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Enerchina Holdings Limited
威華達控股有限公司*

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

DISCLOSEABLE TRANSACTION
IN RELATION TO THE DISPOSAL OF 30% OF THE ISSUED
SHARE CAPITAL IN THE TARGET COMPANY

THE DISPOSAL

On 18 January 2018 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 30% of the issued share capital of the Target Company at the Consideration of HK\$525 million.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Company is indirectly interested in approximately 8.02% of the issued share capital of the Purchaser, and the Purchaser is indirectly interested in 19,538,302 Shares, representing approximately 0.67% of the issued share capital of the Company. Save as disclosed, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Upon Completion, the Target Company will cease to be an associate of the Company and the Target Company will be reinstated as a wholly-owned subsidiary of the Purchaser. Accordingly, the Company will hold an indirect interest of approximately 8.02% of the issued share capital of the Target Group through its interests in the Purchaser.

* For identification purpose only

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 18 January 2018 (after trading hours)

Parties: (1) the Vendor, a wholly-owned subsidiary of the Company; and
(2) the Purchaser

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Company is indirectly interested in approximately 8.02% of the issued share capital of the Purchaser, and the Purchaser is indirectly interested in 19,538,302 Shares, representing approximately 0.67% of the issued share capital of the Company. Save as disclosed, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

The Sale Shares represent 30% of the issued share capital of the Target Company.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the purchase price paid to HIGL for the 2016 Acquisition; (ii) the resources both parties devoted in the course of the 2016 Acquisition and the Second Acquisition; and (iii) the Consideration being not less than (i).

The Purchaser has expressed that it has experienced unprecedented difficulties and frustrations in the 2016 Acquisition and the Second Acquisition with countless hours of manpower and substantial expenses over one year being unnecessarily spent. In addition, the termination of the Second Acquisition would also require the Purchaser to devote additional legal, administrative, and marketing efforts to cease using the name of Enerchina Securities and to rebuild the relationships between customers and business partners. In order to balance the mutual benefit and to maintain an amicable business relationship and future business cooperation, the Directors have negotiated the terms of the Consideration with the Zero-Coupon Promissory Notes.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Sale and Purchase Agreement is on normal commercial terms which are fair and reasonable, and the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

The Consideration for the Disposal is HK\$525 million and is payable by the Purchaser to the Vendor in accordance with the following manners:

- (1) the Purchaser shall pay a sum of HK\$125,000,000 in cash to the Vendor or its designated person upon the date of signing of the Sale and Purchase Agreement as partial payment and deposit (the “Deposit”); and
- (2) the Purchaser shall pay the balance of the Consideration in sum of HK\$400,000,000 by the issuance of the Zero-Coupon Promissory Notes in favour of the Vendor or its designated person on the Completion Date. The principal terms of the Zero-Coupon Promissory Notes are set out as below.

Zero-Coupon Promissory Notes

Issuer:	the Purchaser
Noteholder:	the Vendor or its designated person
Principal amount:	HK\$200,000,000 for each of the Zero-Coupon Promissory Notes
Maturity date:	Promissory Note A: 31 December 2018 Promissory Note B: 31 December 2019
Interest:	No interest
Transferability:	The Zero-Coupon Promissory Notes are transferable either in whole or in part to third party subject to the written consent from the Purchaser

Repayment:	The Zero-Coupon Promissory Notes shall be due and repayable to the noteholder(s) on the maturity date
Early Repayment:	The Purchaser may redeem all or part of the principal amount of the Zero-Coupon Promissory Notes at any time prior to the respective maturity dates
Status:	The Zero-Coupon Promissory Notes constitute direct, unconditional and unsubordinated obligations of the Purchaser and will at all times rank <i>pari passu</i> among themselves and will at all times rank at least <i>pari passu</i> with all other present and future creditors of the Purchaser

Conditions Precedent

Completion of the Disposal shall be conditional upon:

- (a) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (b) the Vendor's warranties shall remain to be true and correct in all material respects and there has not been any material breach of the Vendor's warranties.

If the conditions have not been fulfilled on or before the Long Stop Date for whatever reason, the Sale and Purchase Agreement shall cease and determine, and in such event, the Vendor shall refund the Deposit to the Purchaser in full without interest forthwith and thereafter neither party shall have any rights, obligations and liability towards each other thereunder save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Completion

Conditional upon fulfillment of the conditions precedent, the Disposal shall be completed on or before 4:00 p.m. on the Completion Date at such place in Hong Kong as may be agreed by the parties.

Upon Completion, the Target Company will cease to be an associate of the Company and the Target Company will be reinstated as a wholly-owned subsidiary of the Purchaser. Accordingly, the Company will hold an indirect interest of approximately 8.02% of the issued share capital of the Target Group through its interests in the Purchaser.

The Purchaser's Undertaking

The Purchaser hereby agrees and undertakes that it shall procure that the company name “Enerchina Securities Limited” be changed to such other name without the word of “Enerchina” or any other word similar to “Enerchina” within 6 months from the date of Completion.

Release in Relation to the 2016 Acquisition Agreement

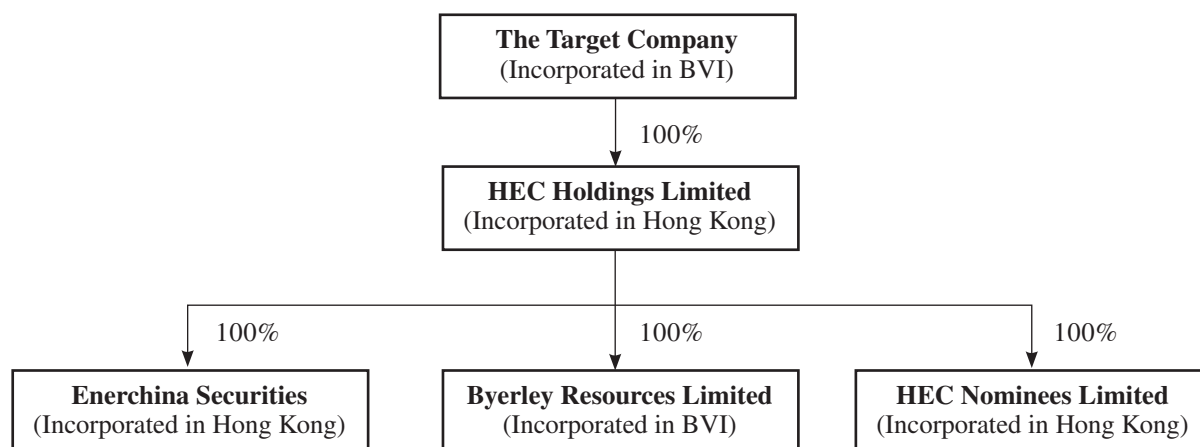
Upon Completion duly taking place pursuant to the terms of the Sale and Purchase Agreement, the Vendor shall (i) release and discharge all liabilities and obligations, whether actual or contingent, and whether present or future, on the part of HIGL (or its successor or assigns) under the 2016 Acquisition Agreement, particularly (but without limitation) those liabilities relating to the profit guarantee and non-competition; and (ii) the Vendor shall waive and renounce all its rights of first refusal pursuant to the terms of the 2016 Acquisition Agreement absolutely.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company with limited liability, incorporated in BVI, and through its subsidiary, Enerchina Securities, principally engages in the provisions of the financial services.

Enerchina Securities is a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. As at 30 June 2017, the Target Group had a total of 1,009 active clients. 261 of the active clients are corporations while 748 are individuals. 140 of the active clients maintained over HK\$8 million net asset value in their securities account as at 30 June 2017.

As at the date of this announcement, the shareholding structure of the Target Group is as follows:



INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company which is incorporated in BVI with limited liability. The Purchaser is the majority shareholder of the Target Company, holding 70% of the issued share capital thereof as at the date of this announcement.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon Completion, the Target Company will cease to be an associate of the Company and the Target Company will be reinstated as a wholly-owned subsidiary of the Purchaser. Accordingly, the Company will hold an indirect interest of approximately 8.02% of the issued share capital of the Target Group through its interests in the Purchaser.

Based on the Company's interim report for the 6 months ended 30 June 2017, the carrying value of the Target Group interested by the Company amounted to approximately HK\$559 million ("Interim NAV"). The estimated loss from the Disposal amounts to approximately HK\$34 million which is calculated at the Consideration less Interim NAV. This estimated loss from the Disposal will be recognised in the profit or loss of the Group.

It should be noted that the estimation above is for illustrative purpose only, the Company may or may not impair the carrying value of the Target Group subject to the financial position of the Target Group upon Completion and confirmation with the Company's auditors. Accordingly, the estimation above does not purport to represent how the financial position of the Group will be after Completion. However, the Company considers the Disposal will have no material effect on the financial position and the operations of the Company.

The Board intends to use the sale proceeds from the Disposal as additional working capital of the Group as well as reserve for any possible investment opportunities.

FINANCIAL INFORMATION OF THE TARGET GROUP

The audited financial information of the Target Group for the three financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 and for the three months ended 30 June 2017 are set out as follows:

	For the year ended 31 March 2015 audited HK\$'000	For the year ended 31 March 2016 audited HK\$'000	For the year ended 31 March 2017 audited HK\$'000	For the three months ended 30 June 2017 audited HK\$'000
Net asset/(liabilities)	(99,167)	(129,874)	1,112,647 (Note)	1,112,849
Net profit/(loss) before taxation	7,319	(30,707)	143,193	3,517
Net profit/(loss) after taxation	7,319	(30,707)	142,521	202

Note:

During the year ended 31 March 2017, current account balance of HK\$1.1 billion that due to then holding company of the Target Group is waived by capitalization.

As at 30 June 2017, the Target Group has net assets of over HK\$1,112.84 million and total assets of approximately HK\$1,482.18 million with over 99% of the Target Group's total assets consisting of current assets being cash and margin loan receivables with marketable securities worth approximately HK\$6,824.12 million as collateral. The Target Group's margin loan receivables account for over 74% of its total asset and generate interest income at an annual rate with a range from 5% to 30%. Although price cutting strategies on brokerage commission and margin financing interest rate among the securities firms are common, the turnover and other revenue of the Target Group remain strong and have grown 2.38 times from approximately HK\$75.93 million for the year ended 31 March 2015 to approximately HK\$256.74 million for the year ended 31 March 2017. The Target Group increased its margin financing interest rates during the past two years, interest income from margin financing grew 9.66 times from approximately HK\$7.86 million for the year ended 31 March 2015 to HK\$83.79 million for the year ended 31 March 2017.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

In order to increase the Company's competitiveness in the financial services industry in Hong Kong, the Company acquired 30% of the issued share capital in the Target Group as disclosed in the 2016 Announcement and intended to acquire the remaining 70% of the issued share capital in the Target Group as disclosed in the 2017 Announcement. The financial performance of the Target Group had improved since the 2016 Acquisition and with the management's continuous efforts to negotiate for better terms in the Second Acquisition, the profit guarantee undertaken by the Vendor was revised upward and the guaranteed period was extended. However, the despatch of the circular relating to the Second Acquisition had been repeatedly delayed as a result of protracted regulatory processes. The additional information required by regulators has resulted in multiple revisions which utilised substantial manpower, financial resources and with no end in sight. Given the foregoing, the Board has concluded that it is highly unlikely for the Company to acquire the entire issued share capital of the Target Company within the anticipated time frame as agreed by both parties. Therefore, the Purchaser and the Vendor have entered into a termination agreement on 29 December 2017 to terminate the Second Acquisition. As at the date of this announcement, the Company indirectly holds 30% of the issued share capital of the Target Company. Upon Completion, the Target Company will cease to be an associate of the Company and the Target Company will be reinstated as a wholly-owned subsidiary of the Purchaser. Accordingly, the Company will hold an indirect interest of approximately 8.02% of the issued share capital of the Target Group through its interests in the Purchaser.

The Directors are of the opinion that the delay in the Second Acquisition has hindered the planning and development of the Company. In addition, the current investment in the Target Company has taken up significant financial resources of the Group. The Disposal could (i) enable the Group to simplify its corporate structure and to re-focus on its existing financial services business under Win Wind Capital Limited, a subsidiary of the Company; and (ii) improve the liquidity of the Group's financial resources which will enable the Group to finance future investment opportunities and improve the financial performance of the Group. In addition, the Company contemplates to consolidate its shareholding in Win Wind Capital Limited if such opportunity shall arise and will negotiate with the minority shareholder of Win Wind Capital Limited. Save as disclosed, no formal agreement in this regard has been entered into as at the date of this announcement.

The Purchaser has expressed that it has experienced unprecedented difficulties and frustrations in the 2016 Acquisition and the Second Acquisition with countless hours of manpower and substantial expenses over one year being unnecessarily spent. In addition, the termination of the Second Acquisition would also require the Purchaser to devote additional legal, administrative, and marketing efforts to cease using the name of Enerchina Securities and to rebuild the relationships between customers and business partners. In order to balance the mutual benefit and to maintain an amicable business relationship and future business cooperation, the Directors have negotiated the terms of the Consideration with Zero-Coupon Promissory Notes.

Taking into consideration the above, the Directors (including the independent non-executive Directors) consider that the entering into the Sale and Purchase Agreement is on normal commercial terms which are made on an arm's length basis and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business other than (i) a Saturday or (ii) a “general holiday” as defined in Section 2 of the General Holidays Ordinance Cap. 149, or one of the days specified from time to time in the schedule to that Ordinance as being “general holidays” under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“BVI”	the British Virgin Islands
“Company”	Enerchina Holdings Limited (stock code: 622), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the Sale and Purchase Agreement
“Completion Date”	on or before the second Business Day following the satisfaction of the conditions pursuant to the Sale and Purchase Agreement

“Consideration”	the total consideration of HK\$525,000,000 payable by the Purchaser to the Vendor for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Enerchina Securities”	Enerchina Securities Limited (formerly known as HEC Securities Limited), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement, and, also, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Group”	the Company and its subsidiaries
“HIGL”	HEC International Group Limited, which was the vendor selling 30% shareholding of the Target Company to the Vendor under the 2016 Acquisition. As a result of internal corporate reorganization, the remaining 70% shareholding of the Target Company previously held by HEC International Group Limited was transferred to the Purchaser
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange as amended from time to time
“Long Stop Date”	one calendar month after the date of signing the Sale and Purchase Agreement or such other date as may be agreed by the parties in writing
“PRC”	the People’s Republic of China
“Purchaser”	Satinu Resources Group Ltd.

“Promissory Note A”	the zero-coupon promissory note with principal amount of HK\$200,000,000 maturing on 31 December 2018 to be issued by the Purchaser in favour of the Vendor or its designated person pursuant to the Sale and Purchase Agreement
“Promissory Note B”	the zero-coupon promissory note with principal amount of HK\$200,000,000 maturing on 31 December 2019 to be issued by the Purchaser in favour of the Vendor or its designated person pursuant to the Sale and Purchase Agreement
“Sale Shares”	1,494,000 ordinary share(s) of par value of US\$1.00 each of the Target Company, representing 30% of the issued share capital of the Target Company
“Sale and Purchase Agreement”	sale and purchase agreement dated 18 January 2018 which was entered into between the Vendor and the Purchaser in respect of the Disposal
“Second Acquisition”	the acquisition of 70% equity interest by a wholly-owned subsidiary of the Company as purchaser and Satinu Resources Group Ltd. as vendor pursuant to the sale and purchase agreement dated 21 March 2017 and supplemented by a supplemental agreement dated 20 November 2017
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Share(s)”	share(s) of par value of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	HEC Securities Company Limited, a company incorporated in BVI and an associate of the Company
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Uptown Enerchine Capital Limited, formerly known as Enerchine Capital Limited, a wholly-owned subsidiary of the Company

“Zero-Coupon Promissory Notes”	Promissory Note A and Promissory Note B
“2016 Acquisition”	the acquisition of 30% of the issued share capital of the Target Company by the Vendor from HIGL pursuant to the 2016 Acquisition Agreement
“2016 Acquisition Agreement”	the sale and purchase agreement dated 15 December 2016 entered into by the Vendor and HIGL in respect of the 2016 Acquisition
“2016 Announcement”	the announcement of the Company dated 15 December 2016 relating to, inter alia, the 2016 Acquisition
“2017 Announcement”	the announcement of the Company dated 21 March 2017 relating to, inter alia, the acquisition of 70% of the issued share capital of the Target Company
“%”	per cent

By order of the Board
Enerchina Holdings Limited
Sam Nickolas David Hing Cheong
Acting Chairman and Executive Director

Hong Kong, 18 January 2018

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

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Cheung Wing Ping
Mr. Chui Kark Ming
Mr. Ma Ka Ki
Mr. Hung Cho Sing
Mr. Chan Hak Kan