36,175)
		(1,376)	21,289
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(1,047,261)**	113,021
Non-controlling interests		**(76,742)**	(33,983)
		(1,124,003)	79,038
		HK cents	*HK cents*
Earnings per share	14		
Basic		**0.50**	2.41
Diluted		**0.50**	2.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Non-current assets			
Property and equipment	15	**78,641**	137,342
Designated FVOCI	16	**1,953,087**	–
Available-for-sale investments	16	**–**	2,372,424
Interests in associates	17	**5,207**	578,255
Intangible assets	18	**3,908**	3,908
Other investment	19	**–**	179,426
Held-to-maturity investments		**–**	29,290
Other deposits	20	**4,316**	520
Loan receivables	21	**22,098**	28,841
Deposit paid for acquisition of property and equipment	32	**140,000**	77,014
		2,207,257	3,407,020
Current assets			
Trade, loan and other receivables	21	**709,262**	446,098
Income tax recoverable		**2,757**	–
Promissory note receivable	17	**192,229**	–
Financial assets at FVPL	22	**2,585,350**	2,790,718
Other investment	19	**171,233**	–
Structured deposits	23	**–**	265,550
Bank balances – trust and segregated accounts	24	**10,297**	8,801
Cash and cash equivalents	24	**1,390,337**	850,229
		5,061,465	4,361,396
Current liabilities			
Trade and other payables	25	**510,260**	292,039
Income tax payable		**1,017**	110,820
Loan payables	26	**–**	895,000
Promissory note payable	33	**193,770**	–
		705,047	1,297,859
Net current assets		**4,356,418**	3,063,537
Total assets less current liabilities		**6,563,675**	6,470,557
Non-current liabilities			
Deferred taxation	27	**64,257**	131,193
		64,257	131,193
NET ASSETS		**6,499,418**	6,339,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Capital and reserves			
Share capital	28	**290,588**	145,294
Reserves		**6,123,427**	5,937,049
Equity attributable to owners of the Company		**6,414,015**	6,082,343
Non-controlling interests	42	**85,403**	257,021
TOTAL EQUITY		**6,499,418**	6,339,364

The consolidated financial statements on pages 59 to 147 were approved and authorised for issue by the Board of Directors on 21 March 2019 and are signed on its behalf by:

Sam Nickolas David Hing Cheong
Director

Chow Chi Wah Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of the Company										Non-controlling interests			
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Warrant reserve HK$'000	Special reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000 (Note v)	Share option reserve HK$'000 (Note 29)	Retained earnings HK$'000	Total HK$'000	Share of other equity components HK$'000	Investment revaluation reserve HK$'000	Total HK$'000	Total HK$'000
At 1 January 2017		71,939	3,042,891	(95,098)	544	13,360	383,950	(56,692)	17,939	986,645	4,365,478	243,808	(7,570)	236,238	4,601,716
Profit (Loss) for the year		–	–	–	–	–	–	–	–	57,464	57,464	(36,175)	–	(36,175)	21,289
Other comprehensive income (loss)															
Items that are reclassified or may be reclassified subsequently to profit or loss															
Exchange differences arising on translation to presentation currency		–	–	65,220	–	–	–	–	–	–	65,220	–	–	–	65,220
Fair value change on available-for-sale investments reclassified to profit or loss upon disposal		–	–	–	–	–	–	48,593	–	–	48,593	–	6,489	6,489	55,082
Fair value change on available-for-sale investments		–	–	–	–	–	–	(58,256)	–	–	(58,256)	–	(4,297)	(4,297)	(62,553)
Total other comprehensive income for the year		–	–	65,220	–	–	–	(9,663)	–	–	55,557	–	2,192	2,192	57,749
Total comprehensive income for the year		–	–	65,220	–	–	–	(9,663)	–	57,464	113,021	(36,175)	2,192	(33,983)	79,038
Transactions with owners:															
Contribution and distribution															
Warrants lapsed		–	–	–	–	(13,360)	–	–	–	13,360	–	–	–	–	–
Ex-gratia payment from warrant holders		–	–	–	–	–	–	–	–	66,798	66,798	–	–	–	66,798
Share options lapsed	29	–	–	–	–	–	–	–	(3,606)	3,606	–	–	–	–	–
Recognition of equity-settled share-based payments		–	–	–	–	–	–	–	97,793	–	97,793	–	–	–	97,793
Issue of new shares upon rights issue		35,969	888,620	–	–	–	–	–	–	–	924,589	–	–	–	924,589
Issue of new shares upon share swap		3,780	98,280	–	–	–		–	–	–	102,060	–	–	–	102,060
Issue of new shares upon exercise of share options		11,168	283,641	–	–	–	–	–	(97,793)	–	197,016	–	–	–	197,016
Issue of new shares upon placing of shares		22,338	304,273	–	–	–	–	–	–	–	326,611	–	–	–	326,611
Dividend paid	13	100	1,721	–	–	–	–	–	–	(58,078)	(56,257)	–	–	–	(56,257)
Transfer		–	–	–	–	–	–	–	–	(54,766)	(54,766)	54,766	–	54,766	–
		73,355	1,576,535	–	–	(13,360)	–	–	(3,606)	(29,080)	1,603,844	54,766	–	54,766	1,658,610
At 31 December 2017		145,294	4,619,426	(29,878)	544	–	383,950	(66,355)	14,333	1,015,029	6,082,343	262,399	(5,378)	257,021	6,339,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of the Company										Non-controlling interests				
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Special reserve HK$'000 (Note iv)	Investment revaluation reserve (recycling) HK$'000 (Note v)	Investment revaluation reserve (non-recycling) HK$'000 (Note vi)	Share option reserve HK$'000 (Note 29)	Retained earnings HK$'000	Total HK$'000	Share of other equity components 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		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
As restated		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
Profit (Loss) for the year		–	–	–	–	–	–	–	–	21,035	21,035	(22,411)	–	–	(22,411)	(1,376)
Other comprehensive loss																
Items that will not be reclassified to profit or loss																
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	16(a)	–	–	–	–	–	–	(9,417)	–	9,417	–	454	–	(454)	–	–
Fair value change on Designated FVOCI	16(a)	–	–	–	–	–	–	(1,019,652)	–	–	(1,019,652)	–	–	(54,331)	(54,331)	(1,073,983)
		–	–	–	–	–	–	(1,029,069)	–	9,417	(1,019,652)	454	–	(54,785)	(54,331)	(1,073,983)
Items that are reclassified or may be reclassified subsequently to profit or loss																
Exchange differences arising on translation to presentation currency		–	–	(48,644)	–	–	–	–	–	–	(48,644)	–	–	–	–	(48,644)
Total other comprehensive loss for the year		–	–	(48,644)	–	–	–	(1,029,069)	–	9,417	(1,068,296)	454	–	(54,785)	(54,331)	(1,122,627)
Total comprehensive loss for the year		–	–	(48,644)	–	–	–	(1,029,069)	–	30,452	(1,047,261)	(21,957)	–	(54,785)	(76,742)	(1,124,003)
Transactions with owners:																
Contribution and distribution																
Share options lapsed	29	–	–	–	–	–	–	–	(14,333)	14,333	–	–	–	–	–	–
Issue of new shares upon rights issue	28(a)	145,294	1,119,824	–	–	–	–	–	–	–	1,265,118	–	–	–	–	1,265,118
Dividend paid	13	–	–	–	–	–	–	–	–	(58,118)	(58,118)	–	–	–	–	(58,118)
		145,294	1,119,824	–	–	–	–	–	(14,333)	(43,785)	1,207,000	–	–	–	–	1,207,000
Changes in ownership interests																
Acquisition of non-controlling interests in a subsidiary	33	–	–	–	–	(383,950)	–	(25,450)	–	317,207	(92,193)	(234,735)	–	25,450	(209,285)	(301,478)
Non-controlling interests arising from acquisition of a subsidiary	32	–	–	–	–	–	–	–	–	–	–	75,000	–	–	75,000	75,000
		–	–	–	–	(383,950)	–	(25,450)	–	317,207	(92,193)	(159,735)	–	25,450	(134,285)	(226,478)
		145,294	1,119,824	–	–	(383,950)	–	(25,450)	(14,333)	273,422	1,114,807	(159,735)	–	25,450	(134,285)	980,522
At 31 December 2018		**290,588**	**5,739,250**	**(78,522)**	**544**	**–**	**–**	**(856,748)**	**–**	**1,318,903**	**6,414,015**	**80,707**	**–**	**4,696**	**85,403**	**6,499,418**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Notes:

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

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

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

(iv) Special reserve represents the difference between the consideration received and the amount by which the non-controlling interests is adjusted as a result of the change in ownership of interests in a subsidiary without loss of control.

(v) Investment revaluation reserve (recycling) comprises the accumulated net change in the fair value of Mandatory FVOCI, if any, at the end of the reporting period and is dealt with in accordance with the accounting policies adopted. The reserve as at 31 December 2017 comprises the accumulated gains and losses arising on the revaluation of available-for-sale investments measured at fair value that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired, in accordance with HKAS 39.

(vi) Investment revaluation reserve (non-recycling) comprises the accumulated net change in the fair value of Designated FVOCI that have been recognised in other comprehensive income, net of the amounts reclassified to retained earnings when those investments are disposed of.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
OPERATING ACTIVITIES			
(Loss) Profit before taxation		**(21,241)**	86,308
Depreciation of property and equipment	15	**20,821**	25,587
Interest expenses	9	**54,382**	57,013
Interest income	5, 6	**(65,421)**	(44,840)
Loss (Gain) on disposal of property and equipment	8	**24,292**	(910)
Provision for (Reversal of) impairment loss in respect of loan receivables	8	**9,945**	(2,898)
Gain on disposal of subsidiaries	31	**(136,680)**	–
Loss of disposal of an associate	17	**68,129**	–
Gain on disposal of financial assets at amortised cost		**(965)**	–
Loss on disposal of available-for-sale investments		**–**	1,713
Impairment losses in respect of available-for-sale investments		**–**	130,012
Recovery of doubtful consideration receivables		**–**	(135,378)
Share of results of associates	17	**1,812**	(41,531)
Loss on early settlement of promissory notes		**–**	153,622
Dividend income	5	**(161,214)**	(204,651)
Share-based payment expenses		**–**	97,793
Changes in working capital			
Other deposits		**(3,796)**	(42)
Financial assets at FVPL		**205,368**	129,049
Trade, loan and other receivables		**(324,084)**	322,284
Bank balances — trust and segregated accounts		**(1,496)**	34,370
Trade and other payables		**218,746**	(18,355)
Cash (used in) generated from operations		**(111,402)**	589,146
Interest paid on other borrowings and margin financing		**(42,090)**	(47,095)
Income tax refunded (paid)		**1,925**	(853)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(151,567)**	541,198

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
INVESTING ACTIVITIES			
Purchase of structured deposits		**(1,578,767)**	(265,550)
Redemption of structured deposits		**1,832,191**	206,555
Deposits paid for acquisition of property and equipment		**–**	(8,617)
Deposit refunded (paid) for an investment		**–**	15,000
Dividend received		**161,214**	16,012
Interest received		**51,568**	44,838
Purchase of property and equipment	15	**(11,412)**	(323)
Proceeds from disposal of property and equipment		**25,000**	1,757
Purchase of available-for-sale investments		**–**	(1,700,015)
Proceeds from disposal of available-for-sale investments		**–**	484,471
Purchase of Designated FVOCI		**(835,899)**	–
Proceeds from disposal of Designated FVOCI	16(a)	**480,121**	–
Purchase of held-to-maturity investments		**–**	(29,288)
Proceeds from disposal of financial assets at amortised cost		**30,255**	–
Purchase of other investment		**–**	(179,426)
Net cash inflow arising from disposal of subsidiaries	31	**52,940**	50,000
Receipts of consideration receivables, net of withholding tax	21(f)	**116,813**	–
Acquisition of associates		**–**	(7,275)
Proceeds from disposal of an associate	17	**324,731**	–
Net cash outflow arising from acquisition of a subsidiary	32	**(125,000)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**523,755**	(1,371,861)
FINANCING ACTIVITIES			
Drawdown of loan payables	30	**410,000**	1,855,000
Repayment of loan payables	30	**(1,305,000)**	(1,210,000)
Ex-gratia payment from warrant holders		**–**	66,798
Repayment of promissory note payable		**–**	(1,209,918)
Issue of shares	28(a)	**1,265,118**	1,448,216
Dividend paid	13	**(58,118)**	(56,257)
Cash outflow arising from acquisition of non-controlling interests in a subsidiary	33	**(120,000)**	–
NET CASH FROM FINANCING ACTIVITIES		**192,000**	893,839
Net increase in cash and cash equivalents		**564,188**	63,176
Cash and cash equivalents at beginning of year		**850,229**	743,898
Effect on exchange rate changes on cash and cash equivalents		**(24,080)**	43,155
Cash and cash equivalents at end of year, represented by cash and bank balances		**1,390,337**	850,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. GENERAL

Enerchina Holdings Limited (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 2018 annual report of the Company.

The Company and its subsidiaries (together 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.

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

Annual Improvements 2014-2016 Cycle

HKFRS 1: Deletion of short-term exemptions for first-time adopters

The amendments delete the paragraphs of certain short-term exemptions and related effective dates which provided reliefs that are no longer applicable. The reliefs had been available to entities only for reporting periods that had passed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

Annual Improvements 2014-2016 Cycle (Continued)

HKAS 28: Measuring an associate or joint venture or its subsidiaries at fair value

The amendments clarify that the election to measure associates or joint ventures at fair value or retain the fair value measurement applied by investment entity, associates or joint ventures can be made separately for each associate or joint venture at the relevant date.

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

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

  (i) the determination of the business model within which a financial asset is held;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 9: Financial Instruments (Continued)

(a) (Continued)

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous carrying amounts under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1 January 2018 as summarised below:

	Investment revaluation reserve (recycling)	Investment revaluation reserve (non-recycling)	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018				
Reclassification	66,355	(66,355)	–	–
Fair value gain upon initial application of HKFRS 9	–	264,126	39,409	303,535
Increase	66,355	197,771	39,409	303,535

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 9: Financial Instruments (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

As at 1 January 2018

Measurement category under HKAS 39	Carrying amount under HKAS 39	Re-measurement on transition to HKFRS 9	Measurement category and carrying amount under HKFRS 9		
			Amortised cost	Designated FVOCI	FVPL
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets (note i)					
Listed equity securities not held for trading, at fair value	1,498,610	–	–	1,498,610	–
Unlisted equity security not held for trading, at fair value	100,000	–	–	100,000	–
Unlisted equity securities not held for trading, at cost	773,814	303,535	–	1,077,349	–
Loans and receivables (note ii)					
Other investment	179,426	–	179,426	–	–
Trade, loan and other receivables	474,869	–	474,869	–	–
Structured deposits	265,550	–	265,550	–	–
Bank balances- trust and segregated accounts	8,801	–	8,801	–	–
Cash and cash equivalents	850,229	–	850,229	–	–
Financial assets at FVPL (note iii)					
Listed equity securities held for trading	2,630,254	–	–	–	2,630,254
Unlisted investment funds held for trading	160,464	–	–	–	160,464
Held-to-maturity investments					
Listed secured senior notes (note iv)	29,290	–	29,290	–	–
	6,971,307	303,535	1,808,165	2,675,959	2,790,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 9: Financial Instruments (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

Notes:

(i) The listed and unlisted equity securities that were previously classified as available-for-sale financial assets amounted to HK$2,372,424,000 are now classified as Designated FVOCI since, at the date of initial application, these investments are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies and are designated as Designated FVOCI.

Related fair value loss of HK$71,733,000 (of which HK$5,378,000 was attributable to non-controlling interests) as at 1 January 2018 were transferred from investment revaluation reserve (recycling) to investment revaluation reserve (non-recycling) on 1 January 2018.

Besides, the unlisted investments of HK$773,814,000 were previously accounted at cost under HKAS 39. The difference (HK$303,535,000, of which HK$39,409,000 was attributable to non-controlling interests) between the previous carrying amount and the fair value of HK$1,077,349,000 as at 1 January 2018 was recognised in investment revaluation reserve (non-recycling) at that date.

(ii) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

(iii) The listed equity securities and unlisted investment funds that were previously classified as financial assets at FVPL amounted to HK$2,630,254,000 and HK$160,464,000 respectively continue to be classified as financial assets at FVPL because, at the date of initial application, the Group's business model is to hold these investments for sale.

(iv) The listed secured senior notes that were previously classified as held-to-maturity investments amounted to HK$29,290,000 are now classified as financial assets at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Expected credit loss ("ECL")

The ECL model under HKFRS 9 requires an entity to account for ECL and changes in those ECL 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. Impairment based on ECL model on these financial assets upon the adoption of HKFRS 9 has no significant financial impact to the consolidated financial statements.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 15: Revenue from Contracts with Customers (Continued)

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application), if any. Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed, if any, at 1 January 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 has no significant effect on the recognition and measurement of the Group's revenue.

Change in presentation

The management considers it to be more appropriate to present all income from securities trading and investments, including interest and dividend income from investment and realised gain/loss from sales of investments, under revenue in the consolidated statement of profit or loss and other comprehensive income. Comparatives for the year ended 31 December 2017 have been represented as follows.

	2018			2017		
	Before reclassification	**Effect of reclassification**	**As reported**	As previously reported	Effect of reclassification	As represented
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**41,651**	**(136,144)**	**(94,493)**	85,560	(30,088)	55,472
Other income	**240,807**	**(165,093)**	**75,714**	259,356	(209,742)	49,614
Gain on financial assets at FVPL	**(118,038)**	**118,038**	**–**	159,775	(159,775)	–
Net unrealised fair value gain on financial assets at FVPL	**–**	**183,199**	**183,199**	–	399,605	399,605

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for Designated FVOCI and financial assets at FVPL, which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

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

In the Company's statement of financial position which is presented in note 43 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Associates

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

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

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

Property and equipment

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Intangible assets

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

Financial instruments

Financial assets

Recognition and derecognition

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

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement – applicable from 1 January 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement – applicable from 1 January 2018 (Continued)

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include other investment, trade, loan and other receivables, promissory note receivable, structured deposits, bank balances-trust and segregated accounts and cash and cash equivalents.

2) *Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's Designated FVOCI include listed and unlisted equity securities not held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement – applicable from 1 January 2018 (Continued)

3) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities and unlisted investment funds held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement – applicable before 1 January 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

Before 1 January 2018, the Group classified its financial assets into one of the following categories:

1) *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

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

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

2) *Held-to-maturity investments*

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

3) *Loans and receivables*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement – applicable before 1 January 2018 (Continued)

4) *Available-for-sale financial assets*

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

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

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

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

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

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9

Applicable from 1 January 2018

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information
(ii) nature of instrument
(iii) nature of collateral
(iv) industry of debtors
(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Applicable from 1 January 2018 (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Applicable from 1 January 2018 (Continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables other than margin clients, without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Applicable before 1 January 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at FVPL, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Objective evidence of impairment could include:

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

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

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Cash equivalents

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

Revenue recognition

Dividend income from financial assets is recognised when the Company's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

Applicable from 1 January 2018

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

Business A: Securities brokerage, financial, consultancy and corporate financial services

Business B: Securities trading and investments

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Applicable from 1 January 2018 (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

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

- Commission income for broking business is recorded as income at point in time on a trade date basis;

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

- Advisory and other fee income is recognised over time when the relevant transactions have been arranged or the relevant services have been rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Applicable from 1 January 2018 (Continued)

Interest income

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

- Other interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Applicable before 1 January 2018

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

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

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

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

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

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

Foreign currency translation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

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

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

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

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

Impairment of non-financial assets

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

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

As lessee

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

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

Employee benefits

Short term employee benefits

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

Retirement benefit costs

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

Long service payments

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

Share-based payment transactions

Equity-settled share-based transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

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

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

Related parties

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

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

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

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

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3. FUTURE CHANGES IN HKFRSs

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

Annual Improvements to HKFRSs	2015–2017 Cycle[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 19	Employee benefits[1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKASs 1 and 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial information for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 16 Leases

HKFRS 16, which will be effective for annual periods beginning on or after 1 January 2019, significantly changes, among others, the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise right-of-use and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The initial application of HKFRS 16 will result in recognition of right-of-use assets and lease liabilities for certain leases of the Company that are currently classified as operating leases under HKAS 17. Subsequently, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively. The total amount charged to profit or loss for each reporting period is not expected to be significantly different from the operating lease expense recognised under HKAS 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

Fair value estimation

The Group's unlisted Designated FVOCI have been valued based on the valuation from an independent professional valuer. The valuation requires the Group to make some estimation on a number of significant unobservable inputs associated with the investment. As at 31 December 2018, the Group has unlisted Designated FVOCI of approximately HK$643,702,000. Details of the key assumption and inputs used in the valuation are set out in note 37 to the financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets at amortised cost including trade, loan and other receivables, other investment, structured deposits, bank balance-trust and segregated account and cash and cash equivalents by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in note 36 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5. REVENUE

	Note	2018 HK$'000	2017 HK$'000 (Represented)
Fee and commission income		**2,541**	10,895
Advisory and other fee income		**330**	1,560
Net loss on sales of financial assets at FVPL	(a)	**(301,237)**	(239,830)
Interest income from:			
– margin clients		**16,408**	22,460
– loan receivables		**22,372**	50,645
– listed bonds at FVPL		**3,608**	4,000
– financial assets at amortised cost/held-to-maturity investments		**271**	1,091
		42,659	78,196
Dividend income from:			
– financial assets at FVPL		**95,498**	16,012
– Designated FVOCI held at the reporting date		**55,109**	–
– Designated FVOCI derecognised during the reporting period		**10,607**	–
– available-for-sale investments		**–**	188,639
		161,214	204,651
	(b)	**(94,493)**	55,472

Note:

(a) The amount represented the proceeds from the sale of financial assets at FVPL of HK$1,372,636,000 (2017: HK$1,579,214,000) less relevant costs and carrying value of the investments sold of HK$1,673,873,000 (2017: HK$1,819,044,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5. REVENUE (Continued)

Note: (Continued)

(b) In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

Year ended 31 December 2018	**Financial services** *(defined in note 7)* ***HK$'000***
Timing of revenue recognition:	
Fee and commission income	
– at a point in time	**2,541**
Advisory and other fee income	
– over time	**330**
Total revenue from contracts with customers within HKFRS 15	**2,871**

6. OTHER INCOME

	2018 ***HK$'000***	2017 *HK$'000* *(Represented)*
Interest income on:		
– bank deposits	**35,352**	37,613
– promissory note receivable (Note 17)	**13,853**	–
– other investment	**11,969**	722
– others	**368**	1,414
	61,542	39,749
Forfeiture of non-refundable deposit received upon termination of contract	**10,222**	–
Others	**3,950**	9,865
	75,714	49,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7. SEGMENT INFORMATION

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

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

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

(b) securities trading and investments; and

(c) money lending.

Segment revenue and results

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

For the year ended 31 December 2018

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	19,279	–	–	19,279
Revenue from securities trading and investments	–	(136,144)	–	(136,144)
Revenue from money lending	–	–	22,372	22,372
Total revenue	19,279	(136,144)	22,372	(94,493)
Net unrealised fair value gain on financial assets at FVPL	–	183,199	–	183,199
Segment revenue	19,279	47,055	22,372	88,706
Segment loss	(14,042)	(20,932)	(10,379)	(45,353)
Unallocated other income				61,296
Net exchange loss				(29,834)
Other gains and losses				44,259
Share of results of associates				(1,812)
Unallocated finance costs				(12,292)
Central corporate expenses				(37,505)
Loss before taxation				(21,241)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2017

	Financial services *HK$'000*	Securities trading and investments *HK$'000* *(Represented)*	Money lending *HK$'000*	Consolidated *HK$'000* *(Represented)*
Revenue				
Revenue from financial services	34,915	–	–	34,915
Revenue from securities trading and investments	–	(30,088)	–	(30,088)
Revenue from money lending	–	–	50,645	50,645
Total revenue	34,915	(30,088)	50,645	55,472
Net unrealised fair value gain on financial assets at FVPL	–	399,605	–	399,605
Segment revenue	34,915	369,517	50,645	455,077
Segment profit (loss)	10,842	176,373	(3,323)	183,892
Unallocated other income				38,332
Net exchange gain				6,855
Other gains and losses				136,297
Share of results of associates				41,531
Loss on early settlement of promissory notes				(153,622)
Unallocated finance costs				(9,918)
Central corporate expenses				(157,059)
Profit before taxation				86,308

Segment revenue includes revenue from financial services, securities trading and investments and money lending operations. In addition, the chief operating decision makers also consider net unrealised fair value gain on financial assets at FVPL as segment revenue.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2018

	Financial services	Securities trading and investments	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	313,794	4,615,029	744,790	5,673,613
Unallocated property and equipment				68,272
Interests in associates				5,207
Other investment				171,233
Deposit paid for acquisition of property and equipment				140,000
Unallocated other receivables				75,633
Income tax recoverable				2,757
Promissory note receivable				192,229
Unallocated cash and cash equivalents				939,778
Consolidated assets				7,268,722
Segment liabilities	30,888	470,508	307	501,703
Unallocated other payables				8,557
Income tax payable				1,017
Promissory note payable				193,770
Deferred taxation				64,257
Consolidated liabilities				769,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2017

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
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, structured deposits, income tax recoverable and certain cash and cash equivalents.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2018

	Financial services *HK$'000*	**Securities trading and investments** *HK$'000*	**Money lending** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	**(16,481)**	**(4,180)**	**(22,387)**	**(61,153)**	**(104,201)**
Interest expenses	**–**	**21,583**	**20,507**	**12,292**	**54,382**
Provision for impairment loss in respect of loan receivables	**–**	**–**	**9,945**	**–**	**9,945**
Loss on disposal of property and equipment	**–**	**–**	**–**	**24,292**	**24,292**
Gain on disposal of financial assets at amortised cost	**–**	**(965)**	**–**	**–**	**(965)**
Net gain on disposal of subsidiaries	**–**	**–**	**–**	**(136,680)**	**(136,680)**
Loss on disposal of an associate	**–**	**–**	**–**	**68,129**	**68,129**
Depreciation of property and equipment	**45**	**–**	**936**	**19,840**	**20,821**

For the year ended 31 December 2017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

Revenue from the customers individually accounted for 10% or more of the Group's revenue, excluding revenue from securities trading and investments, for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A*	**8,431**	–
Customer B^	**–**	11,324
Customer C^	**–**	9,556

* Attributable to financial services segment and money lending segment.

^ Attributable to money lending segment.

8. OTHER GAINS AND LOSSES

	Note	**2018**	2017
		HK$'000	*HK$'000*
Net exchange (loss) gain		**(29,834)**	6,855
(Loss) Gain on disposal of property and equipment		**(24,292)**	910
Loss on disposal of available-for-sale investments		**–**	(1,713)
Gain on disposal of financial assets at amortised cost		**965**	–
Net gain on disposal of subsidiaries	31	**136,680**	–
Loss on disposal of an associate	17	**(68,129)**	–
(Provision for) Reversal of impairment loss in respect of loan receivables	36	**(9,945)**	2,898
Recovery of doubtful consideration receivables		**–**	135,378
Other losses		**(25)**	(851)
		5,420	143,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on loan payables	**23,943**	35,302
Interest on margin financing	**18,147**	11,793
Interest on the promissory note (Note 33)	**12,292**	9,918
	54,382	57,013

10. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2018	2017
	HK$'000	*HK$'000*
		(Represented)
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	**24,360**	25,606
Retirement benefit scheme contributions	**675**	713
Share-based payment expenses	**–**	66,107
	25,035	92,426
Auditor's remuneration	**2,020**	1,980
Operating leases in respect of rented premises	**10,631**	9,293
Net unrealised fair value gain on financial assets at FVPL	**(183,199)**	(399,605)
Entertainment expenses	**22,507**	29,202
Legal and professional fees	**8,294**	16,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11. INCOME TAX (CREDIT) EXPENSE

The two-tiered profits tax rates regime have been implemented from 1 April 2018, under which, the profit tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 December 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2017, Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**47,071**	43,812
Deferred taxation		
Origination and reversal of temporary difference (Note 27)	**(66,936)**	21,207
Income tax (credit) expense	**(19,865)**	65,019

Reconciliation of income tax (credit) expense

	2018	2017
	HK$'000	*HK$'000*
(Loss) Profit before taxation	**(21,241)**	86,308
Income tax at applicable tax rate	**(3,505)**	14,241
Tax effect of expenses not deductible for tax purpose	**39,272**	78,261
Tax effect of income not taxable for tax purpose	**(62,754)**	(70,426)
Tax effect of tax losses not recognised	**6,195**	44,601
Utilisation of tax losses previously not recognised	**(19,753)**	(2,323)
Unrecognised temporary differences	**28,012**	782
Recognition of tax losses previously not recognised	**(7,332)**	–
Others	**–**	(117)
Income tax (credit) expense for the year	**(19,865)**	65,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

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

The emoluments paid or payable to each of the 8 (2017: 10) directors were as follows:

	Year ended 31 December 2018								
	Executive Directors			Independent Non-executive Directors					
	Mr. Chow Chi Wah Vincent HK$'000 (Note d)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note d, e)	Mr. Wong Yat Fai HK$'000 (Note d)	Mr. Cheung Wing Ping HK$'000	Mr. Chui Kark Ming HK$'000 (Note c)	Mr. Ma Ka Ki HK$'000 (Note c)	Mr. Hung Cho Sing HK$'000 (Note d)	Mr. Chan Hak Kan HK$'000 (Note d)	Total HK$'000
Fees (Note a)	–	–	–	250	63	107	250	250	920
Other emoluments									
– salaries and other benefits (Note b)	1,200	1,596	600	–	–	–	–	–	3,396
– contributions to retirement benefit schemes	18	18	18	–	–	–	–	–	54
Total emoluments	1,218	1,614	618	250	63	107	250	250	4,370

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

Notes:

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

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

c. Mr. Chui Kark Ming and Mr. Ma Ka Ki resigned as independent non-executive directors on 1 April 2018 and 4 June 2018 respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2018 and 2017.

(ii) Employees' remuneration:

The five highest paid individuals of the Group included 2 (2017: 3) directors of the Company. Details of their emoluments are included in Note 12(i) above.

The emoluments of the remaining 3 (2017: 2) highest paid individuals for the year are set out as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and other emoluments	**4,848**	2,759
Contribution to retirement benefits schemes	**54**	32
	4,902	2,791

The emoluments of the individuals are within the following bands:

	2018	2017
	Number of employees	*Number of employees*
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

13. DIVIDENDS

Final dividend of HK$0.015 per share amounting to approximately HK$87,176,000 in respect of the year ended 31 December 2018 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

The directors of the Company have declared and paid a final dividend in respect of the year ended 31 December 2017 of HK$0.01 per share amounting to approximately HK$29,059,000 during the year ended 31 December 2018 (2017: Nil).

During the year ended 31 December 2018, the directors of the Company have declared and paid an interim dividend of HK$0.005 per share amounting to approximately HK$29,059,000 in respect of the six months ended 30 June 2018 (2017: declared and paid an interim dividend of HK$0.004 per share in respect of the six months ended 30 June 2017 with an option to receive new and full paid share in lieu of cash).

14. EARNINGS PER SHARE

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

Earnings

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company, for the purpose of basic and diluted earnings per share	**21,035**	57,464

Number of shares

	2018	2017
Weighted average number of ordinary shares, for the purpose of basic and diluted earnings per share	**4,211,540,224**	2,387,083,168

Note:

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 and 2017 has been adjusted to reflect the effect of rights issue during the year ended 31 December 2018 but there is no impact on the respective calculation before the date of rights issue as there is no bonus element in such rights issue. Details of which have been set out in note 28(a) to the consolidated financial statements.

The computation of diluted earnings per share for the year ended 31 December 2018 and 2017 did not assume the exercise of certain share option since their assumed exercise during the years would have an anti-dilutive effect on the basic earnings per share amount presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Yacht	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2017	730	154,100	40,880	17,846	213,556
Additions	–	250	73	–	323
Disposals	–	–	–	(1,400)	(1,400)
At 31 December 2017	730	154,350	40,953	16,446	212,479
Additions	–	–	176	11,236	11,412
Disposals	–	(65,000)	–	–	(65,000)
Disposals of subsidiaries	–	–	(6)	–	(6)
At 31 December 2018	**730**	**89,350**	**41,123**	**27,682**	**158,885**
ACCUMULATED DEPRECIATION					
At 1 January 2017	709	17,236	27,153	5,005	50,103
Provided for the year	17	15,424	6,699	3,447	25,587
Eliminated on disposals	–	–	–	(553)	(553)
At 31 December 2017	726	32,660	33,852	7,899	75,137
Provided for the year	4	10,560	6,131	4,126	20,821
Eliminated on disposals	–	(15,708)	–	–	(15,708)
Eliminated on disposals of subsidiaries	–	–	(6)	–	(6)
At 31 December 2018	**730**	**27,512**	**39,977**	**12,025**	**80,244**
CARRYING VALUES					
At 31 December 2018	**–**	**61,838**	**1,146**	**15,657**	**78,641**
At 31 December 2017	4	121,690	7,101	8,547	137,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16. DESIGNATED FVOCI/AVAILABLE-FOR-SALE INVESTMENTS

	Note	2018 HK$'000	2017 HK$'000
Designated FVOCI			
Equity securities – listed			
Listed in Hong Kong		**1,165,840**	–
Listed in the United States		**104,645**	–
		1,270,485	–
Equity securities – unlisted	(b)	**682,602**	–
	(a)	**1,953,087**	–
Available-for-sale investments			
At fair value			
Equity securities – listed			
Listed in Hong Kong		**–**	1,470,267
Listed in the People's Republic of China (the "PRC")		**–**	28,343
		–	1,498,610
Equity securities – unlisted	(b)	**–**	100,000
	(a)	**–**	1,598,610
At cost			
Unlisted investments		**–**	961,037
Less: Impairment losses		**–**	(187,223)
	(b), (c)	**–**	773,814
		1,953,087	2,372,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16. DESIGNATED FVOCI/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes:

(a) At 1 January 2018, the Group irrevocably designated certain investments in equity securities as Designated FVOCI as disclosed in note 2 because these equity securities represent investments that the Group intends to hold for long term for strategic purposes. The Group considers the accounting treatments under this classification provide more relevant information for those investments.

At 31 December 2018, the fair value of each investment classified as Designated FVOCI is as follows.

	Note	*HK$'000*
Equity securities – Listed		
Shengjing Bank Co., Ltd.		**647,900**
Evergrande Health Industry Group Limited		**187,306**
The HongKong And Shanghai Hotels, Limited		**129,941**
X Financial		**104,645**
Kingston Financial Group Limited		**54,732**
Renhe Commercial Holdings Company Limited		**33,382**
Dawnrays Pharmaceutical (Holdings) Limited		**23,717**
Imagi International Holdings Limited		**20,590**
Tai United Holdings Limited		**19,823**
Others		**48,449**
		1,270,485
Equity securities – unlisted		
Satinu Resources Group Limited	(b)	**406,083**
Co-Lead Holdings Limited	(b)	**110,708**
青騅投資管理有限公司		**69,702**
Freewill Holdings Limited		**57,209**
Others		**38,900**
		682,602
		1,953,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16. DESIGNATED FVOCI/AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(a) (Continued)

During the year ended 31 December 2018, Designated FVOCI of HK$480,121,000 were disposed of because they no longer matched with the Group's investment strategy. The cumulative gain of HK$9,871,000 that was previously included in the investments revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2018.

During the year ended 31 December 2018, the net fair value loss on Designated FVOCI of HK$1,073,983,000 (2017: net fair value loss on available-for-sale investments of HK$62,553,000) was recognised in other comprehensive income.

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period. Details of the fair value measurements are set out in note 37 to the consolidated financial statements.

(b) As at 31 December 2018, the amount represented the investments in unlisted equity securities issued by private entities. Included in the unlisted investments as at 31 December 2018, the Group held approximately 2.95% (2017: 3.71%) of the share capital of Co-Lead Holdings Limited ("Co-Lead") in the amount of HK$110,708,000 (2017: HK$100,000,000) and 10.34% (2017: 8.83%) of the issued shares of Satinu Resources Group Limited ("Satinu") in the amount of HK$406,083,000 (2017: HK$688,639,000), which are companies incorporated in the British Virgin Islands ("BVI"). Co-Lead and its subsidiaries principally engage in securities trading and investment holding business in Hong Kong and Satinu and its subsidiaries principally engage in integrated financial services, securities brokerage services, money lending, securities and other direct investments in Hong Kong.

The fair values of the unlisted investments are determined based on valuations carried out by an independent qualified professional valuer. Details of the fair value measurements are set out in note 37 to the consolidated financial statements.

(c) At 31 December 2017, the investments in unlisted equity securities issued by private entities are held for an indefinite long term strategic purpose. The available-for-sale investments were measured at cost less impairment at the end of each reporting period because the directors were of the opinion that their fair values could not be measured reliably given that the range of reasonable fair value estimates is significant and the probabilities of the various estimates could not be reasonably assessed. These unlisted investments were reclassified to Designated FVOCI as at 1 January 2018 as disclosed in note 2 to the consolidated financial statements.

17. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Unlisted shares		
Shares of net assets	**5,088**	352,877
Goodwill	**119**	225,378
	5,207	578,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17. INTERESTS IN ASSOCIATES (Continued)

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

Name of entities	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Principal activities
				2018	2017	
				%	%	
HEC Securities Company Limited ("HEC Securities") (Note)	BVI	Hong Kong	Ordinary	–	30	Investment holding, trading and investment of securities
Eternal Bullion Holding Group ("Eternal")	BVI	Hong Kong	Ordinary	**25**	25	Investment holding, investment advisory and management services
Topwish Holdings Limited ("Topwish")	BVI	Hong Kong	Ordinary	**25**	25	Investment holding and trading and investment of securities

Note:

HEC Securities

As at 31 December 2017, the Group had 30% equity interests 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 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 or loss during the year.

During the year ended 31 December 2018, the Group recognised interest income of HK$13,853,000 for the promissory notes. At the end of the reporting period, the carrying amount of promissory note maturing on 31 December 2019 was approximately HK$192,229,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17. INTERESTS IN ASSOCIATES (Continued)

Fair value of investments

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

Financial information of associates

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

	Eternal	Topwish
At 31 December 2018	*HK$'000*	*HK$'000*
Gross amount		
Non-current assets	–	12,606
Current assets	277	39,933
Current liabilities	(14)	(32,449)
Equity	263	20,090
Reconciliation		
Gross amount of equity	263	20,090
Group's ownership interests	25%	25%
Group's share of equity	66	5,022
Goodwill	92	27
Carrying amount of interests	158	5,049

	Eternal	Topwish
Year ended 31 December 2018	*HK$'000*	*HK$'000*
Gross amount		
Revenue	–	4,621
Loss from continuing operations	(187)	(7,062)
Other comprehensive income	–	–
Total comprehensive loss	(187)	(7,062)
Group's ownership interests	25%	25%
Group's share of results	(47)	(1,765)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17. INTERESTS IN ASSOCIATES (Continued)

Financial information of associates (Continued)

At 31 December 2017	HEC Securities *HK$'000*	Eternal *HK$'000*	Topwish *HK$'000*
Gross amount			
Non-current assets	438	–	12,647
Current assets	1,346,140	511	24,636
Current liabilities	(193,320)	(62)	(10,132)
Equity	1,153,258	449	27,151
Reconciliation			
Gross amount of equity	1,153,258	449	27,151
Group's ownership interests	30%	25%	25%
Group's share of equity	345,977	112	6,788
Goodwill	225,259	92	27
Carrying amount of interests	571,236	204	6,815

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

18. INTANGIBLE ASSETS

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

19. OTHER INVESTMENT

Other investment represents unlisted unit trusts in the PRC issued by an independent financial institution. The investment is in principal amount of RMB150,000,000 (equivalent to approximately HK$171,233,000) (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.

20. OTHER DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Statutory and other deposits with exchanges and clearing houses	**4,316**	520

The above deposits are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21. TRADE, LOAN AND OTHER RECEIVABLES

	Note	2018 HK$'000	2017 HK$'000
Trade receivables			
Trade receivables arising from the business of securities brokerage			
– cash clients		**83**	76
– margin clients	(b)	**241,301**	22,978
– Hong Kong Securities Clearing Company Limited ("HKSCC")	(c)	**22,768**	–
	(a)	**264,152**	23,054
Trade receivable arising from the provision of corporate finance advisory services		**10**	–
		264,162	23,054
Loan receivables			
Loan and interest receivables from independent third parties		**340,367**	220,292
Less: Loss allowance	36	**(9,945)**	–
	(d)	**330,422**	220,292
Less: Non-current portion		**(22,098)**	(28,841)
Current portion		**308,324**	191,451
Other receivables			
Deposits with securities brokers	(e)	**55,421**	78,471
Receivable arising from recovery of doubtful consideration receivables	(f)	**–**	136,210
Other receivable from non-controlling shareholder	32	**60,000**	–
Other receivables, deposits and prepayments		**21,355**	16,912
		136,776	231,593
		709,262	446,098

The trade, loan and other receivables of HK$709,262,000 are expected to be recovered within one year, except for the deposits of HK$9,954,000 *(2017: HK$5,765,000)*, which are expected to be recovered after more than one year.

Information about the Group's exposure to credit risks and loss allowance for trade, loan and other receivables is included in note 36 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes:

(a) No aging analysis by invoice date is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of brokerage business. The Group offset certain trade receivable and trade payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 38 to the consolidated financial statements.

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% *(2017: 8% to 30%)* per annum for year ended 31 December 2018. The loans are secured by pledged marketable securities with a total fair value of approximately HK$1,376,032,000 *(2017: HK$687,730,000).* The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the years ended 31 December 2018 and 2017, no margin loans were granted to the directors of the Company nor directors of subsidiaries.

(c) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.

(d) At the end of the reporting period, loan receivables include fixed rate loan advances to independent third parties of approximately HK$14,918,000 *(2017: HK$45,474,000)* which are secured by the pledge of certain collaterals and personal guarantees, bearing interest ranging from 5% to 48% *(2017: 5% to 48%)* per annum and have contractual loan period between 6 months and 12 years *(2017: between 5 months and 12 years)* under the Group's money lending operation. The remaining balance of approximately HK$315,504,000 *(2017: HK$174,818,000)* include both fixed and variable rate loan advances to independent third parties which are unsecured, bearing interest ranging from 5% to 15% *(2017: 10% to 24%)* per annum and not overdue as at the end of reporting period. The contractual loan period for majority of the remaining balance is between 3 months and 3 years (2017: between 2 months and 3 years).

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their profession, salaries and current working position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. For the year ended 31 December 2018, a loss allowance of HK$9,945,000 is recognised for the loan receivables *(2017: Reversal of impairment loss of HK$2,898,000).* Details are set out in note 36 to the consolidated financial statements.

(e) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.

(f) During the year ended 31 December 2011, the Group disposed of its 100% equity interest in a subsidiary to CNOOC Gas & Power Group (the "CNOOC Gas" or "Buyer"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalised and the outstanding instalments of RMB357,642,000 (equivalent to approximately HK$429,858,000) were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK$93,132,000 for the year ended 31 December 2012.

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

In December 2017, the Group received a civil judgement in favour of the Group in relation to the litigation on the disposal, pursuant to which the Group was judged to receive approximately RMB85,545,000 (equivalent to approximately HK$102,327,000) together with related interest of approximately RMB28,326,000 (equivalent to approximately HK$33,883,000).

In February 2018, approximately RMB102,328,000 (equivalent to approximately HK$116,813,000) after deducting other taxes of approximately RMB11,543,000 (equivalent to approximately HK$13,628,000) of the judged consideration receivables was settled by the Buyer. For the remaining outstanding instalment, net of other expenses, of approximately RMB206,513,000, the Group is awaiting a decision from the Court. Based on the legal opinion of the Group's PRC lawyers, the directors are of the opinion that the outcomes are uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

22. FINANCIAL ASSETS AT FVPL

	2018 HK$'000	2017 HK$'000
Mandatorily measured at FVPL		
- Listed shares in Hong Kong	**2,328,186**	–
- Listed shares in the PRC	**201,426**	–
- Unlisted investment funds (Note)	**55,738**	–
Held for trading		
- Listed shares in Hong Kong	**–**	2,630,254
- Unlisted investment funds (Note)	**–**	160,464
	2,585,350	2,790,718

Note:

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

23. STRUCTURED DEPOSITS

The structured deposits were 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 annual coupon rate was between 2.57% and 4.65% *(2017: 4.25% and 4.5%)* during the year from inception date to maturity date of the deposit agreements. As at 31 December 2017, the principal amount of the structured deposits was RMB222,000,000 (equivalent to HK$265,550,000) with maturity date in April 2018. As of 31 December 2018, the structure deposits were matured and fully redeemed.

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

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions *(Note 25)*. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Cash and cash equivalents

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

Bank balances carry interest at prevailing market rate ranging from 0.01% to 0.3% *(2017: 0.01% to 3.50%)* per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

25. TRADE AND OTHER PAYABLES

	Note	2018 *HK$'000*	2017 *HK$'000*
Trade payables			
Trade payables arising from the business of securities brokerage			
- cash clients	(a)	**24,169**	2,140
- margin clients	(a)	**6,520**	6,607
- HKSCC	(b)	**–**	1,973
Secured margin loans from securities brokers	(c)	**460,944**	240,778
	21(a)	**491,633**	251,498
Other payables			
Other payables and accrued charges		**18,627**	40,541
		510,260	292,039

Notes:

(a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the directors of the Company, no aging analysis is disclosed as the aging 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 aging analysis is disclosed as in the opinion of directors of the Company, the aging 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 a range from 3.59% to 7.236% per annum (2017: 7.236% per annum). The total market value of equity securities, which are classified as financial assets at FVPL, pledged as collateral in respect of the loans was approximately HK$1,717,626,000 (2017: HK$738,272,000) as at 31 December 2018.

26. LOAN PAYABLES

	2018 *HK$'000*	2017 *HK$'000*
Unsecured borrowing		
– Other loans	**–**	895,000

Note:

The above loans from independent third parties as at 31 December 2017 were unsecured, interest bearing of 6% to 15% per annum and repayable within 1 year from drawdown date. In July 2018, all loans were repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position was as follows:

	Unrealised (gain) loss on financial assets at FVPL	**Depreciation allowance**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	(109,986)	–	–	(109,986)
Charge to profit or loss for the year (Note 11)	(21,207)	–	–	(21,207)
At 31 December 2017	(131,193)	–	–	(131,193)
Credit to profit or loss for the year (Note 11)	55,080	(1,180)	13,036	66,936
At 31 December 2018	(76,113)	(1,180)	13,036	(64,257)

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unrealised gain on financial assets at FVPL	**–**	–	**(76,113)**	(131,193)
Depreciation allowance			**(1,180)**	
Tax losses	**13,036**	–	**–**	–
Deferred tax asset (liabilities)	**13,036**	–	**(77,293)**	(131,193)
Offsetting	**(13,036)**	–	**13,036**	–
Net deferred tax liabilities	**–**	–	**(64,257)**	(131,193)

At the end of the reporting period, the Group had unrecognised temporary differences arising from unused tax losses and unrealised loss on financial assets at FVPL of approximately HK$858,692,000 and HK$169,731,000 respectively (2017: HK$1,083,887,000 and Nil respectively). Deferred tax assets have not been recognised due to the unpredictability of future profit available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.05 (2017: HK$0.05) each		
Authorised:		
At 1 January 2017	100,000,000,000	1,000,000
Share consolidation	(80,000,000,000)	–
At 31 December 2017, 1 January 2018 and 31 December 2018	**20,000,000,000**	**1,000,000**

	Note	Number of shares	Share capital *HK$'000*
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)	–
At 31 December 2017 and 1 January 2018		2,905,883,141	145,294
Issue of shares on rights issue	(a)	**2,905,883,141**	**145,294**
At 31 December 2018		**5,811,766,282**	**290,588**

Notes:

(a) 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 (the "Rights Issue"). The net proceeds from the Rights Issue after deducting related expenses were approximately HK$1,265,118,000. The Rights Issue was completed on 20 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

29. 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 year ended 31 December 2018, the remaining 15,000,000 *(2017: 93,599,000)* number of share options have lapsed upon expiry of the exercise period and share option reserve of HK$14,333,000 *(2017: HK$3,606,000)* has been transferred to retained earnings accordingly. No share options are granted during the year ended 31 December 2018 *(2017: 1,116,876,999).*

The following tables disclose details of the Company's share options held by eligible persons (including directors) and movement in such holdings during the years ended 31 December 2018 and 2017:

	Number of the share options			
Option scheme	**Outstanding at 1.1.2018**	**Lapsed**	**Outstanding at 31.12.2018**	**Exercisable at 31.12.2018**
2012 Scheme	**15,000,000**	**(15,000,000)**	**–**	**–**
Weighted average exercise price	**HK$3.00^**	**–**	**–**	**–**

^ 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

30. OTHER CASH FLOW INFORMATION

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

For the year ended 31 December 2018

	Loan payables *HK$'000*	**Promissory note payable** *HK$'000*	**Total** *HK$'000*
At 1 January 2018	**895,000**	**–**	**895,000**
Interest expenses	**23,943**	**12,292**	**36,235**
Interest paid	**(23,943)**	**–**	**(23,943)**
Acquisition of non-controlling interest in a subsidiary	**–**	**301,478**	**301,478**
Cash inflow (outflow) in financing activities:			
Drawdown of loan payables	**410,000**	**–**	**410,000**
Repayment of loan payables	**(1,305,000)**	**–**	**(1,305,000)**
Settlement of promissory note payable	**–**	**(120,000)**	**(120,000)**
At 31 December 2018	**–**	**193,770**	**193,770**

For the year ended 31 December 2017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31. 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 year. 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.

In September 2018, the Group entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Uptown WW Group Limited ("UWWGL"), which is incorporated in the Republic of the Marshall Islands, together with its wholly owned subsidiary, Enerchine Asset Management Limited, which is incorporated in Hong Kong (together the "UWWGL Group"), at a total consideration of HK$52,950,000 payable by cash. The principal activity of the UWWGL Group is investment holding. The disposal was completed in September 2018.

	Kingswood	**Kenson**	**UWWGL Group**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets disposed of				
Deposit paid for acquisition of property and equipment	–	–	77,014	77,014
Other deposits	426	–	377	803
Bank balance	55	–	10	65
Other payables	–	–	(9)	(9)
Income tax payable	–	(161,548)	–	(161,548)
	481	(161,548)	77,392	(83,675)
(Loss) Gain on disposal of subsidiaries	(426)	161,548	(24,442)	136,680
Consideration	55	–	52,950	53,005
Net cash inflow on disposal of subsidiaries				
Cash consideration received	55	–	52,950	53,005
Less: bank balance disposed of	(55)	–	(10)	(65)
	–	–	52,940	52,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

32. ACQUISITION OF A SUBSIDIARY

In July 2018, Pacific Stone Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with a third party, to acquire 62.5% equity interest of Noble Order Limited ("Noble Order"), at consideration of HK$125,000,000, which was settled by a zero-coupon three-month promissory note with principal amount of HK$125,000,000 which approximated its fair value. The principal activity of Noble Order is yacht owning. The acquisition was completed in July 2018. Upon completion of the transaction, Noble Order had become a non-wholly owned subsidiary of the Company. The promissory note was early settled in full by the Company in August 2018.

According to the sales and purchase agreement, the non-controlling shareholder of Noble Order agreed to pay the remaining 55% of the purchase price of the yacht amounting to EUR12,173,700 (equivalent to HK$110,000,000) by way of shareholder's contribution to Noble Order. The amount was recognised as receivable from the non-controlling shareholder at the date of acquisition.

Subsequent to the acquisition, the non-controlling shareholder has settled EUR5,533,500 (equivalent to HK$50,000,000) to the balance. Accordingly, as at 31 December 2018, the other receivable from non-controlling shareholder reduced to EUR6,640,200 (equivalent to HK$60,000,000), while the deposit paid for acquisition of property and equipment increased to EUR15,493,800 (equivalent to HK$140,000,000).

In the opinion of the directors, the acquisition does not constitute business combination as defined in HKFRS 3 (Revised) "Business Combinations". Therefore, the acquisition has been accounted for as acquisition of assets during the year.

The following summarises the consideration paid and the amounts of the assets acquired at the date of acquisition:

	HK$'000
Consideration	
Zero coupon three-month promissory note	125,000
Recognised amounts of identifiable assets acquired	
Deposit paid for acquisition of property and equipment	90,000
Other receivables from non-controlling shareholder	110,000
Total identifiable net assets	200,000
Non-controlling interests recognised (37.5%)	(75,000)
	125,000
Net cash outflow of acquisition of a subsidiary	
Settlement of zero coupon three-month promissory note	(125,000)
Net outflow of cash and cash equivalents for the year	(125,000)

The subsidiary made no significant contribution to the revenue and results of the Group for the current year after acquisition. The revenue and results of this subsidiary was also insignificant if the above acquisition had been take place at the beginning of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

In January 2018, the Company acquired the remaining 11.78% of Win Wind Capital Limited ("Win Wind") at consideration of HK$320,000,000, which was settled by a zero-coupon promissory note with principal amount of HK$320,000,000 maturing on 30 June 2019. The acquisition was completed in July 2018. Upon completion of the acquisition, Win Wind became a wholly owned subsidiary of the Company.

The carrying amount of the non-controlling interest in Win Wind and its subsidiaries ("Win Wind Group") at the date of acquisition was HK$209,285,000 which represented proportionate share of carrying amount of net assets of Win Wind Group, including the deficit balance of investment revaluation reserve (non-recycling) of HK$25,450,000 attributable to non-controlling interests. The fair value of the promissory note was approximately HK$301,478,000 at date of acquisition. The Group derecognised the non-controlling interest of HK$209,285,000 and recognised directly in retained earnings attributable to owners of the Company of HK$66,743,000 for the difference between (1) the amount by which the non-controlling interests are adjusted and (2) the fair value of the consideration payable and the relevant deficit balance of investment revaluation reserve (non-recycling) of HK$25,450,000.

Special reserve of HK$383,950,000, which represents the difference between the consideration received and the amount by which the non-controlling interests is adjusted as a result of the disposal of 11.78% equity interests in Win Wind in previous years, was transferred to the retained earnings attributable to owners of the Company upon completion of the transaction.

During the year ended 31 December 2018, the Company settled part of the promissory note of HK$120,000,000 and interest expense of HK$12,292,000 was recognised in profit or loss. At the end of the reporting period, the carrying amount of promissory note was approximately HK$193,770,000.

34. RELATED PARTY TRANSACTIONS

Except for the remuneration to the key management personnel, the Group does not have any significant related party transactions and balances for both years.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

35. CAPITAL RISK MANAGEMENT

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

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

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

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities dealings and broking, corporate finance and investment advisory services which are regulated entities under the Securities and Futures Commission and require to comply with Hong Kong Securities and Futures (Financial Resources) Rules (The "SF(FR)R") subject to the respective minimum capital requirements and liquid capital requirements. The management closely monitors, on a daily basis, the liquid capital requirements under SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by SF(FR)R throughout the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Note	2018 HK$'000	2017 HK$'000
Financial assets			
Mandatorily measured at FVPL		**2,585,350**	–
Amortised cost	(a)	**2,480,352**	–
Designated FVOCI		**1,953,087**	–
Held for trading		**–**	2,790,718
Loans and receivables	(b)	**–**	1,778,875
Available-for-sale investments		**–**	2,372,424
Held-to-maturity investments		**–**	29,290
Financial liabilities			
Amortised cost		**704,030**	1,187,039

Note:

(a) Financial assets at amortised cost include other investment, promissory note receivable, trade, loan and other receivables (excluding deposits and prepayments), bank balances – trust and segregated accounts and cash and cash equivalents.

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

Financial risk management objectives and policies

At 31 December 2018, the Group's major financial instruments include Designated FVOCI, other investment, trade, loan and other receivables, promissory note receivable, financial assets at FVPL, bank balances – trust and segregated accounts, cash and cash equivalents, trade and other payables, loan payables and promissory note payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

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

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

	Assets	
	2018	2017
	HK$'000	*HK$'000*
RMB	**867,465**	463,739
US$	**6,502**	10,474

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

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

Sensitivity analysis

At the end of the reporting period, if exchange rate of RMB had changed against the functional currencies of the respective group entities by 5% *(2017: 5%)* and all other variables were held constant, the Group's loss before taxation would decrease/increase by approximately HK$43,373,000 *(2017: profit before taxation would increase/decrease by approximately HK$23,187,000)* as a result of changes in fair value of investments.

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate loans to independent third parties. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances and variable-rate loans as a result of the change of market interest rate is insignificant due to low interest rates on bank balances and insignificant balance of variable-rate loans at the end of the reporting period, thus no sensitivity analysis is prepared for cash flow interest rate risk.

Equity price risk

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

Sensitivity analysis

At the end of the reporting period, if the quoted market prices of the equity securities had been 10% (2017: 15%) higher or lower while all other variables were held constant, the Group's loss for the year would decrease/increase by approximately HK$211,223,000 *(2017: profit for the year would increase/decrease by approximately HK$349,537,000)* as a result of changes in fair value of investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the investments of the Group would change in accordance with the market price and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant market price over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2017.

Credit risk

The carrying amount of financial assets on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Trade receivables from margin clients

The Group provides financing services only to recognised and creditworthy third parties. It is the Group's policy that all these margin clients are subject to credit verification procedures. The margin loans are secured by pledged marketable securities and margin facilities are set to ensure that certain proportion of the fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans.

The Group's customer base consists of a wide range of clients and the trade receivables from margin clients are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience over the past 3 years, loan to value ratio which determined using current trade receivable balances and pledged marketable securities and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

After considering the above factors, the management assess that all of the trade receivables from margin clients have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of trade receivables from margin clients to be insignificant, so no loss allowance was recognised during the year.

Loan receivables

Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group grants loans only to recognised and creditworthy third parties. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

As at 31 December 2018, the Group has concentration of credit risk as 30% and 95% (2017: 48% and 95%) of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively, within the money lending segment.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of four categories of internal credit rating. The information about the ECL for the loan receivables as at 31 December 2018 is summarised below. After considering the above factors, a loss allowance of HK$9,945,000 was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

At 31 December 2018

Internal credit rating	Gross carrying amount HK$'000	ECL	Loss allowance HK$'000	Net carrying amount HK$'000
Performing (Note i)	**287,639**	**12-month**	**3,262**	**284,377**
Underperforming (Note ii)	**51,089**	**Lifetime**	**5,109**	**45,980**
Not performing (Note iii)	**1,639**	**Lifetime**	**1,574**	**65**
Write off	**–**	**n/a**	**–**	**–**
	340,367		**9,945**	**330,442**

Note:

(i) Performing *(Normal Credit Quality)* refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised;

(ii) Underperforming *(Significant Increase in Credit Risk)* refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised;

(iii) Not performing *(Credit-impaired)* refers to the loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

Aging analysis

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

	2018 HK$'000	2017 HK$'000
Less than 1 month	**100,556**	–
1 to 3 months	**205,949**	17,473
4 to 6 months	**–**	38,520
7 to 12 months	**217**	121,338
Over 12 months	**23,700**	42,961
At the end of the reporting period	**330,422**	220,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

Aging analysis (Continued)

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Not yet past due	**330,357**	34,123
1 to 3 months past due	**–**	145,186
7 to 12 months past due	**–**	40,983
Over 12 months past due	**65**	–
At the end of the reporting period	**330,422**	220,292

Included in the Group's loan receivables balance as at 31 December 2017 with a carrying amount of 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 loss allowance for doubtful debt is considered necessary.

As at 31 December 2018, the Group recognised loss allowance of HK$9,945,000 (2017: Nil) on its loan receivables. The movement in the loss allowance for loan receivables during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2018				2017
	12-month ECL	**Lifetime ECL**			
	Performing	**Under-performing**	**Not performing**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
At the beginning of the reporting period, as previously reported	**–**	**–**	**–**	**–**	2,898
Effect of adoption of HKFRS 9	**–**	**–**	**–**	**–**	–
At the beginning of the reporting period, as restated	**–**	**–**	**–**	**–**	
Increase in allowance	**3,262**	**5,109**	**1,574**	**9,945**	–
Reversal of allowance upon recovery of loan	**–**	**–**	**–**	**–**	(2,898)
At the end of the reporting period	**3,262**	**5,109**	**1,574**	**9,945**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Other receivables and promissory note receivable

The Group considers that other receivables, other than deposits with financial institutions, and promissory note receivable have low credit risk based on the debtors' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default, therefore, the credit risk associated with other receivables is minimal. No loss allowance was recognised for both years.

Other investment

The Group entered into unlisted unit trusts with an independent financial institution in PRC during the years ended 31 December 2018 and 2017. The management considers that the counterparties are the financial institution with high credit rating and, therefore, the default risk is remote. No loss allowance was recognised for both years.

Deposits with financial institution

The credit risk on bank balances – trust and segregated accounts and cash and cash equivalents is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

Liquidity risk

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

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

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2018
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018					
Non-derivative financial liabilities					
Amounts due to cash and margin clients	–	30,689	–	30,689	30,689
Other payables and accrued charges	–	18,627	–	18,627	18,627
Secured margin loans from securities brokers	–	460,944	–	460,944	460,944
Promissory note payable	6.59%	200,000	–	200,000	193,770
		710,260	–	710,260	704,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

37. 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 CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE MEASUREMENTS (Continued)

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

Financial assets	Fair value as at 2018	Fair value as at 2017	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in listed equity securities classified as financial assets at FVPL	**Listed equity securities in:** **– Hong Kong HK$2,328,186,000** **– The PRC HK$201,426,000**	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$55,738,000**	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 Designated FVOCI	**Listed equity securities in:** **– Hong Kong HK$1,165,840,000** **– United States HK$104,645,000**	–	Level 1	Quoted bid prices in an active market
4) Investments in unlisted equity securities classified as Designated FVOCI	**HK$167,917,000**	–	Level 2	Determined by an independent professional qualified valuer by reference to available market information adjusting to reflect liquidity of the investments
5) Investments in unlisted equity securities classified as Designated FVOCI	**HK$475,785,000**	–	Level 3	Derived from unobservable inputs for the asset or liability
6) Investments in unlisted equity securities classified as Designated FVOCI	**HK$38,900,000**	–	Level 2	Estimated by external fund manager by reference to recent comparable transactions
7) 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
8) Investment in unlisted equity securities 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 was no transfer between Level 1 and Level 2 fair value measurement in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE MEASUREMENTS (Continued)

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

During the year ended 31 December 2017, there were no transfers into and out of Level 3 fair value measurement.

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the year ended 31 December 2018 are as follows:

Movements in Level 3 fair value measurements

Description	Investments in unlisted equity securities 2018 *HK$'000*
At the beginning of the year	–
Additions to Designated FVOCI upon initial adoption of HKFRS 9	
– Transfer to Designated FVOCI from available-for-sale investments at cost	744,226
Fair value gains upon initial application of HKFRS 9	303,535
Fair value losses in other comprehensive income (Note)	(571,976)
At the end of the reporting period	**475,785**

Note:

The above gains or losses are reported as "fair value change on Designated FVOCI" within other comprehensive income.

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FAIR VALUE MEASUREMENTS (Continued)

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

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Description	Fair value at 31 December 2018 HK$'000	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
Designated FVOCI				
(a) unlisted equity securities in BVI	406,083	Market approach	a) The mean of market value of invested capital-to-total asset ("MVIC/Total assets") ratios of the comparable companies of 0.7	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$16,269,000.
			b) The mean of price-to-net assets ("P/B") ratios of the comparable companies of 0.9	b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$12,931,000.
			c) Weighting factor of 50:50 for fair value arrived by MVIC/Total assets ratio and P/B ratio	c) If the weighting factor was changed to 55:45/45:55 for fair value arrived by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/increase by HK$11,114,000.
(b) unlisted equity securities in PRC	69,702	Market approach	a) The mean of MVIC/Total assets ratios of the comparable companies of 1.6	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$1,928,000.
			b) The mean of P/B ratios of the comparable companies of 1.5	b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$1,558,000.
			c) Weighting factor of 50:50 for fair value arriving by MVIC/Total assets ratio and P/B ratio	c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would increase/decrease by HK$740,000.

The fair value of the unlisted equity securities without an active market classified in Level 3 fair value measurement was determined by the management based on the valuation from Grant Sherman Appraisal Limited, an independent professional qualified valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE MEASUREMENTS (Continued)

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

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.

(b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

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.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		
				Financial instruments	**Collateral pledged**	**Net amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Trade receivables from cash clients	**83**	**–**	**83**	**–**	**(27)**	**56**
Trade receivables from margin clients	**246,322**	**(5,021)**	**241,301**	**–**	**(241,301)**	**–**
Trade receivables from HKSCC	**26,605**	**(3,837)**	**22,768**	**–**	**–**	**22,768**
Financial assets at FVPL	**2,585,350**	**–**	**2,585,350**	**(460,944)**	**–**	**2,124,406**

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Trade receivables from cash clients	76	–	76	–	(30)	46
Trade receivables from margin clients	23,613	(635)	22,978	–	(22,779)	199
Trade receivables from HKSCC	68	(68)	–	–	–	–
Financial assets at FVPL	2,790,718	–	2,790,718	(240,778)	–	2,549,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Trade payables to cash clients	**(24,169)**	**–**	**(24,169)**	**–**	**–**	**(24,169)**
Trade payables to margin clients	**(11,541)**	**5,021**	**(6,520)**	**–**	**–**	**(6,520)**
Trade payables to HKSCC	**(3,837)**	**3,837**	**–**	**–**	**–**	**–**
Secured margin loans from securities brokers	**(460,944)**	**–**	**(460,944)**	**–**	**460,944**	**–**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Trade payables to cash clients	(2,140)	–	(2,140)	–	–	(2,140)
Trade payables to margin clients	(7,242)	635	(6,607)	–	–	(6,607)
Trade payables to HKSCC	(2,041)	68	(1,973)	–	–	(1,973)
Secured margin loans from securities brokers	(240,778)	–	(240,778)	–	240,778	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

39. OPERATING LEASE ARRANGEMENT

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**9,258**	7,308
In the second to fifth years inclusive	**1,534**	4,475
	10,792	11,783

Leases are negotiated for terms up to 2 years (2017: 3 years) and rentals are fixed over the respective leases.

40. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment	**60,000**	10,236

41. RETIREMENT BENEFIT SCHEMES

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

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 13% to 15% *(2017: 13% to 15%)* of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

During the year ended 31 December 2018, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are HK$675,000 (2017: HK$713,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2018		2017		
			Directly	Indirectly	Directly	Indirectly	
Ace Energy Holdings Limited	BVI – limited liability company	US$1	100	–	100	–	Investment holding
Citizens Money Lending Corporation Limited	Hong Kong – limited liability company	HK$10,000	–	100	–	100	Money lending
Enerchina Resources Limited	Hong Kong – limited liability company	HK$2	100	–	100	–	Provision of management services
Enerchine Corporate Finance Limited (Note iii)	Hong Kong – limited liability company	HK$10,000,000	–	100	–	88.22	Corporate finance advisory services
Enerchine Nominee Limited (Note iii)	Hong Kong – limited liability company	HK$1	–	100	–	88.22	Provision of nominee services
Global Mind Investment Limited (Note iii)	BVI – limited liability company	US$1	–	100	–	88.22	Investment holding
Kenson Investment Limited	Republic of the Marshall Islands – limited liability company	US$1	–	–	–	100	Securities trading and investments
Kenson Investment Limited	Bermuda – limited liability company	US$1	–	100	–	100	Securities trading and investments
Noble Order (Note 32)	BVI – limited liability company	HK$91,476,207		62.5	–	–	Holding of Yacht and motor vehicles
Nu Kenson Limited (Note iii)	BVI – limited liability company	US$1	–	100	–	88.22	Securities trading and investments
Roxy Link Limited	BVI – limited liability company	US$1	–	100	–	100	Securities investment
Smart Jump Corporation (Note iii)	BVI – limited liability company	US$1	–	100	–	88.22	Securities trading and investments
Uptown Enerchine Capital Limited	Cayman Islands – limited liability company	HK$0.001	–	100	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2018 Directly	2018 Indirectly	2017 Directly	2017 Indirectly	Principal activities
Uptown WW Group Limited	BVI – limited liability company	Nil	-	100	–	100	Holding of Yacht and motor vehicles
Uptown WW Value Investments Limited	BVI – limited liability company	Nil	-	100	–	100	Investment holding
Win Wind (Note iii)	BVI – limited liability company	US$2,359,000,000	100	-	88.22	–	Investment holding
Win Wind Corporate Services Limited (Note iii)	Hong Kong – limited liability company	HK$1	-	100	–	88.22	Provision of management services
WWind Investments Limited (Note iii)	BVI – limited liability company	Nil	-	100	–	88.22	Investment holding
Win Wind Resources Limited (Note iii)	Hong Kong – limited liability company	HK$150,000,001	-	100	–	88.22	Money lending
Win Wind Securities Limited (Note iii)	Hong Kong – limited liability company	HK$589,000,000	-	100	–	88.22	Securities brokerage and financial services
威華達信息管理(深圳)有限公司 (Note ii)	PRC – limited liability company	RMB10,000,000	100	-	100	–	Investment holding
深圳威華軒信息諮詢有限公司	PRC – limited liability company	RMB24,000,000	-	75	–	75	Investment holding

Notes:

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

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

(iii) Details of changes in ownership interests of subsidiaries are set out in note 33 to the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material non-controlling interests ("NCI")

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	Noble Order *HK$'000*	Win Wind Group *HK$'000*
At 31 December 2018		
Proportion of NCI's ownership interests	**37.5%**	**11.78%**
Non-current assets	**140,000**	**–**
Current assets	**60,000**	**–**
Current liabilities	**(3)**	**–**
Net assets	**199,997**	**–**
Carrying amount of NCI	**74,999**	**–**
Year ended 31 December 2018		
Revenue	**–**	**11,635**
Expenses	**(3)**	**(202,593)**
Loss for the year	**(3)**	**(190,958)**
Other comprehensive loss	**–**	**(166,518)**
Total comprehensive loss	**(3)**	**(357,476)**
Loss attributable to NCI	**(1)**	**(22,495)**
Other comprehensive loss attributable to NCI	**–**	**(19,616)**
Total comprehensive loss attributable to NCI	**(1)**	**(42,111)**
Net cash flows from (used in):		
Operating activities	**–**	**162,138**
Investing activities	**–**	**(14,763)**
Financing activities	**–**	**(119,917)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material NCI

	Win Wind Group
	HK$'000
At 31 December 2017	
Proportion of NCI's ownership interests	11.78%
Non-current assets	2,061,634
Current assets	1,451,394
Current liabilities	(916,423)
Non-current liabilities	(23,913)
Net assets	2,572,692
Carrying amount of NCI	251,396
Year ended 31 December 2017	
Revenue	79,785
Expenses	(369,820)
Loss for the year	(290,035)
Other comprehensive income	18,611
Total comprehensive loss	(271,424)
Loss attributable to NCI	(34,166)
Other comprehensive income attributable to NCI	2,192
Total comprehensive loss attributable to NCI	(31,974)
Net cash flows (used in) from:	
Operating activities	(71,446)
Investing activities	97,819
Financing activities	(260,147)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**4,092,855**	3,791,417
Amounts due from subsidiaries		**3,207,357**	2,040,584
Designated FVOCI		**20,591**	–
Available-for-sale investments		**–**	75,978
		7,320,803	5,907,979
Current assets			
Other receivables, deposits and prepayments		**1,452**	802
Cash and cash equivalents		**6,231**	405
		7,683	1,207
Current liabilities			
Other payables and accrued charges		**2,191**	2,280
Amounts due to subsidiaries		**1,106,842**	1,106,026
Promissory note payable		**193,770**	–
		1,302,803	1,108,306
Net current liabilities		**(1,295,120)**	(1,107,099)
NET ASSETS		**6,025,683**	4,800,880
Capital and reserves			
Share capital	28	**290,588**	145,294
Reserves	(a)	**5,735,095**	4,655,586
TOTAL EQUITY		**6,025,683**	4,800,880

This statement of financial position was approved and authorised for issue by the Board of Directors on 21 March 2019 and is signed on its behalf by:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

Note:

(a) Movement of the reserves

	Share premium HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000 (Note 29)	(Accumulated losses) Retained earnings HK$'000	Total HK$'000
At 1 January 2017	3,042,891	44,396	13,360	–	17,939	(801,544)	2,317,042
Profit for the year	–	–	–	–	–	779,370	779,370
Other comprehensive loss							
Items that are reclassified or may be reclassified subsequently to profit or loss							
Fair value change on available-for-sale investments	–	–	–	(26,081)	–	–	(26,081)
Total other comprehensive loss for the year	–	–	–	(26,081)	–	–	(26,081)
Total comprehensive income for the year	–	–	–	(26,081)	–	779,370	753,289
Transactions with owners:							
Contributions and distributions							
Warrants lapsed	–	–	(13,360)	–	–	13,360	–
Ex-gratia payment from warrant holders	–	–	–	–	–	66,798	66,798
Share options lapsed	–	-	–	-	(3,606)	3,606	–
Recognition of equity-settled share-based payments	–	–	–	–	97,793	–	97,793
Issue of new shares upon rights issue	888,620	-	–	-	–	-	888,620
Issue of new shares upon share swap	98,280	–	–	–	–	–	98,280
Issue of new shares upon exercise of share options	283,641	–	–	–	(97,793)	–	185,848
Issue of new shares upon placing of shares	304,273	–	–	–	–	–	304,273
Dividend paid	1,721	–	–	–	–	(58,078)	(56,357)
	1,576,535	–	(13,360)	–	(3,606)	25,686	1,585,255
At 31 December 2017	4,619,426	44,396	–	(26,081)	14,333	3,512	4,655,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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

Note: (Continued)

(a) Movement of the reserves (Continued)

	Note	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve (recycling) HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Share option reserve HK$'000 (Note 29)	Retained earnings (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2018		4,619,426	44,396	(26,081)	–	14,333	3,512	4,655,586
Impact on initial application of HKFRS 9		–	–	26,081	(26,081)	–	–	–
As restated		4,619,426	44,396	–	(26,081)	14,333	3,512	4,655,586
Loss for the year		–	–	–	–	–	(26,041)	(26,041)
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal		–	–	–	(8,900)	–	8,900	–
Fair value change on Designated FVOCI		–	–	–	43,844	–	–	43,844
Total other comprehensive income for the year		–	–	–	34,944	–	8,900	43,844
Total comprehensive income for the year		–	–	–	34,944	–	(17,141)	17,803
Transactions with owners:								
Contributions and distributions								
Share options lapsed	29	–	–	–	–	(14,333)	14,333	–
Issue of new shares upon rights issue	28(a)	1,119,824	–	–	–	–	–	1,119,824
Dividend paid	13	–	–	–	–	–	(58,118)	(58,118)
		1,119,824	–	–	–	(14,333)	(43,785)	1,061,706
At 31 December 2018		**5,739,250**	**44,396**	**–**	**8,863**	**–**	**(57,414)**	**5,735,095**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

44. EVENT AFTER THE REPORTING PERIOD

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

Proposed Change of Company

In February 2019, the Board proposes to change the name of the Company from "Enerchina Holdings Limited" to "Oshidori International Holdings Limited". The existing Chinese name of the Company of "威華達控股有限公司" used for identification purpose only as well as the Company logo will remain unchanged. The proposed change of company name will be subject to the approval from (i) passing of a special resolution by the Shareholders at the SGM; and (ii) the Registrar of Companies in Bermuda. Details of proposed change of company name were set out in the Company's announcements dated 1 February and 27 February 2019.

Proposed Share Premium Reduction

The Board proposes to put forward to the Shareholders a proposal to reduce the entire amount standing to the credit of the Share Premium Account of the Company pursuant to the laws of Bermuda and the Company's bye-laws.

As at 31 December 2018, the amount standing to the credit of the share premium account was HK$5,739 million. It is proposed that (i) the entire amount of HK$5,739 million standing to the credit of the share premium account be reduced to nil, (ii) the credit of approximately HK$5,682 million arising from the share premium reduction be transferred to the contributed surplus account, and (iii) the amount standing to the credit of the contributed surplus account following the share premium reduction be applied in any manner permitted by the laws of Bermuda and the bye-laws of the Company, including but not limited to setting off the entire amount of the accumulated losses of the Company.

Upon completion the Share Premium Reduction, the balance of the Share Premium Account will become nil and the credit balance of the contributed surplus account will be increased by approximately HK$5,682 million to approximately HK$5,726 million.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Represented)	*(Represented)*	*(Represented)*	*(Represented)*	
RESULTS					
Revenue	124,424	348,313	(91,113)	55,472	**(94,493)**
Net unrealised fair value gain (loss) on financial assets at FVPL	597,218	649,118	(878,900)	399,605	**183,199**
Profit (Loss) before taxation	652,750	864,084	(1,137,223)	86,308	**(21,241)**
Taxation	(141,474)	(151,013)	101,357	(65,019)	**19,865**
Profit (Loss) for the year	511,276	713,071	(1,035,866)	21,289	**(1,376)**
Attributable to:					
Owners of the Company	511,276	713,071	(941,990)	57,464	**21,035**
Non-controlling interests	–	–	(93,876)	(36,175)	**(22,411)**
Profit (Loss) for the year	511,276	713,071	(1,035,866)	21,289	**(1,376)**

	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	4,558,135	5,522,952	6,386,378	7,768,416	**7,268,722**
Total liabilities	(195,749)	(424,512)	(1,784,662)	(1,429,052)	**(769,304)**
	4,362,386	5,098,440	4,601,716	6,339,364	**6,499,418**
Equity attributable to owners of the Company	4,354,752	5,041,956	4,365,478	6,082,343	**6,414,015**
Convertible notes reserve	–	48,850	–	–	**–**
Non-controlling interests	7,634	7,634	236,238	257,021	**85,403**
	4,362,386	5,098,440	4,601,716	6,339,364	**6,499,418**