ENERCHINA HOLDINGS LIMITED
威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2012 Annual Results Announcement

Financial Highlights:

For the year ended 31 December 2012

- Turnover from continuing operation was HK$40.4 million
- Profit attributable to owners of the Company was HK$158.6 million
- Earnings per share from continuing operation was HK2.21 cents

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announced the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Continuing operation			
Turnover	*3*	**40,360**	47,684
Cost of sales		**(57,159)**	(48,918)
Gross loss		**(16,799)**	(1,234)
Other income and gains	*4*	**38,946**	33,186
Selling and distribution expenses		**(3,728)**	(4,833)
Administrative expenses		**(48,065)**	(52,714)
Net gains (losses) on investments held for trading		**337,782**	(69,420)
Allowance for doubtful consideration receivable		**(93,132)**	–
Loss on disposal of available-for-sale investments		**(48,000)**	–
Impairment loss on available-for-sale investments		**(5,000)**	–
Other expenses		**–**	(637)
Finance costs	*5*	**(3,427)**	(6,304)
Profit (loss) for the year from continuing operation	*6*	**158,577**	(101,956)
Discontinued operation			
Profit for the year from discontinued operation	*7*	**–**	749,353
Profit for the year		**158,577**	647,397
Other comprehensive (expense) income for the year			
Exchange differences arising on translation to presentation currency		**(93)**	30,146
Total comprehensive income for the year		**158,484**	677,543
		HK cents	*HK cents*
Basic and diluted earnings (loss) per share	*10*		
From continuing and discontinued operations		**2.21**	9.00
From continuing operation		**2.21**	(1.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**85,544**	84,446
Prepaid lease payments		**17,491**	17,979
Available-for-sale investments	*11*	**505,000**	583,000
Deposit paid for proposed acquisition		**10,000**	–
		618,035	685,425
Current assets			
Inventories		**32,589**	40,536
Prepaid lease payments		**478**	478
Trade and other receivables, deposits and prepayments	*12*	**529,151**	548,048
Taxation recoverable		**676**	676
Investments held for trading	*13*	**1,455,288**	1,165,870
Pledged bank deposits		**1,233**	49,322
Bank balances and cash		**1,243,437**	1,281,371
		3,262,852	3,086,301
Current liabilities			
Trade and other payables	*14*	**144,237**	191,706
Taxation payable		**238**	242
Borrowings – due within one year		**36,991**	38,841
		181,466	230,789
Net current assets		**3,081,386**	2,855,512
Net assets		**3,699,421**	3,540,937
Capital and reserves			
Share capital		**71,897**	71,897
Reserves		**3,627,524**	3,469,040
Total equity		**3,699,421**	3,540,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The 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 investment holdings and manufacturing and sales of electrical and energy-related products. It was also engaged in the supply of electricity which was classified as a discontinued operation in prior year (see note 7).

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's unlisted shares in overseas and Hong Kong that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may not affect certain amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

(A) Turnover

Turnover represents revenue arising on sale of electrical and energy-related products, after deducting discounts and related taxes.

(B) 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 maker, for the purposes of resource allocation and performance assessment. The Group's continuing operation comprises manufacture and sales of electrical products and it is determined that the Group has only one operating segment in its continuing operation, accordingly no segment information is disclosed.

During the year ended 31 December 2011, the Group disposed of the whole operation in electricity supplies, upon which disposal this operating segment was discontinued and was described in more detail in note 7.

Geographical segments

As all external turnover for both years are derived from the People's Republic of China ("the PRC") and non-current assets less financial instruments as at the end of the reporting period are located in the PRC, an analysis of the consolidated turnover and non-current assets less financial instruments by geographical location is not presented.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group of the corresponding years is as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**14,474**	18,062
Customer B	**8,709**	16,493
Customer C	**5,298**	2,929

4. OTHER INCOME AND GAINS

Other income mainly comprised of:

	2012	2011
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	**24,912**	8,929
– others	**901**	3,372
	25,813	12,301
Dividend income:		
– listed	**12,021**	11,227
– unlisted	**–**	2,186
	12,021	13,413
Exchange gain, net	**–**	5,749
Gain on disposal of property, plant and equipment	**565**	649
Others	**547**	1,074
	38,946	33,186

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**3,427**	6,304

6. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATION

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**7,787**	5,299
Release of prepaid lease payments	**487**	478
Write down (reversal of write-down) on inventories, included in cost of sales	**9,296**	(2,148)

7. DISCONTINUED OPERATION

On 19 December 2010, the Group entered into a conditional equity transfer agreement (the "Agreement") with 中海石油氣電集團有限責任公司 (CNOOC Gas & Power Group) (the "Purchaser") to dispose of its 100% equity interest in 中海油深圳電力有限公司 (formerly known as 深圳福華德電力有限公司, Shenzhen Fuhuade Electric Power Co., Ltd.) ("Shenzhen Fuhuade") which was engaged in electricity supply in the PRC. The disposal was completed on 23 February 2011, on which date Shenzhen Fuhuade received approval notice from the relevant government authority on the change of registration and obtained a new business license. On 22 February 2011, Shenzhen Fuhuade ceased to be a subsidiary of the Company, accordingly the Group's electricity supply operation is treated as a discontinued operation.

The profit from the discontinued operation and the results of the electricity operation which have been included in the consolidated statement of comprehensive income for the year ended 31 December 2011 was analysed as follows:

	HK$'000
Turnover	62,632
Cost of sales	(73,285)
Gross loss	(10,653)
Other income	8,091
Administrative expenses	(2,435)
Other expenses	(70)
Finance costs	(8,656)
Loss of electricity supply operation for the year	(13,723)
Gain on disposal of electricity supply operation	763,076
Profit for the year from the discontinued operation	749,353

Profit for the year ended 31 December 2011 from discontinued operation includes the following:

	HK$'000
Depreciation of property, plant and equipment	8,538
Release of prepaid lease payments	193

8. 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 from its continuing operation.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is entitled to exemption from PRC enterprise income tax for the first two years commencing from 1 January 2007 and thereafter, the PRC subsidiary would be entitled to a 50% relief from PRC enterprise income tax for the following three years and was taxed at 25% (2011: 12.5%) for the year ended 31 December 2012.

No PRC Enterprise Income Tax has been provided as the Group has no taxable profit for both years from its continuing operation.

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (2011: Nil).

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012	2011
	HK\$'000	*HK\$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings for the year attributable to owners of the Company	**158,577**	647,397

The denominators used are the same as those detailed for both basic and diluted earnings (loss) per share from continuing operation.

From continuing operation

The calculation of the basic and diluted earnings (loss) per share from the continuing operation attributable to the owners of the Company is based on the following data:

	2012	2011
	HK\$'000	*HK\$'000*
Profit (loss) figures are calculated as follow:		
Profit for the year attributable to owners of the Company	**158,577**	647,397
Less: Profit for the year from the discontinued operation	**–**	(749,353)
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share from the continuing operation	**158,577**	(101,956)

Number of shares

	2012	2011
Number of ordinary shares in issue during the year	**7,189,655,664**	7,189,655,664

The computation of diluted earnings (loss) per share from continuing operation 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.

From discontinued operation

Basic and diluted earnings per share from the discontinued operation for the year ended 31 December 2011 was HK10.42 cents per share, based on the profit for the period from the discontinued operation of HK$749 million and the denominators detailed above for both basic and diluted loss per share from continuing operation.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Unlisted shares in overseas, at cost	**505,000**	578,000
Unlisted shares in Hong Kong, at cost	**–**	5,000
	505,000	583,000

On 25 January 2011, Ideal Principles Limited ("Ideal Principles"), a wholly owned subsidiary of the Company, entered into a share subscription agreement (the "Cordoba Agreement") with Cordoba Homes Limited ("Cordoba"), an unlisted private 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 and its subsidiaries are principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business) and investment holding.

On 16 April 2012, Ideal Principles received a letter from Cordoba (the "Letter from Cordoba") containing information about the capital reorganisation of the outstanding issued shares of Cordoba (the "Cordoba Reorganisation"). Pursuant to the Letter from Cordoba, the Cordoba Reorganisation was achieved by forming a new holding company, HEC Capital Limited ("HEC Capital"), an unlisted private company incorporated in the Cayman Islands. Cordoba consolidated its issued shares on a ten for one basis and each existing shareholder of Cordoba immediately prior to the Cordoba Reorganisation received one share of HEC Capital ("HEC New Shares") for every ten shares of Cordoba with the same rights and obligations in HEC New shares.

On 17 April 2012, Ideal Principles received a letter from Hennabun Capital Group Limited ("Hennabun") (the "Letter from Hennabun") containing information about reorganisation of the issued shares of Hennabun (the "Hennabun Reorganisation") together with a reorganisation agreement relating to the exchange of shares of Hennabun with the shares of HEC Capital (the "Reorganisation Agreement"). The Group subscribed Hennabun at a subscription price of HK$200,000,000 during the year ended 31 December 2010. Pursuant to the Reorganisation Agreement, the Hennabun Reorganisation was achieved by Hennabun issuing certain number of its new shares to a wholly-owned subsidiary of HEC Capital in exchange for the same number of HEC New Shares. The shares of Hennabun held by Ideal Principles were cancelled and in turn Ideal Principles received the HEC New Shares.

As at 31 December 2012, the Group in total owns approximately 9.38% of the issued share capital of HEC Capital with a carrying amount of HK$500,000,000. The principal activities of HEC Capital and its subsidiaries are principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business) and money lending.

The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**19,488**	32,635
Deposit with security brokers	**13,293**	58,362
Consideration receivable for disposal of a subsidiary *(note 15)*	**347,857**	440,989
Deposit paid for proposed acquisition *(Note a)*	**100,000**	–
Loan to an independent third party	**40,000**	–
Other receivables, deposits and prepayments	**8,513**	16,062
	529,151	548,048

Notes:

a. The amount represents a deposit of HK$100,000,000 paid by the Group to Ms. Wu Laam Anne in connection with the proposed acquisition of subsidiaries operating the Jingan Hilton Hotel situated in Shanghai, the PRC and holding a parcel of land located at Xiangshan of Ningbo, Zhejiang province, the PRC, on which a tourist development area is expected to be built, for a total consideration of HK$2,550,000,000. Details of the proposed acquisition are set out in the announcement of the Company dated 27 May 2012.

   Further stated in the announcement of the Company dated 31 October 2012, since certain precedent conditions under the sale and purchase agreement (the "Agreement") were not fulfilled or waived on or before 31 October 2012 and completion was unable to take place on or before the agreed timeframe set out under the Agreement, the Agreement was lapsed on 31 October 2012. Pursuant to the Agreement, the deposit paid by the Group of HK$100,000,000 shall be refunded to the Group in full. The amount was fully repaid in January 2013.

The Group allows an average credit period of 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:

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**13,971**	14,717
91 – 180 days	**5,517**	17,672
181 – 360 days	**–**	246
	19,488	32,635

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$5,517,000 (2011: HK$17,918,000) 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. The Group does not hold any collateral over these balances.

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

	2012	2011
	HK$'000	*HK$'000*
1 – 90 days	**5,517**	17,672
Over 90 days	**–**	246
	5,517	17,918

Included in trade debtors as at 31 December 2011, there were debts discounted with recourse amounting to HK$1,850,000. The Group would need to repay the financial institutions if there are credit losses on the receivables before the end of discounting period, accordingly, the Group continued to recognise the full carrying amount of those debtors and had recognised the cash received as a secured borrowing.

Except for the concentration of credit risk from CNOOC Gas & Power Group in respect of the consideration receivable for disposal of a subsidiary at 31 December 2011, the concentration of credit risk is limited due to the customer base being large and unrelated. The Group does not hold any collateral over the consideration receivable for disposal of a subsidiary, the management believe that CNOOC Gas & Power Group is a reputable PRC stated-owned company with its shares listed on the Main Board of the Stock Exchange and assessed the recoverability of the balance.

13. INVESTMENTS HELD FOR TRADING

	2012	2011
	HK$'000	*HK$'000*
Investments held for trading, at fair value		
Listed shares in Hong Kong *(Note a)*	**1,443,526**	1,165,475
Listed shares in elsewhere	**262**	395
Convertible bonds	**11,500**	–
	1,455,288	1,165,870

Notes:

a. Included in the listed shares in Hong Kong is an amount of HK$1,104,632,000 (2011: HK$821,046,000) equity interest in Towngas China Company Limited ("Towngas China"), a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange. The Group's interest in Towngas China is 7.05% (2011: 7.95%) as of 31 December 2012. The principal activities of Towngas China and its subsidiaries are the provision of piped city-gas, construction of gas pipelines, the operation of city gas pipeline networks and the sale of household gas appliances.

14. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**13,426**	63,692
Other taxes arising from disposal of subsidiary *(note 15)*	**100,538**	100,538
Other payables and accrued charges	**30,273**	27,476
	144,237	191,706

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**9,661**	6,307
91 – 180 days	**631**	54,840
181 – 360 days	**1,310**	986
Over 360 days	**1,824**	1,559
	13,426	63,692

15. DISPOSAL OF A SUBSIDIARY

As disclosed in note 7, on 22 February 2011, the Group discontinued its electricity supply operation at the time of disposal of its subsidiary, Shenzhen Fuhuade (the "Disposal"). The net assets of Shenzhen Fuhuade at the date of the Disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,415,935
Prepaid lease payments	44,328
Inventories	72,611
Trade and other receivables, deposits and prepayments	78,094
Amount due from the Group *(Note a)*	17,074
Pledged bank deposits	20,212
Bank balances and cash	30,567
Trade, notes and other payables	(191,906)
Amount due to the Group *(Note b)*	(152,567)
Taxation payable	(8,684)
Borrowings – amount due within one year	(864,929)
Borrowings – amount due after one year	(74,645)
	386,090
Gain on disposal	763,076
Total consideration after deducting estimated other tax expenses in relation to the Disposal	1,149,166

	HK$'000
Satisfied by:	
Cash received during the year	817,308
Cash consideration receivable	429,858
	1,247,166
Net cash inflow arising on the Disposal:	
Total cash consideration received	817,308
Bank balances and cash disposed of	(30,567)
	786,741

Notes:

a. The Group settled HK$17,074,000 to Shenzhen Fuhuade in September 2011 in respect of its current account due to Shenzhen Fuhuade which is presented in the financing activities cash flow.

b. The Group provided loans to Shenzhen Fuhuade pursuant to inter-company loan agreements in the principal amount of US$12,000,000 (equivalent to approximately HK$93,000,000) and US$4,500,000 (equivalent to approximately HK$35,263,000), which carried interest at fixed rates of 5% and 3% per annum respectively. The outstanding principal amounts of the two loans together with the accrued interests of HK$152,567,000 as at the date of the Disposal was repayable within 20 days after the date of the Disposal in the event that the shareholding structure of Shenzhen Fuhuade has changed and/or prior to the date of obtaining written consent by Sinolink Electric Power Company Limited ("Sinolink Electric"), which held all the equity interest in Shenzhen Fuhuade up to the date of Disposal and is an indirect wholly owned subsidiary of the Company.

   The outstanding principal amount of the two loans owed to Sinolink Electric together with the interests accrued up to the maturity of the loans amounted to HK$155,340,000 in aggregate. As agreed with Sinolink Electric, the loans were settled at an amount of HK$151,811,000 during the year ended 31 December 2011, and the difference of HK$3,529,000 was recognised in the consolidated statement of comprehensive income during the year ended 31 December 2011 accordingly.

The consideration after deducting estimated other tax expenses such as withholding tax arising on the Disposal was subject to adjustment in accordance with the results of the Supplemental Audit. At 31 December 2011, the Supplemental Audit was not yet completed, accordingly, the gain arising on the Disposal of HK$763,076,000 was determined by consideration of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000), assuming no adjustment would arise upon completion of the Supplemental Audit, which in the opinion of the directors of the Company represented the most likely outcome at the end of the reporting period, and deducting the net assets of Shenzhen Fuhuade disposed of, and other tax expenses in relation to the Disposal of HK$98,000,000. The deferred consideration would be settled in cash by the Purchaser substantially within 20 days after the results of the Supplemental Audit have been confirmed by the Group and the Purchaser. The directors of the Company expected that such amount would be settled within 1 year from the end of the reporting period.

Cash consideration receivable of HK$429,858,000 and other taxes payable of HK$98,000,000 arising from the Disposal at the date of the Disposal, which were denominated in RMB, were retranslated at the rate prevailing at the end of the reporting period, exchange difference arising on such retranslation of HK$8,593,000 was recognised in profit or loss during the year ended 31 December 2011. No exchange difference arising on such retranslation during the year ended 31 December 2012.

The impact of Shenzhen Fuhuade on the Group's results and cash flows in the year ended 31 December 2011 was disclosed in note 7.

Up to 31 December 2012, the Supplemental Audit was not yet finalised and was subject to negotiation with the Purchaser in connection with the potential challenge by tax bureau on certain tax benefit arising from applying concessionary tax rates under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law in past years before the Disposal amounting to HK$93,132,000. Due to this reason, a provision for doubtful debts of HK$93,132,000 has been made during the year ended 31 December 2012. According to the progress of negotiation with the Purchaser, the directors of the Company expect the consideration receivable outstanding to be settled within 1 year after the end of the reporting period, and other tax expenses remain payable at the end of the reporting period. Accordingly, the carrying amounts of cash consideration receivable and other taxes payable arising from the Disposal amounted to HK$347,857,000 (note 12) and HK$100,538,000 (note 14), as at 31 December 2012 were classified as a current asset and a current liability, respectively on the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2012, turnover of the Group's continuing operation amounted to approximately HK$40.4 million, a decrease of 15.4% compared to last year. A gross loss of approximately HK$16.8 million was recorded, compared to a gross loss of approximately HK$1.2 million in the previous year. Profit attributable to owners of the Company amounted to HK$158.6 million, a substantial decline compared to HK$647.4 million for the year ended 31 December 2011, mainly due to a one-off gain of HK$749.3 million recorded in last year on the disposal of the Group's electricity generation business.

BUSINESS REVIEW

High-voltage Porcelain Products – Henan ADD Electric Equipment Co., Ltd. ("Henan ADD")

Henan ADD is principally engaged in the production and sales of porcelain insulators which represent the Group's principal activities in the electricity and power generation business. During the year ended 31 December 2012, affected by falling sales and prices of electrical and energy-related products due to poor market conditions, turnover generated by this continuing business declined by 15% to approximately HK$40.4 million. A gross loss of approximately HK$16.8 million was incurred, compared to HK$1.2 million in last year, mainly due to poor market environment; a provision of approximately HK$9.3 million made for inventories; and the continued rise in the costs of raw material and energy which increased the direct costs of materials and fuel consumption.

Henan ADD will continue to renovate and enhance the utility and functionality of its products to keep abreast with the demand of customers. Moreover, it will strive to research and develop new high-tech products with higher quality so as to lay a strong and solid foundation for increasing its competitiveness.

Capital reorganisation of Cordoba Homes Limited ("Cordoba") and Hennabun Capital Group Limited ("Hennabun")

On 16 April 2012, Ideal Principles Limited ("Ideal Principles"), a wholly-owned subsidiary of the Company, received a letter from Cordoba (the "Letter from Cordoba") containing information about the capital reorganisation of the outstanding issued shares of Cordoba (the "Cordoba Reorganisation"). Pursuant to the Letter from Cordoba, the Cordoba Reorganisation was achieved by forming a new holding company, HEC Capital Limited ("HEC Capital"), an unlisted private company incorporated in the Cayman Islands. Cordoba consolidated its issued shares on a ten for one basis and each existing shareholder of Cordoba immediately prior to the Cordoba Reorganisation received one share of HEC Capital ("HEC New Shares") for every ten shares of Cordoba with the same rights and obligations in HEC New shares.

On 17 April 2012, Ideal Principles received a letter from Hennabun Capital Group Limited ("Hennabun") (the "Letter from Hennabun") containing information about the reorganisation of the issued shares of Hennabun (the "Hennabun Reorganisation") together with a reorganisation agreement relating to the exchange of shares of Hennabun with the shares of HEC Capital (the "Reorganisation Agreement"). Pursuant to the Reorganisation Agreement, the Hennabun Reorganisation was achieved by Hennabun issuing certain number of its new shares to a wholly-owned subsidiary of HEC Capital in exchange for the same number of HEC New Shares. The shares of Hennabun held by Ideal Principles were cancelled and in turn Ideal Principles received the HEC New Shares.

As at 31 December 2012, the Group in total owns approximately 9.38% of the issued share capital of HEC Capital. During the year under review, the Group did not receive any dividends or financial contributions from HEC Capital. The principal activities of HEC Capital and its subsidiaries are principally-engaged in property investment, near to cash investments (such as investment in securities, trading and money lending business) and money lending.

Disposal of shares in Towngas China Company Limited ("Towngas China")

As at 31 December 2012, the Group beneficially owned 173,411,677 shares in Towngas China, representing approximately 7.05% of the issued share capital of Towngas China. Towngas China is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is principally engaged in the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network and the sale of gas household appliances.

On 31 August 2012, 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 by shareholders at a special general meeting on 18 September 2012, authorizing the Board to effect disposal(s) from time to time for a period of 12 months from 18 September 2012 of all remaining Towngas China shares 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; and

2) the minimum selling price per Towngas China share shall not be less than HK$4.20.

The Company intends to apply the aggregate remaining proceeds from the disposal mandate and the proceeds from the future disposal towards funding the working capital needs of its existing business and funding any future acquisition or investment as and when suitable opportunities arise.

Disposal of shares in Mascotte Holdings Limited ("Mascotte")

In February and March 2012, Kenson Investment Limited, a wholly-owned subsidiary of the Company, disposed all of its 500,000,000 shares in Mascotte. Net proceeds from the disposal amounted to HK$40 million. The carrying amount of these shares in Mascotte was HK$115 million as at 31 December 2011. Hence the disposal gave rise to a loss of HK$75 million for the year ended 31 December 2012.

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

On 19 December 2010, Goodunited Holdings Limited ("Goodunited") and Sinolink Electric Power Company Limited ("Sinolink Electric"), being indirect wholly-owned subsidiaries of the Company, entered into an equity transfer agreement with CNOOC Gas & Power Group ("CNOOC Gas"), pursuant to which Goodunited and Sinolink Electric sold their entire equity interests in Fuhuade to CNOOC Gas at a total consideration of RMB1,037,642,000 (equivalent to approximately HK$1,247.2 million) (subject to adjustment).

On 23 February 2011, Fuhuade received an approval notice from the Market Supervision Administration of Shenzhen Municipality in the People's Republic of China ("PRC") on the change of registration and obtained a new business license. Fuhuade is now owned and managed by CNOOC Gas and carrying out normal operations. As at 31 December 2012, the Group has received RMB680 million from CNOOC Gas. Payment for the balance of the total consideration amount is being arranged.

SUBSEQUENT EVENT

Acquisition

As disclosed in the circular of the Company dated 25 January 2013, the Company entered into an acquisition agreement with Hennabun International Group Limited (the "Vendor") on 4 December 2012, pursuant to which the Group agrees to purchase and the Vendor agrees to sell the entire issued share capital of Enerchine Capital Limited (formerly known as CU Group Investments Limited) ("Enerchine“) at a consideration of HK$62 million.

Enerchine is a private company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by the Vendor. Enerchine and its subsidiaries are principally engaged in the provision of type 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance ("SFO") as well as investment holding.

On 18 March 2013 the Company announced that, all the conditions precedent to the acquisition pursuant to the acquisition agreement have been fulfilled or waived and the completion of the acquisition took place on 18 March 2013. Upon completion of the Acquisition, Enerchine has become a wholly owned subsidiary of the Company.

The Board believes that the outlook of the financial services sector is positive and expects that the acquisition will generate steady income for the Group in the medium to long run.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$38.8 million as at 31 December 2011 to HK$37.0 million as at 31 December 2012. Gearing ratio as at 31 December 2012, calculated on the basis of total borrowing over shareholders' equity was 1% (31 December 2011: 1%).

Total assets pledged in securing the loan and other general banking facilities have a net book value of HK$36.8 million as at 31 December 2012. The bank borrowing of the Group is at floating rates and denominated in RMB. 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 exchange movement 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$1,243.4 million and HK$1.2 million, respectively, as at 31 December 2012 and are mostly denominated in RMB, HK$ and USD.

Capital commitments

As at 31 December 2012, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK$4.6 million that have not been provided for in the financial statements.

Contingent liabilities

As at 31 December 2012, a financial guarantee of HK$20.0 million has been jointly and severally provided to a bank in respect of a banking facility granted to an investee incorporated in Hong Kong and held by the Group. At 31 December 2012, HK$15.4 million of the bank facility has been utilised. In the opinion of the directors, because the banking facility is secured by assets owned by the investee, whose market value can substantially cover the utilised bank facility amount, the fair value of such financial guarantees is insignificant on initial recognition and no provision has been made at the end of reporting period as the default risk is considered low.

PROSPECTS

Based on the Board's view of current global capital markets and economic trends, we believe slow to moderate growth will be the "new norm" of the global economy. Comparing 2013 with 2012, not much volatility is expected to affect the growth rate, which is more likely to level or slightly pick up.

With the recent conclusion of the 18th National Congress of the Communist Party of the PRC and the Chinese leadership succession, it is expected that the PRC will continue to deepen its economic reforms. This coupled with an improvement in domestic consumption and exports provide a basis for remaining cautiously optimistic about the PRC's economic prospects in 2013. Nonetheless, the PRC will still face challenges in managing its financial and credit risks and reducing local government debt levels.

We believe a great amount of investment and development opportunities still exist in the PRC market. The Group will continue to improve the management of its existing businesses and projects; and will actively seek new business opportunities so as to enhance the value of the Company to all shareholders.

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 2012 (2011: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed approximately 372 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 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 2012.

CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "New Code") (effective from 1 April 2012) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except as noted hereunder.

The independent non-executive directors, Dr. Xiang Bing and Mr. Xin Luo Lin, were unable to attend the annual general meeting of the Company held in May 2012 and Dr. Xiang Bing was unable to attend the special general meeting of the Company held in September 2012 as provided for in code provision A.6.7 of the New Code as they had personal commitments.

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 2012, 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. Lam Ping Cheung, 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 audited financial statements of the Company for the year ended 31 December 2012 have been reviewed by the audit committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") was scheduled to be held on Wednesday, 22 May 2013. 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.

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
Chen Wei
Chairman

Hong Kong, 20 March 2013

As at the date of this announcement, the Board comprises Mr. Chen Wei (Chairman), Mr. Sam Nickolas David Hing Cheong (Chief Executive Officer), Mr. Xiang Ya Bo and Mr. Tang Yui Man Francis as executive directors; and Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin as independent non-executive directors.