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ENERCHINA HOLDINGS LIMITED

威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2013 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

For the six months ended 30 June 2013

- Turnover from electrical supplies and financial services were HK\$20.7 million and HK\$18.6 million respectively
- Profit attributable to owners of the Company was HK\$175.6 million
- Earnings per share was HK2.44 cents

The board of directors (the “Board”) of Enerchina Holdings Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013.

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended	
		30.6.2013 HK\$'000 (Unaudited)	30.6.2012 HK\$'000 (Unaudited)
Turnover		39,224	19,569
Other income	4	14,319	25,563
Other gains and losses		13,739	(1,015)
Changes in inventories of finished goods and work in progress		5,885	(4,773)
Raw materials and consumables used		(16,582)	(13,046)
Net gains on fair value change of investments held for trading		150,324	138,716
Depreciation on property, plant and equipment		(3,100)	(3,340)
Release of prepaid lease payments		(245)	(244)
Employee benefits expenses		(16,310)	(17,031)
Administrative and other expenses		(10,188)	(4,920)
Finance costs	5	(1,466)	(2,001)
Profit before taxation		175,600	137,478
Taxation	6	—	(493)
Profit for the period attributable to owners of the Company	7	175,600	136,985
Other comprehensive income (expense) for the period:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		10,750	(4,677)
Total comprehensive income for the period		186,350	132,308
		HK cents	HK cents
Basic and diluted earnings per share	9	2.44	1.91

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	30.6.2013 HK\$'000 (Unaudited)	31.12.2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	84,760	85,544
Prepaid lease payments		17,557	17,491
Intangible assets	11	3,908	–
Other deposits		280	–
Available-for-sale investments	12	526,644	505,000
Deposits paid for acquisition of property, plant and equipment		11,166	–
Deposits paid for proposed acquisition		–	10,000
		<u>644,315</u>	<u>618,035</u>
Current assets			
Inventories		39,959	32,589
Prepaid lease payments		478	478
Trade and other receivables, deposits and prepayments	13	868,804	529,151
Tax recoverable		461	676
Investments held for trading	14	986,177	1,455,288
Pledged bank deposits		7,333	1,233
Bank balances and cash		1,543,035	1,243,437
		<u>3,446,247</u>	<u>3,262,852</u>
Current liabilities			
Trade and other payables	15	160,548	144,237
Taxation payable		328	238
Bank borrowings – due within one year	16	43,915	36,991
		<u>204,791</u>	<u>181,466</u>
Net current assets		<u>3,241,456</u>	<u>3,081,386</u>
Net assets		<u><u>3,885,771</u></u>	<u><u>3,699,421</u></u>
Capital and reserves			
Share capital		71,897	71,897
Reserves		3,813,874	3,627,524
Total equity		<u><u>3,885,771</u></u>	<u><u>3,699,421</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is principally engaged in investment holdings, manufacturing and sales of electrical and energy-related products, provision of securities brokerage and provision of financial, consultancy and corporate finance advisory services.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HKD”) while the functional currency of the Company is Renminbi (“RMB”). During the period, the directors had re-evaluated the underlying investment activities and strategy of the Company and currency that mainly influences the sales of goods or services provided by the Company after the acquisition of Enerchine Capital Limited (“Enerchine”) and have determined that the functional currency of the Company was remained as RMB as Electrical supplies (as defined in note 3) remain the major activities and income stream contributed to the Company. Details of the acquisition of Enerchine are disclosed in note 17.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012. In addition, the Group has applied the following accounting policies for the first time during the current interim period as a result of the financial services business undertaken by the Group during the current period.

Revenue recognition

Commission income for broking business is recognised when the services are provided.

Advisory and other fee income are recognised when the relevant services have been rendered.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 – 2011 cycle
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 21.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 also require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangement for financial instruments under an enforceable master netting agreement or similar arrangement. Under the continuous net settlement arrangement, money obligation receivable and payable with Hong Kong Securities Clearing Company Limited (“HKSCC”) on the same settlement date are settled on a net basis. If the Group has financial assets and liabilities with HKSCC, the amount will be offset in the Group’s condensed consolidated statement of financial position.

Amendments to HKAS 34 Interim financial reporting (as a part of the annual improvements to HKFRSs 2009 – 2011 cycle)

The Group has applied the amendments to HKAS 34 Interim financial reporting as part of the annual improvements to HKFRSs 2009 – 2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM). CODM reviews assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, thus the Group included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current financial information period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2012 were authorised for issuance and are not yet effective:

Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for accounting periods beginning on or after 1 January 2014.

The directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

During the six months ended 30 June 2013, the Group acquired Enerchine, which is principally engaged in the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services in Hong Kong (details refer to note 17). Thus, the executive directors consider provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services in Hong Kong is a new reportable and operating segment upon the acquisition.

During the six months ended 30 June 2012, there was no segment information disclosed as the Group's operation only comprise Electrical supplies (as defined below) and it is determined that the Group has only one operating segment. After the acquisition of Enerchine, the executive directors consider that segment results of Electrical supplies shall be separately assessed from Financial services (as defined below) segment as well as the corporate income and expenses, and thus the reporting and operating segment of Electrical supplies is newly presented.

Figures in segment information for the six months ended 30 June 2012 have been restated for comparative purposes.

During the six months ended 30 June 2013, the Group's reportable and operating segments are therefore as follows:

- (a) manufacture and sale of electrical and energy-related products ("Electrical supplies")
- (b) the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services ("Financial services")

Segment turnover and results

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

For the six months ended 30 June 2013

	Electrical supplies HK\$'000	Financial services HK\$'000	Consolidated HK\$'000
Turnover	<u>20,671</u>	<u>18,553</u>	<u>39,224</u>
Segment (loss) profit	<u>(5,715)</u>	<u>12,789</u>	7,074
Unallocated other income			12,807
Unallocated other gains and losses			13,739
Net gains on fair value change of investments held for trading			150,324
Central corporate expenses			<u>(8,344)</u>
Profit before taxation			<u>175,600</u>

For the six months ended 30 June 2012 (restated)

	Electrical supplies HK\$'000	Consolidated HK\$'000
Turnover	<u>19,569</u>	<u>19,569</u>
Segment loss	<u>(9,878)</u>	(9,878)
Unallocated other income		24,726
Unallocated other gains and losses		(1,581)
Net gains on fair value change of investments held for trading		138,716
Central corporate expenses		<u>(14,505)</u>
Profit before taxation		<u>137,478</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of net gains on fair value change of investments held for trading, interest income (other than financial services generated turnover), certain other income, certain other gains and losses, central corporate expenses and taxation. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 30 June 2013

	Electrical supplies HK\$'000	Financial services HK\$'000	Consolidated HK\$'000
Segment assets	161,658	488,365	650,023
Unallocated property, plant and equipment			4,277
Available-for-sale investments			526,644
Unallocated other receivables, deposits and prepayments			379,945
Investments held for trading			986,177
Tax recoverable			461
Bank balances and cash			<u>1,543,035</u>
Consolidated assets			<u>4,090,562</u>
Segment liabilities	84,382	14,403	98,785
Unallocated other payables			105,678
Taxation payables			<u>328</u>
Consolidated liabilities			<u>204,791</u>

As at 31 December 2012 (restated)

	Electrical supplies HK\$'000	Consolidated HK\$'000
Segment assets	155,274	155,274
Unallocated property, plant and equipment		4,905
Available-for-sale investments		505,000
Deposits paid for proposed acquisition		10,000
Unallocated other receivables, deposits and prepayments		506,307
Investments held for trading		1,455,288
Tax recoverable		676
Bank balances and cash		1,243,437
Consolidated assets		<u>3,880,887</u>
Segment liabilities	70,594	70,594
Unallocated other payables		110,634
Taxation payables		238
Consolidated liabilities		<u>181,466</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, available-for-sale investments, deposits paid for proposed acquisition, certain other receivables, deposits and prepayments, investments held for trading, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and taxation payable.

4. OTHER INCOME

	Six months ended	
	30.6.2013 HK\$'000 (Unaudited)	30.6.2012 HK\$'000 (Unaudited)
Interest income (other than financial services generated turnover) on:		
– bank deposits	5,365	14,942
– others	<u>2,089</u>	<u>–</u>
	7,454	14,942
Dividend income from listed investments	5,698	10,617
Others	<u>1,167</u>	<u>4</u>
	<u>14,319</u>	<u>25,563</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2013	30.6.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	<u>1,466</u>	<u>2,001</u>

6. TAXATION

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

No Enterprise Income Tax of People's Republic of China (the "PRC") has been provided in these condensed consolidated financial statements as the Group has no taxable profit for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2013	30.6.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Provision for allowance for inventories	–	4,344
Net exchange (gain) loss (included in other gains and losses)	(13,739)	1,581
Gain on disposal of property, plant and equipment (included in other gains and losses)	<u>–</u>	<u>(566)</u>

8. DIVIDENDS

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

The directors do not declare an interim dividend in respect of six months ended 30 June 2013 (six months ended 30 June 2012: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2013	30.6.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the period attributable to owners of the		
Company for the purposes of basic and diluted earnings	<u>175,600</u>	<u>136,985</u>

	Six months ended	
	30.6.2013	30.6.2012
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue during the period		
for the purposes of basic and diluted earnings per share	<u>7,189,655,664</u>	<u>7,189,655,664</u>

The computation of diluted earnings 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 periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent HK\$527,000 (six months ended 30 June 2012: HK\$3,366,000) on acquisition of property, plant and equipment.

11. INTANGIBLE ASSETS

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

12. AVAILABLE-FOR-SALE INVESTMENTS

	30.06.2013	31.12.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted shares, at cost		
– incorporated in overseas	505,000	505,000
– incorporated in the PRC	<u>21,644</u>	<u>–</u>
	<u>526,644</u>	<u>505,000</u>

As at 30 June 2013, the Group in total owns approximately 9.33% of the issued share capital of HEC Capital Limited with a carrying amount of HK\$500,000,000 (31 December 2012: HK\$500,000,000). The principal activities of HEC Capital Limited and its subsidiaries are engaged in property investment, near to cash investments (such as investment in securities trading and money lending business) and money lending.

During the six months ended 30 June 2013, the Group acquired 18.75% equity interest in Chi-Courser Investment Management Co Ltd. (“Chi-Courser”), a company established in the PRC, at a consideration of approximately HK\$21,644,000. Chi-Courser is principally engaged in provision of asset management services in the PRC.

Investments in unlisted equity securities issued by private entities are held for an identified long term strategic purpose. 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.

For the Group’s available-for-sale investments, the management reviews the latest investee’s financial position, observable data such as fair value of the listed securities held by the investee and transactions of the investee’s shares and consequently considers no objective evidence of impairment was identified at 30 June 2013 and 31 December 2012. Accordingly, the directors consider no impairment was recognised.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2013 HK\$’000 (Unaudited)	31.12.2012 <i>HK\$’000</i> (Audited)
Trade receivables arising from sales of electrical supplies	16,709	19,488
Trade receivables arising from provision of securities brokerage business:		
– HKSCC	1,887	–
Trade receivables arising from the business of advisory for corporate finance and investment management	1,000	–
Loans to securities margin clients	199,066	–
Deposits with securities brokers	30,861	13,293
Consideration receivable for disposal of a subsidiary (<i>Note 1</i>)	355,603	347,857
Deposit paid for the proposed acquisition	–	100,000
Loans to independent third parties (<i>Note 2</i>)	254,000	40,000
Other receivables, deposits and prepayments	9,678	8,513
	868,804	529,151

Notes:

- (1) During the year ended 31 December 2011, the Group disposed 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”). The consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK\$1,247,166,000) after deducting estimated other tax expenses of HK\$98,000,000 such as withholding tax arising on the disposal was subject to adjustment in accordance with the results of supplemental audit on the financial information of Shenzhen Fuhuade for the period from 1 January 2010 to the date of the disposal (the “Supplemental Audit”). Up to 30 June 2013, 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. The directors of the Company expect to receive the amount in the second half year in year 2013 and no provision is considered necessary.
- (2) The loans receivables have contractual maturity dates within 1 year as at 30 June 2013. The average interest rate for the loans receivables was ranging from 8% to 24% (31 December 2012: nil) per annum.

The Group determines the allowance of impaired debts based on the evaluation of collectability and ageing analysis of accounts and on the management’s judgement, including assessment of change of credit quality, collateral and the past collection history of each customer. There is no loans receivables which were past due but not impaired at the reporting date for which the Group believes that the amounts are considered recoverable as the creditworthiness and the past collection history of each client are satisfactory.

The Group allows an average credit period of 90 days to its trade customers of electrical supplies. The following is an ageing analysis of trade receivables from sale of electrical supplies, presented based on the invoice date, at the end of the reporting period:

	30.06.2013 HK\$’000 (Unaudited)	31.12.2012 HK\$’000 (Audited)
Within 90 days	10,250	13,971
91 – 180 days	6,459	5,517
	<u>16,709</u>	<u>19,488</u>

The settlement terms of trade receivable arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of broking business.

Loans to securities margin clients are repayable on demand and bear interest arranging from 8% to 24% per annum for six months ended 30 June 2013. The loans are secured by pledged marketable securities at fair value of approximately HK\$485,042,000 (31 December 2012: nil). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customer default the payment as requested by the Group. In the opinion of the directors, no aged analysis is disclosed as the aged analysis does not give additional value.

14. INVESTMENTS HELD FOR TRADING

	30.06.2013 HK\$'000 (Unaudited)	31.12.2012 HK\$'000 (Audited)
Investments held for trading, at fair value		
Listed shares in Hong Kong (<i>Note (a)</i>)	983,737	1,443,526
Listed shares in elsewhere	436	262
Convertible bonds (<i>Note (b)</i>)	2,004	11,500
	986,177	1,455,288

Notes:

- (a) Included in the listed shares in Hong Kong is an amount of HK\$620,840,000 (31 December 2012: HK\$1,104,632,000) 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 3.08% as at 30 June 2013 (31 December 2012: 7.05%). 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, the operation of gas fuel automobile refilling stations, and the sale of household gas appliances.
- (b) The Group invested in unlisted convertible bonds with principal amount of HK\$11,500,000 on 3 December 2012 issued by a company listed on the Main Board of the Stock Exchange. The convertible bonds bear zero interest and are due for redemption on 30 November 2013. On 25 March 2013, the issuer passed an ordinary resolution on variation of the terms and conditions of the convertible bonds. Before the variation of terms and conditions, the Group is entitled the right to convert the whole or part of the principal amount of the convertible bonds into shares at any time and from time to time up to 30 November 2013. After the variation of terms and condition, the maturity date changed from 30 November 2013 to 30 November 2016. Also, the conversion price is changed from HK\$0.125 per conversion share to HK\$0.33 per conversion share. Moreover, the issuer has changed the terms and condition of half of the amount of convertible bonds (i.e. HK\$5,750,000) which become a loan bearing fixed interest rate of 2.5% per annum but no conversion rights attached to it. Upon the changes in terms and conditions, convertible bonds with principal amount of HK\$5,750,000 and at fair value of HK\$2,834,000 at the date of modification is reclassified to loans and receivables and included in trade and other receivables, deposits and prepayments as at the date of changing terms and 30 June 2013.

The fair value of the convertible bonds as at 30 June 2013 and 31 December 2012 is estimated by an independent professional valuer using valuation techniques based on the discounted cash flow analysis using discount rate from observable current market transaction as inputs on debt portion and Binomial Option Pricing Model is used for valuation of conversion option of convertible bonds. The inputs into the model were disclosed in note 21.

15. TRADE AND OTHER PAYABLES

	30.06.2013 <i>HK\$'000</i> (Unaudited)	31.12.2012 <i>HK\$'000</i> (Audited)
Trade payables	14,454	13,426
Amounts due to securities margin clients	10,975	–
Other taxes arising from disposal of a subsidiary	105,255	100,538
Other payables and accrued charges	29,864	30,273
	<u>160,548</u>	<u>144,237</u>

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

	30.06.2013 <i>HK\$'000</i> (Unaudited)	31.12.2012 <i>HK\$'000</i> (Audited)
Within 90 days	10,731	9,661
91 – 180 days	1,656	631
181 – 360 days	171	1,310
Over 360 days	1,896	1,824
	<u>14,454</u>	<u>13,426</u>

Amounts due to securities margin clients are repayable on demand. In the opinion of the directors, no aged analysis is disclosed as the aged analysis does not give additional value.

16. BANK BORROWINGS

Bank borrowings of HK\$43,915,000 as at 30 June 2013 (31 December 2012: HK\$36,991,000), which are denominated in RMB, carry interest at 6-month or 12-month PRC bank interest rate plus certain spread and become due within one year after the end of the reporting period.

At 30 June 2013, property, plant and equipment with an aggregate carrying amount of HK\$18,313,000 (31 December 2012: HK\$17,997,000), prepaid lease payments of HK\$17,649,000 (31 December 2012: HK\$17,584,000) and bank deposits of HK\$7,333,000 (31 December 2012: HK\$1,233,000) were pledged to banks for the secured bank borrowings granted to the Group.

17. ACQUISITION OF SUBSIDIARIES

On 4 December 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire entire equity interest in Enerchine at a consideration of HK\$62,000,000 (“Acquisition”) which was satisfied by cash. The Acquisition is completed on 18 March 2013. Enerchine is an investment holding company and its subsidiaries are principally engaged in the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services in Hong Kong. Management considered that the Acquisition would enable the Group to further strengthen its focus on the financial services sector through direct investment in and hands-on management and operations of Enerchine.

Acquisition-related costs amounting to approximately HK\$1,313,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative and other expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of Acquisition:

	<i>HK\$'000</i>
Property, plant and equipment	456
Intangible assets	3,908
Other deposits	280
Trade and other receivables, deposits and prepayments (<i>Note</i>)	24,995
Bank balances and cash	54,116
Trade and other payables	(21,677)
Taxation payables	(78)
Net assets acquired	<u><u>62,000</u></u>

Note: The fair value of trade and other receivables at the date of acquisition amounted to HK\$22,965,000, which is the same as the gross contractual amounts of trade receivables at the date of Acquisition.

Cash inflow arising on acquisition:

	<i>HK\$'000</i>
Cash consideration paid	(62,000)
Amount paid in previous period (<i>Note</i>)	10,000
Less: Bank balances and cash acquired	54,116
	<u><u>2,116</u></u>

Note: A deposit of HK\$10,000,000 is paid by the Group as at 31 December 2012 and classified as “deposits paid for proposed acquisition”.

Revenue for interim period includes HK\$18,553,000 attributable to Enerchine. Included in the profit for the interim period is HK\$12,789,000 attributable to Enerchine.

Had the acquisition been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2013 would have been HK\$43,826,000 and the amount of the profit for the interim period would have been HK\$172,351,000. 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 at the beginning of the interim period, nor is it intended to be a projection of the results.

18. RELATED PARTY TRANSACTION

During the current interim period, the emoluments of key management personnel were HK\$2,927,000 (six months ended 30 June 2012: HK\$6,257,000).

19. CAPITAL COMMITMENTS

	30.06.2013	31.12.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>4,673</u>	<u>4,592</u>

20. CONTINGENT LIABILITIES

As at 30 June 2013, a financial guarantee of HK\$20,000,000 (31 December 2012: HK\$20,000,000) have been jointly and severally provided to a bank in respect of banking facility granted to an investee incorporated in Hong Kong held by the Group. At the end of the reporting period, HK\$13,310,000 (31 December 2012: HK\$15,428,000) 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, which market value can substantially cover the utilised bank facility amount, the fair value of such financial guarantees is insignificant on initial recognition and at the end of the reporting period. No provision has been made as the default risk is considered low at the end of reporting period.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30.6.2013	31.12.2012				
1) Investment in unlisted convertible bonds classified as investments held for trading in the condensed consolidated statement of financial position	Assets – HK\$2,004,000	Assets – HK\$11,500,000	Level 3	Discounted cash flow and Binominal Option Pricing Model Future cash flows are estimated based on convertible bond agreement and discounted at a rate based on prevailing interest rate Binominal Option Pricing Model's key impact: Volatility of 55.74%; Risk-free rate of 0.673%; Spot price: HK\$0.115	Discount rate, determined based on prevailing market rate of interest for similar instruments Volatility determined based on historical volatility of the listed entity	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value
2) Investments in listed equity securities classified as investments held for trading in the condensed consolidated statement of financial position	Listed equity securities in: – Hong Kong HK\$983,737,000 – overseas HK\$436,000	Listed equity securities in: – Hong Kong HK\$1,443,526,000 – overseas HK\$262,000	Level 1	Quoted bid prices in an active market	N/A	N/A

Reconciliation of Level 3 fair value measurements of financial assets

	Investment in convertible instruments HK\$'000
At 1 January 2013	11,500
Transfer to loans and receivables upon change in terms by the counterparty	(2,834)
Loss in profit or loss	(6,662)
At 30 June 2013	<u>2,004</u>

Of the total loss for the period included in profit or loss, HK\$3,746,000 relates to investment in convertible instruments classified as investment held for trading at the end of the current reporting period and included in ‘net gains on fair value change of investments held for trading’. Remaining of HK\$2,916,000 relates to the loss incurred upon the modification of the terms and conditions of convertible instruments as disclosed in note 14.

The executive directors of the Company are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in financial services investments and the manufacture and sale of energy-related products.

For the six months ended 30 June 2013, the Group’s turnover was approximately HK\$39.2 million, up 100% compared with the same period last year. Profit attributable to owners of the Company increased by 28% to HK\$175.6 million. Basic earnings per share rose 28% to HK2.44cents.

PRINCIPAL OPERATIONS

Enerchine Capital Limited (formerly known as CU Group Investments Limited) (“Enerchine”)

The Company entered into an acquisition agreement with Hennabun International Group Limited on 4 December 2012 to purchase the entire issued share capital of Enerchine at a cash consideration of HK\$62 million. The acquisition was completed on 18 March 2013 upon which Enerchine became a wholly-owned subsidiary of the Company.

Enerchine is a private company incorporated in the British Virgin Islands with limited liability. Enerchine and its subsidiaries are principally engaged in securities brokerage, investment advisory, corporate finance advisory and asset management activities under the Type 1, 4, 6 and 9 licenses regulated under the Securities and Futures Ordinance, as well as other businesses such as nominee services.

During the period from 19 March 2013 to 30 June 2013, Enerchine contributed approximately HK\$18.6 million and HK\$12.8 million to the Group’s turnover and profit, respectively.

The Board believes that the outlook of the financial services sector is positive. The Company is expanding Enerchine's professional team and enhancing its capability to cope with the expected increase in business opportunities, and is also actively expanding the service platform and customer base of Enerchine in securities brokerage, corporate finance and investment management to develop new streams of revenue and returns for the Company. The Board expects Enerchine to generate steady income for the Group and enhance our shareholder's value. Furthermore, the Group through Enerchine will become a one-stop integrated financial services provider, offering an extensive range of financial services to its customers, including but not limited to, securities brokerage, investment advisory, corporate finance advisory, money lending and asset management as well as the proprietary trading of the Group.

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

Henan ADD is principally engaged in the production and sale of porcelain insulators. For the six months ended 30 June 2013, turnover generated by this business slightly increased by 6% to approximately HK\$20.7 million. A gross profit of approximately HK\$0.5 million was reported, compared to a gross loss of HK\$9.3 million for last year.

The Company has suspended the proposed expansion plan of Henan ADD in the electrical and energy-related business. As stated in the circular of the Company dated 25 July 2011, Henan ADD had been conducting feasibility studies for expansion and a further investment of approximately RMB100 million was expected to be made by the Group, of which not more than HK\$30 million would be invested in Henan ADD by the end of 2011. However, none of the investment mentioned above was made by the Company thereafter due to poor market conditions which depressed the sales and prices of electrical and energy-related products and caused a decline in Henan ADD's revenue. The Board believes the business conditions for the manufacture and sale of electrical and energy-related products will remain challenging and competitive in the near term. As such, the Board considers that it is in the best interest of the Company and its shareholders to suspend the proposed expansion plan.

DISCONTINUED OPERATIONS

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

As at 30 June 2013, the Group beneficially owned 80,419,677 shares in Towngas China, representing approximately 3.08% 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 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.

Up to 30 June 2013, the supplemental audit on the financial information of Fuhuade for the period from 1 January 2010 to the date of the disposal was not yet finalised. The Group has received RMB680 million from CNOOC Gas. Payment for the balance of the total consideration amount is being arranged.

FINANCIAL POSITION

The Group’s total borrowings increased from HK\$37.0 million as at 31 December 2012 to HK\$43.9 million as at 30 June 2013. Gearing ratio as at 30 June 2013, calculated on the basis of total borrowing over shareholders’ equity, was 1% (31 December 2012: 1%).

Total assets pledged in securing the loan and other general banking facilities have a net book value of HK\$43.3 million as at 30 June 2013. 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\$1,543 million and HK\$7.3 million, respectively, as at 30 June 2013 and are mostly denominated in RMB, HK\$ and USD.

Capital commitments

As at 30 June 2013, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK\$4.7 million that have not been provided for in the financial statements.

Contingent liabilities

As at 30 June 2013, 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 company incorporated in Hong Kong and held by the Group. At the end of reporting period, HK\$13.3 million of the bank facility has been utilised. In the opinion of the Board, because the banking facility is secured by assets owned by the investee company, whose market value can substantially cover the utilised banking 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 current global capital markets and economic trends, the Board believes 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.

We believe a great amount of investment and development opportunities still exist in the PRC market. We 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 for all shareholders.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed approximately 392 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 six months ended 30 June 2013.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2013, 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. The members of the Audit Committee are 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 interim results of the Group for the six months ended 30 June 2013 had not been audited, but had been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Audit Committee.

APPRECIATION

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

By Order of the Board
Enerchina Holdings Limited
Chen Wei
Chairman

Hong Kong, 20 August 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, 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.