ENERCHINA HOLDINGS LIMITED
威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2010 Final Results Announcement

Financial Highlights:
For the year ended 31 December 2010

- Total turnover was HK$401.7 million
- Loss attributable to owners of the Company was HK$683.2 million
- Loss per share was HK9.50 cents

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010** HK$'000	2009 HK$'000
Turnover	3	**401,738**	752,297
Cost of sales		**(440,849)**	(868,459)
Gross loss		**(39,111)**	(116,162)
Other income	4	**15,485**	26,420
Selling and distribution expenses		**(2,085)**	–
Administrative expenses		**(73,730)**	(50,661)
Other expenses		**(320)**	(2,357)
Net gains on investments held for trading		**227,679**	83,481
Gain on convertible note classified as held for trading		**10,789**	–
Share of results of an associate		**58,240**	75,792
Finance costs	5	**(49,918)**	(54,268)
Loss on disposal and deemed disposal of an associate		**(847,568)**	(566)
Gain on bargain purchase of a subsidiary	14	**17,346**	–
Loss for the year	6	**(683,193)**	(38,321)
Other comprehensive income			
Share of other comprehensive income of an associate		**18,403**	1,169
Exchange differences arising on translation to presentation currency		**14,504**	775
Exchange difference realised upon deregistration of a subsidiary		**(420)**	–
Exchange reserve realised on deemed partial disposal of an associate		**–**	(41)
Other comprehensive income for the year		**32,487**	1,903
Total comprehensive expense for the year		**(650,706)**	(36,418)

	NOTES	2010 HK$'000	2009 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(683,181)**	(38,279)
Non-controlling interests		**(12)**	(42)
		(683,193)	(38,321)
Total comprehensive expense attributable to:			
Owners of the Company		**(650,568)**	(36,376)
Non-controlling interests		**(138)**	(42)
		(650,706)	(36,418)
		HK Cents	*HK Cents*
Loss per share	*9*		
– basic		**(9.50)**	(0.57)
– diluted		**(9.50)**	(0.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**1,472,350**	1,390,625
Prepaid lease payments		**60,583**	42,791
Goodwill		**–**	–
Interest in an associate	*10*	**–**	2,426,581
Available-for-sale investments		**278,000**	78,000
		1,810,933	3,937,997
Current assets			
Inventories		**114,258**	92,901
Prepaid lease payments		**1,738**	1,238
Trade and other receivables, deposits and prepayments	*11*	**197,429**	152,136
Investments held for trading	*12*	**958,350**	148,834
Pledged bank deposits		**55,298**	47,673
Bank balances and cash		**1,006,945**	192,020
		2,334,018	634,802
Current liabilities			
Trade, notes and other payables	*13*	**331,425**	441,418
Taxation payable		**8,922**	8,922
Borrowings – amount due within one year		**866,592**	466,915
		1,206,939	917,255
Net current assets (liabilities)		**1,127,079**	(282,453)
Total assets less current liabilities		**2,938,012**	3,655,544
Non-current liabilities			
Borrowings – amount due after one year		**74,618**	143,121
Net assets		**2,863,394**	3,512,423
Capital and reserves			
Share capital		**71,897**	71,897
Reserves		**2,791,497**	3,440,052
Equity attributable to owners of the Company		**2,863,394**	3,511,949
Non-controlling interests		**–**	474
Total equity		**2,863,394**	3,512,423

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability 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" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting HKD as its presentation currency is because the Company is a public company with its shares listed on the Stock Exchange and most of its investors are located in Hong Kong.

The Group is principally engaged in the supply of electricity and manufacturing and sale of electrical products.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC*) – INT 17	Distributions of non-cash assets to owners
HK-INT5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In accordance with the application of HKFRS 3 (Revised) and HKAS27 (Revised), as referred to the note 14, an amount of approximately HK$683,000 acquisition related costs are incurred and included in the administrative expenses during the year. There was no effect on the consolidated financial statements of the Group for the prior accounting period.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on the information that existed at the inception of the leases. After reassessment the directors of the Company concluded that no reclassification was necessary.

Hong Kong Interpretation 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities. After reviewing the terms the Group's term loans, the directors of the Company concluded that no reclassification was necessary.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disc1osures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 July 2010.*
3 *Effective for annual periods beginning on or after 1 July 2011.*
4 *Effective for annual periods beginning on or after 1 January 2013.*
5 *Effective for annual periods beginning on or after 1 January 2012.*
6 *Effective for annual periods beginning on or after 1 January 2011.*
7 *Effective for annual periods beginning on or after 1 February 2010.*

HKFRS 9 Financial instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. Apart for HKFRS 9, the directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents revenue arising on the supply of electricity and manufacture and sales of electrical products for the year.

Segment information

The Group determines its operating segment and measurement of segment profit based on the internal reports to Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment. The management has identified two operating segments: supply of electricity and manufacture and sales of electrical products, which represents the major industries the Group engaged and the basis upon which the Group is organised. In 2009, the Group was primarily engaged in the supply of electricity and it was determined that the Group had only one operating segment.

Segment revenue and results

	Year ended 31 December 2010			Year ended 31 December 2009	
	Manufacturing and sales of electrical products	**Electricity supplies**	**Total**	Electricity supplies	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Segment revenue from external customers	**16,259**	**385,479**	**401,738**	752,297	752,297
Segment result	**(11,800)**	**(55,333)**	**(67,133)**	(140,338)	(140,338)
Other income			**15,485**		26,420
Central administration expenses			**(48,113)**		(28,842)
Finance costs			**(49,918)**		(54,268)
Net gains on investments held for trading			**227,679**		83,481
Gain on convertible note classified as held for trading			**10,789**		–
Loss on disposal and deemed disposal of an associate			**(847,568)**		(566)
Gain on bargain purchase of a subsidiary			**17,346**		–
Share of results of an associate			**58,240**		75,792
Loss for the year			**(683,193)**		(38,321)

4. OTHER INCOME

Other income mainly comprised of:

	2010	2009
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	**3,509**	1,183
– others	**1,858**	1,384
Total interest income	**5,367**	2,567
Dividend income		
– listed	**1,429**	438
– unlisted	**2,159**	2,463
	3,588	2,901
Bad debts recovered *(Note)*	**–**	19,175
Gain on disposal of a subsidiary	**–**	1,392

Note: The amount represented the recovery of bad debts which were written off in prior years. During the year ended 31 December 2009, the Group entered into a settlement agreement with the relevant parties and a sum ofHK$19,175,000 was repaid to the Group accordingly.

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**49,918**	54,268

6 LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**59,902**	85,770
Release of prepaid lease payments	**1,438**	1,238

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of most PRC subsidiaries, except for those described below, is 22% (2009: 20%) for the year ended 31 December 2010.

Pursuant to relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for these subsidiaries in 2010 was 11%. These tax incentives have expired by the year 2010. In addition, the subsidiaries are entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than seven years.

No PRC Enterprise Income Tax has been provided for both years after taking these tax incentives into account.

8. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2009: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss for the year attributable to owners of the Company	**(683,181)**	(38,279)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**7,189,655,664**	6,723,214,442

In August 2009, the Company announced an open offer ("Open Offer") of 2,396,551,888 Open Offer shares in the proportion of one Open Offer share for every two existing shares at HK$0.03. The number of shares for the purpose of calculating basic loss per share for the year ended 31 December 2009 had been adjusted to reflect the Open Offer of shares.

The computation of diluted loss per share has not assumed the exercise of the Company's options as the exercise price was higher than the average market price of shares for both years.

10. INTEREST IN AN ASSOCIATE

In April 2010, the Group entered into a placing agreement with a placing agent to dispose of 85,000,000 shares in Towngas China Company Limited ("Towngas China") at a price of HK$3.60 per share. In addition, Towngas China entered into an agreement with Hong Kong & China Gas Limited's subsidiary (the "Vendor") to acquire six piped city-gas projects in the Liaoning and Zhejiang provinces (the "Acquisition") with the consideration settled by Towngas China's allotment and issue of consideration shares to the Vendor in March 2010. The Acquisition was completed on 15 July 2010.

The Group's interest in Towngas China was decreased from 27.09% as at 31 December 2009 to 18.19% as at 15 July 2010. As a result, the Group has lost significant influence in Towngas China and the investment of approximately HK$1,345,372,000 has been classified as investments held for trading. A loss on disposal and deemed disposal of Towngas China of HK$847,568,000 resulted from the disposal.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**105,079**	65,947
Other receivables, deposits and prepayments	**92,350**	86,189
	197,429	152,136

The Group allows an average credit period ranging from 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the invoice date of the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**96,282**	65,947
91 – 180 days	**3,236**	–
181 – 360 days	**118**	–
Over 360 days	**5,443**	–
	105,079	65,947

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$8,797,000 (2009: nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are either due from customers of good credit quality with no history of default or covered by credit insurance. The Group holds an amount of HK$11,751,000 over these balances.

The aged analysis of trade debtors which are past due but not impaired is as follows:

	2010	2009
	HK$'000	*HK$'000*
91 – 180 days	**3,236**	–
181 – 360 days	**118**	–
Over 360 days	**5,443**	–
	8,797	–

Included in trade debtors are debts discounted with recourse amounting to HK$5,252,000 (2009: nil). The Group will need to repay the financial institutions if there are credit losses on the receivables before the end of discounting period, accordingly, the Group continues to recognise the full carrying amount of those debtors and has recognised the cash received as a secured borrowing.

The Group has concentration of credit risk from electricity supply to government department in Shenzhen, PRC, the major customer, which the management does not expect material credit risk from the balance due.

12. INVESTMENTS HELD FOR TRADING

	2010	2009
	HK$'000	*HK$'000*
Investments held for trading, at fair value		
Listed shares in Hong Kong	**955,394**	140,300
Listed shares in elsewhere	**573**	1,187
Unlisted managed investment funds	**2,383**	7,347
	958,350	148,834

The fair values of the investments held for trading relating to listed shares are determined based on the quoted market bid prices of underlying securities available on the relevant exchanges.

Included in the listed shares in Hong Kong is an amount of HK$729,167,000 equity interest in Towngas China. The Group's interest in Towngas China is 7.98% as at 31 December 2010.

With respect to the unlisted managed investment fund, the fair value is measured by reference to the price quoted from a financial institution, the administrator of the investment fund, which is determined by the underlying net asset value held by the unlisted private investment fund.

13. TRADE, NOTES AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**110,312**	392,812
Advances received	**146,228**	–
Other payables and accrued charges	**74,885**	48,606
	331,425	441,418

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**99,884**	387,949
91 - 180 days	**5,828**	3,723
181 - 360 days	**836**	–
Over 360 days	**3,764**	1,140
	110,312	392,812

14. ACQUISITION OF A SUBSIDIARY

On 28 July 2010, the Group acquired 100% of the issued share capital of Deluxe International Investment Limited ("Deluxe") for consideration of approximately HK$104,935,000, which includes an amount of HK$18,762,000 is to settle the convertible bonds on behalf of Deluxe. This acquisition has been accounted for using the purchase method. The amount of gain on bargain purchase arising as a result of the acquisition was HK$17,346,000. Deluxe is engaged in the manufacture and sales of electrical products. Deluxe was acquired so as to broaden the Group's market share in the local and international markets in the energy and power industry and contributed to the Group's development.

Consideration transferred

	HK$'000
Cash and total consideration	104,935

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

	HK$'000
Property, plant and equipment	86,469
Prepaid lease payments	17,859
Inventories	42,062
Trade and other receivables	23,376
Bank balances and cash	33,679
Trade, notes and other payable	(51,787)
Borrowings	(29,377)
	122,281

The fair value of trade and other receivables at the date of acquisition amounted to HK$23,376,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$34,269,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$10,893,000.

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	104,935
Less: Net assets acquired	(122,281)
Gain on bargain purchase	17,346

The directors are of the opinion that the gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to enable the seller to withdraw from the investment within a relatively short period of time.

Net cash outflow on acquisition of Deluxe

	HK$'000
Cash and total consideration paid	104,935
Less: Cash and cash equivalent balances acquired	(33,679)
	71,256

Included in the loss for the year is loss of HK$12,943,000 attributable to the additional business generated by Deluxe. Turnover for the year includes HK$16,259,000 generated from Deluxe.

If the acquisition had been completed on 1 January 2010, total Group revenue for the year would have been HK$419 million, and loss for the year attributable to owners of the Company would have been HK$711 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Deluxe been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

15. EVENT AFTER THE REPORTING PERIOD

On 19 December 2010, Goodunited Holdings Limited ("Goodunited") and Sinolink Electric Power Company Limited ("Sinolink Electric"), wholly owned subsidiaries of the Company, entered into a sale and purchase agreement (the "Agreement") with 中海石油氣電集團有限責任公司(CNOOC Gas & Power Group) ("CNOOC Gas & Power"). Pursuant to the Agreement, CNOOC Gas & Power has conditionally agreed to purchase from Goodunited and Sinolink Electric the entire issued share capital of 深圳福華德電力有限公司 (Shenzhen Fuhuade Electric Power Co., Ltd.) ("Shenzhen Fuhuade"), a wholly owned subsidiary of the Company, which was engaging in electricity supply in the PRC. Upon the completion of the above transaction, Shenzhen Fuhuade will cease to be a subsidiary of the Company.

Details of the transactions are set out in the circular of the Company dated 17 January 2011. The above transaction was approved by the shareholders of the Company pursuant to the ordinary resolution unanimously passed at the special general meeting of the Company held on 8 February 2011.

The Group is in the process of finalising the relevant financial information of the transaction, and accordingly, the financial impact of the above transactions to the Group is not disclosed.

On 25 January 2011, Ideal Principles Limited ("Ideal Principles"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Cordoba Agreement") with Cordoba Homes Limited ("Cordoba"), a company incorporated in the British Virgin Islands. Pursuant to the Cordoba Agreement, Cordoba agreed to issue and Ideal Principles agreed to subscribe for shares at a subscription price of HK$300,000,000. The principal activities of Cordoba is the holding of investment properties and other equity investments.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2010, the Group recorded a turnover of HK$401.7 million, a decrease of 46.6% compared with the same period last year. Gross loss amounted to HK$39.1 million for the year ended 31 December 2010, a decrease of 66.3% compared with the same period last year. The negative results were mainly due to delays in the receipt of subsidies for fuel cost and the impact of fuel tax which increased the Group's production cost for the year.

The Group's audited consolidated loss attributable to owners of the Company for the year ended 31 December 2010 amounted to HK$683.2 million, an increase of approximately HK$644.9 million compared with the audited consolidated loss attributable to owners of the Company of HK$38.3 million for the year ended 31 December 2009. This was mainly attributable to a loss of approximately HK$847.6 million recognized in the accounts of the Company as a result of the disposal and deemed disposal of an associate.

Overview of Electricity Generation Business

During the year, the Group's on-grid electricity generation amounted to 522 million kWh, a decrease of 49.6% compared to 1,036 million kWh in 2009. The decrease was mainly attributable to the Group's prudent measure to maintain its cash flow by scaling down the operations of electricity generators that consume a higher amount of fuel, following serious delays in the receipt of subsidies for fuel cost. As a result of this measure, there was a decline in the overall operating hours of the Group's electricity generators, which led to a significant drop in electricity generation.

Notwithstanding the strong demand for electricity, the Shenzhen government's basic principle behind its subsidy policy remained that electricity plants would be safeguarded from incurring a loss. However, due to various reasons, there were serious delays in the granting of subsidies and such holdups affected the timely arrangement of funding for electricity generation. Recently, the Group has received previous subsidies. During the year, direct operating expenses attributable to electricity supplies decreased by 51.3% to HK$423.0 million. Total fuel cost for the period also decreased by 56.5% to HK$324.8 million.

As disclosed in the Company's announcement dated 24 December 2010, the Group agreed to dispose its electricity generation business at a consideration of approximately RMB1,037.6 million (approximately HK$1,206.6 million) (subject to adjustment). The transaction was approved by Shareholders at a special general meeting held on 8 February 2011.

Overview of Gas Fuel Business through its Major Associate, Towngas China Company Limited ("Towngas China")

In mid-March 2010, Towngas China entered into an agreement with Hong Kong & China Gas Limited's subsidiary (as vendor) to acquire six piped city-gas projects in the Liaoning and Zhejiang provinces (the "Acquisition") with the consideration settled by Towngas China's allotment and issue of consideration shares to the vendor. Upon completion of the Acquisition on 15 July 2010, the Group's interest in Towngas China was diluted to approximately 18.19%. The Group has reclassified the associate as an investment.

Disposal of Shares in Towngas China

On 16 April 2010, the Company completed the placing of 85,000,000 shares of Towngas China at HK$3.6 per share which represented approximately 4.34% of the total issued share capital of Towngas China. Net proceeds from the placing amounted to approximately HK$301 million.

On 4 June 2010, the Company dispatched a circular to Shareholders to seek a mandate to dispose the remaining shares it holds in Towngas China. The mandate was granted at a special general meeting of the Company held on 22 June 2010. Under the mandate authorized by Shareholders at the special general meeting, the Company may dispose all the remaining Towngas China shares in the 12 months commencing the passing of the relevant resolution at the special general meeting subject to the following two conditions:

(1) the selling price per remaining Towngas China share shall represent no more than 20% discount to the average closing price of Towngas China shares in the five trading days immediately prior to the date of the relevant sale and purchase agreement;

(2) the minimum selling price per remaining Towngas China share shall not be less than HK$3.00.

On 13 November 2010, the Company announced that it placed 250,000,000 shares of Towngas China at HK$3.63 per share which represented approximately 10.21% of the total issued share capital of Towngas China. Net proceeds from the placing amounted to approximately HK$907 million. Immediately after the placing, the Group was interested in 7.98% of the total issued share capital of Towngas China.

A loss of approximately HK$847.6 million was recognized in the accounts of the Company as a result of the disposal and deemed disposal of the associate.

Acquisition of the Entire Interest of Deluxe International Investment Limited ("Deluxe")

On 30 June 2010, the Group and ADD Midland Holdings Ltd. entered into an agreement to acquire the entire issued share capital of Deluxe at a cash consideration of US$11,086,226 (equivalent to approximately HK$86,173,000). As a condition of the sale and purchase, the Group agreed to settle, for and on behalf of Deluxe on completion of the acquisition, the outstanding principal of convertible bonds issued by Deluxe, which amounted to US$2,413,774 (equivalent to approximately HK$18,762,000). The acquisition was completed in late July 2010, following which Deluxe became an indirect wholly-owned subsidiary of the Company.

The principal asset of Deluxe is its 100% equity interest in Henan ADD Electricity Equipment Co., Ltd. ("Henan ADD"). The principal activities of Henan ADD are the production and sale of porcelain insulators, and the acquisition represents the continuation of the Group's businesses in the energy section. The Directors believe that Henan ADD, as a production enterprise for high voltage porcelain products, will broaden the Company's market share in the local and international markets in the energy and power industry and contribute to the Company's development and enable the Company to establish a strong and competitive foundation within the industry.

Disposal of interests in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")

On 19 December 2010, Sinolink Electric Power Company Limited ("Sinolink Electric" which owns a 70% interest in Fuhuade) and Goodunited Holdings Limited ("Goodunited" which owns a 30% interest in Fuhuade), being indirect wholly-owned subsidiaries of the Company, entered into an agreement with CNOOC Gas & Power Group to sell the entire equity interest in Fuhuade to CNOOC Gas & Power Group at a consideration of RMB1,037,641,800 (approximately HK$1,206,560,000) (subject to adjustment). CNOOC Gas & Power Group is a wholly-owned subsidiary of China National Offshore Oil Corporation, which is the controlling shareholder of CNOOC Limited, a company listed on The Hong Kong Stock Exchange Limited (the "Stock Exchange"). The principal business of CNOOC Gas & Power Group includes technology development for oil and natural gas (including liquefied natural gas), development and petrochemical engineering, and power development and supply.

The transaction was approved by Shareholders at a special general meeting held on 8 February 2011. The Company received the first instalment payment of RMB200,000,000 in January 2011. On 23 February 2011, Fuhuade received the approval notice from the Market Supervision Administration of Shenzhen Municipality on the change of registration and has subsequently obtained a new business license.

Fuhuade is principally engaged in the generation and sale of electricity, with a power generation capacity of 595 megawatt. The operation of Fuhuade has been difficult due to the serious delays in the granting of subsidies, tax imposed on fuel oil by the PRC government, and limited supply of natural gas. The cashflow of Fuhuade remains tight and is required to service its significant indebtedness. This might adversely affect the cashflow position and the going concern of the Group. In view of the above, the Directors consider that the continuation of the business of Fuhuade may not be in the interests of the Shareholders and the Company as a whole.

Subscription of shares of Hennabun Capital Group Limited ("Hennabun")

On 1 November 2010, Ideal Principles Limited ("Ideal Principles"), a wholly-owned subsidiary of the Company, and Hennabun entered into an agreement to subscribe for shares of Hennabun that represent a 19.69% interest of the enlarged issued share capital of Hennabun at a consideration of approximately HK$200,000,000.

Hennabun together with its subsidiaries are principally engaged in brokerage business, securities brokerage, margin financing, investment advisory and investment holding. Following completion of the transaction, Hennabun has become an investment of the Group. Hennabun is a subsidiary of Freeman Corporation Limited (stock code: 279). The Directors believe that the subscription will enable the Company to hold a strategic investment into the market of the securities and investment business and to seek out investment opportunities through Hennabun's business and operation, which the Directors believe will benefit the Group in the longer term.

Subscription of shares of Cordoba Homes Limited ("Cordoba")

On 25 January 2011, Ideal Principles and Cordoba entered into an agreement pursuant to which Cordoba agreed to issue and Ideal Principles agreed to subscribe for the 500,000,000 shares of Cordoba, representing approximately 18.01% of the issued share capital of Cordoba at the subscription price of HK$300,000,000. As Ideal Principles owns 15.92% of the issued share capital of Hennabun and Hennabun owns 17.57% issued share capital of Cordoba. Hence, the Company effectively owns approximately 20.81% of the issued share capital of Cordoba direct and indirectly.

Cordoba is incorporated in the British Virgin Islands with limited liability and principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business), and investment holding.

The Directors believe that the subscription will enable the Company to enter into the property investment market by leveraging the expertise of Cordoba Group and to seek for investment opportunities through Cordoba Group's business and operation, which the Directors believe will benefit the Group in the longer term. In addition, the subscription price of HK$0.60 each Cordoba share incorporates an approximately 21.05% discount to the unaudited consolidated net assets per Cordoba share of approximately HK$0.76 as at 31 October 2010. The Directors consider that the terms of the agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL POSITION

The Group's total borrowings increased from HK$610.0 million as at 31 December 2009 to HK$941.2 million as at 31 December 2010. The bank borrowings as at 31 December 2010 were bank loans mainly used to finance the expansion of the power plant in Shenzhen. Gearing ratio as at 31 December 2010, calculated on the basis of total borrowings over shareholders' equity, was 32.9% as compared to 17.4% as at 31 December 2009. The Group is in a net cash position and bank borrowings are mainly arranged at floating interest rates.

Total assets pledged in securing these loans have a net book value of HK$906.7 million as at 31 December 2010. All the bank borrowings of the Group are mainly at floating rates and denominated in both RMB and USD. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in RMB. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the appreciation of RMB to the Group's business and manage the risks of using different financial instruments.

The Group's cash and cash equivalents and pledged bank deposits amounted to HK$1,006.9 million and HK$55.3 million, respectively, as at 31 December 2010 and are mostly denominated in RMB, HKD and USD.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK$14.1 million.

PROSPECTS

2011 is the first year of the PRC's 12th Five-Year Plan, the implementation of which will inject new propelling force into the economy. The PRC will adopt proactive fiscal policy and prudent monetary policy to accelerate the transformation of its economic model and adjust the economic structure.

We will carefully monitor and study the major policies and measures to be introduced under the12th Five-Year Plan, and will continue to pursue investment opportunities with good strategic value in the energy sector and investment in financial services, properties investment and other areas in order to enhance the shareholder value of the Company.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group employed approximately 665 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2010.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2010, all Directors have complied with the required standard set out in the Model Code.

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, namely, Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin. 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 2010 had been audited by the Company's auditor, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

By Order of the Board
Enerchina Holdings Limited
Ou Yaping
Chairman

Hong Kong, 28 March 2011

As at the date of this announcement, the Board comprises Mr. OU Yaping (Chairman), Mr. CHEN Wei (Chief Executive Officer), Mr. TANG Yui Man Francis and Mr. XIANG Ya Bo as Executive Directors and Mr. LU Yungang, Dr. XIANG Bing and Mr. XIN Luo Lin as Independent non-executive Directors.