ENERCHINA HOLDINGS LIMITED
威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2013 Annual Results Announcement

FINANCIAL HIGHLIGHTS:

For the year ended 31 December 2013

- Turnover from electrical supplies and financial services were HK$51.8 million and HK$43.1 million respectively
- Profit attributable to owners of the Company was HK$141.3 million
- Earnings per share was HK1.97 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 2013.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Turnover	*3*	**94,905**	40,360
Other income	*4*	**32,350**	38,381
Other gains and losses	*5*	**16,727**	(6,182)
Changes in inventories of finished goods and work in progress		**(7,830)**	(6,718)
Raw materials and consumables used		**(34,075)**	(33,798)
Fair value change of investments held for trading		**371,011**	337,782
Allowance for consideration receivable		**(255,185)**	(93,132)
Loss on disposal of available-for-sale investments		**–**	(48,000)
Depreciation of property, plant and equipment		**(7,664)**	(7,787)
Release of prepaid lease payments		**(499)**	(487)
Employee benefits expenses		**(32,505)**	(31,468)
Administrative and other expenses		**(28,041)**	(26,947)
Share of results of an associate		**(1,726)**	–
Finance costs	*6*	**(3,070)**	(3,427)
Profit before taxation		**144,398**	158,577
Taxation	*8*	**(3,054)**	–
Profit for the year	*7*	**141,344**	158,577
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**2,168**	(93)
Total comprehensive income for the year		**143,512**	158,484
Profit for the year attributable to:			
Owners of the Company		**141,344**	158,577
Non-controlling interests		**–**	–
		141,344	158,577
Total comprehensive income attributable to:			
Owners of the Company		**143,512**	158,484
Non-controlling interests		**–**	–
		143,512	158,484
		HK cents	*HK cents*
Basic and diluted earnings per share	*10*	**1.97**	2.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**71,951**	85,544
Prepaid lease payments		**17,532**	17,491
Available-for-sale investments		**534,262**	505,000
Interests in an associate		**43,276**	–
Intangible assets		**3,908**	–
Other deposits		**255**	–
Deposit paid for proposed acquisition		**–**	10,000
Deposit paid for acquisition of property, plant and equipment		**21,377**	–
		692,561	618,035
Current assets			
Inventories		**24,936**	32,589
Prepaid lease payments		**505**	478
Trade and other receivables, deposits and prepayments	11	**584,904**	529,151
Taxation recoverable		**396**	676
Investments held for trading		**963,962**	1,455,288
Pledged bank deposits		**789**	1,233
Bank balances – trust and segregated accounts		**18,523**	–
Bank balances (general accounts) and cash		**1,709,265**	1,243,437
		3,303,280	3,262,852
Current liabilities			
Trade and other payables	12	**76,833**	144,237
Taxation payable		**2,639**	238
Borrowings – due within one year		**65,802**	36,991
		145,274	181,466
Net current assets		**3,158,006**	3,081,386
Net assets		**3,850,567**	3,699,421
Capital and reserves			
Share capital		**71,897**	71,897
Reserves		**3,771,036**	3,627,524
Equity attributable to owners of the Company		**3,842,933**	3,699,421
Non-controlling interests		**7,634**	–
Total equity		**3,850,567**	3,699,421

NOTES

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 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 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. During the current year, the directors of the Company had re-evaluated the underlying investment activities and strategy of the Company, as well as the currency that mainly influences the income stream of the Company after the acquisition of Enerchine Capital Limited ("Enerchine") and have determined that the functional currency of the Company 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 13.

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 HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	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 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
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, 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.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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") due to or from the same group entity on the same settlement date are settled on a net basis. The Group has financial assets and liabilities with HKSCC and the corresponding amounts have been offset in the Group's consolidated statement of financial position.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 defines the fair value of an asset 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 19	Defined benefit plans: employees contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
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]
Amendments to HKFRSs	Annual improvement to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvement to HKFRSs 2011-2013 cycle[2]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for accounting periods beginning on or after 1 January 2014.
2 Effective for accounting periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

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, and further amended in 2013 to include the new requirements for hedge accounting.

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.

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 the People's Republic of China (the "PRC") 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.

Amendments to HKAS 36 Recoverable amount disclosures for non-current financial assets

The amendments to HKAS 36 remove the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment but require the following disclosures (in addition to the others already required by HKAS 36) when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal:

- the level of the HKFRS 13 'fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit has been determined.

- for fair value measurements at level 2 or level 3 of the fair value hierarchy: a description of the valuation techniques used and any changes in that valuation technique; key assumptions used in the measurement of fair value, including the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.

The directors of the Company anticipate that the application of the amendments may result in more extensive disclosures on impairment assessment on the property, plant and equipment in the consolidated financial statements.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the amounts that are currently set off in these 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

	2013	2012
	HK$'000	*HK$'000*
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**5,244**	–
Interest income from margin clients	**8,611**	–
Interest income from loans receivable	**20,231**	–
Advisory and other fee income	**9,000**	–
Sales of electrical and energy-related products, net of discounts and related taxes	**51,819**	40,360
	94,905	40,360

(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 makers, for the purposes of resource allocation and performance assessment.

During the year ended 31 December 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. 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 year ended 31 December 2012, there was no segment information disclosed as the Group's operation only comprised 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 separately assessed that segment results of Electrical supplies from Financial services (as defined below) as well as the corporate income and expenses.

Figures in segment information for the year ended 31 December 2012 have been re-presented for comparative purposes.

During the year ended 31 December 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, money lending 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 year ended 31 December 2013

	Electrical supplies *HK$'000*	**Financial services** *HK$'000*	**Consolidated** *HK$'000*
Turnover – external customers	**51,819**	**43,086**	**94,905**
Segment (loss) profit	**(38,904)**	**20,815**	**(18,089)**
Unallocated other income			**29,639**
Unallocated other gains and losses			**37,146**
Fair value change of investments held for trading			**371,011**
Allowance for consideration receivable			**(255,185)**
Share of results of an associate			**(1,726)**
Central corporate expenses			**(18,398)**
Profit before taxation			**144,398**

For the year ended 31 December 2012 (re-presented)

	Electrical supplies *HK$'000*	Consolidated *HK$'000*
Turnover – external customers	40,360	40,360
Segment loss	(31,850)	(31,850)
Unallocated other income		37,834
Unallocated other gains and losses		(6,874)
Fair value change of investments held for trading		337,782
Allowance for consideration receivable		(93,132)
Loss on disposal of available-for-sale investments		(48,000)
Central corporate expenses		(37,183)
Profit before taxation		158,577

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 fair value change of investments held for trading, interest income (other than interest income generated from the Financial services segment which is included in turnover), certain other income, certain other gains and losses, allowance for consideration receivable, loss on disposal of available-for-sale investments, share of results of an associate, central corporate expenses and taxation. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2013

	Electrical supplies *HK$'000*	**Financial services** *HK$'000*	**Unallocated** *HK$'000*	**Combined** *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	**920**	**329**	**10,946**	**12,195**
Depreciation of property, plant and equipment	**5,652**	**170**	**1,842**	**7,664**
Amortisation of prepaid lease payments	**499**	**–**	**–**	**499**
Impairment loss on property, plant and equipment	**20,419**	**–**	**–**	**20,419**
Write-down on inventories	**2,419**	**–**	**–**	**2,419**

For the year ended 31 December 2012 (re-presented)

	Electrical supplies *HK$'000*	Unallocated *HK$'000*	Combined *HK$'000*
Amounts included in the measure of segment profit or segment assets:			
Additions of property, plant and equipment	3,841	5,894	9,735
Depreciation of property, plant and equipment	6,273	1,514	7,787
Amortisation of prepaid lease payments	487	–	487
Gain on disposal of property, plant and equipment	565	–	565
Write-down on inventories	9,296	–	9,296

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customers are detailed below:

	2013	2012
	HK$'000	HK$'000
Hong Kong	**43,086**	–
The PRC	**51,819**	40,360
	94,905	40,360

Non-current assets (excluding financial assets) by geographical location of assets are detailed below:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**83,185**	4,905
The PRC	**74,859**	98,130
	158,044	103,035

Information about major customers

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

	2013	2012
	HK$'000	*HK$'000*
Customer A	**13,907**	14,474
Customer B	**12,213**	8,709
Customer C	**10,776**	N/A[1]
Customer D	**N/A[1]**	5,298

1 *The transactions with the customer did not contribute over 10% of total turnover of the Group during the current year or prior year.*

4. OTHER INCOME

	2013 *HK$'000*	2012 *HK$'000*
Interest income on:		
– bank deposits	**19,671**	24,912
– others	**3,099**	901
	22,770	25,813
Dividend income from investments held for trading	**6,869**	12,021
Others	**2,711**	547
	32,350	38,381

5. OTHER GAINS AND LOSSES

	2013 *HK$'000*	2012 *HK$'000*
Net exchange gain (loss)	**37,146**	(1,747)
Impairment loss on available-for-sale investments	**–**	(5,000)
Impairment loss on property, plant and equipment	**(20,419)**	–
Gain on disposal of property, plant and equipment	**–**	565
	16,727	(6,182)

6. FINANCE COSTS

	2013 *HK$'000*	2012 *HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**3,070**	3,427

7. PROFIT FOR THE YEAR

	2013 *HK$'000*	2012 *HK$'000*
Profit for the year has been arrived at after charging:		
Write-down on inventories	**2,419**	9,296

8. TAXATION

	2013	2012
	HK$'000	*HK$'000*
Taxation for the year comprises:		
Hong Kong Profits Tax	**3,054**	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2013. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the year ended 31 December 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

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 2013 (2012: nil).

10. 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings for the year attributable to owners of the Company	**141,344**	158,577
Number of shares	**2013**	2012
Number of ordinary shares in issue during the year	**7,189,655,664**	7,189,655,664

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 years.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables arising from sales of electrical supplies	**28,720**	19,488
Trade receivables arising from the business of advisory for corporate finance and investment management	**400**	–
Trade receivables arising from secured margin clients	**220,439**	–
Deposits with securities brokers	**32,590**	13,293
Consideration receivable for disposal of a subsidiary	**–**	347,857
Deposit paid for the proposed acquisition *(note)*	**–**	100,000
Loans to independent third parties	**289,117**	40,000
Other receivables, deposits and prepayments	**13,638**	8,513
	584,904	529,151

Note:

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 conditions precedent 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 from sales of electrical suppliers. The following is an aged analysis of trade and bills receivables from sales of electrical suppliers, presented based on the invoice date (which approximate the date of revenue recognition) of the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**19,578**	13,971
91 – 180 days	**9,142**	5,517
	28,720	19,488

Included in the Group's trade debtors from sales of electrical supplies are debtors with aggregate carrying amount of HK$9,142,000 (2012: HK$5,517,000) which are past due as at the end of the reporting period 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 from sales of electrical supplies which are past due but not impaired is as follows:

	2013	2012
	HK$'000	*HK$'000*
1 – 90 days	**9,142**	5,517

Loans to securities margin clients are repayable on demand and bear interest ranging from 8% to 24% per annum for year ended 31 December 2013.

The Group does not provide any credit term to its advisory clients for the provision of corporate finance and investment management services. This receivables is subsequently settled.

Trade receivables arising from secured margin clients are repayable on demand.

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted, subsequent settlement and the fair value of pledged marketable securities up to the reporting date. In the opinion of the directors of the Company, there is no further provision required in excess of existing allowance for doubtful debts.

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables arising from sales of electrical supplies	**13,433**	13,426
Trade payables arising from the provision of securities brokerage business with HKSCC	**333**	–
Trade payables to cash clients	**5,207**	–
Other taxes payable arising from disposal of subsidiary	**–**	100,538
Other payables and accrued charges	**57,860**	30,273
	76,833	144,237

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**6,747**	9,661
91 – 180 days	**1,416**	631
181 – 360 days	**3,203**	1,310
Over 360 days	**2,067**	1,824
	13,433	13,426

The settlement terms of trade payables 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 of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

Trade payables to cash clients are repayable on demand. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

13. 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 consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of Acquisition:

	HK$'000
Property, plant and equipment	456
Intangible assets	3,908
Other deposits	280
Trade and other receivables, deposits and prepayments *(Note)*	24,995
Bank balances – trust and segregated accounts	18,741
Bank balances (general accounts) and cash	35,375
Trade and other payables	(21,677)
Tax payables	(78)
Net assets acquired	62,000

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 outflow arising on acquisition:

	HK$'000
Cash consideration paid	(62,000)
Amount paid in previous period *(note)*	10,000
Less: Bank balances (general accounts) and cash acquired	35,375
	(16,625)

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 year includes HK$43,086,000 attributable to Enerchine. Included in the profit for the year is HK$157,433,000 attributable to Enerchine.

Had the acquisition been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 31 December 2013 would have been HK$121,589,000 and the amount of the profit for the year would have been HK$138,095,000. 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 year, nor is it intended to be a projection of the results.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2013, the Group's turnover amounted to approximately HK$94.9 million, an increase of 135.2% over last year. Profit attributable to owners of the Company decreased by 10.9% to HK$141.3 million. Basic earnings per share decreased 10.9% to HK1.97 cents. The growth was mainly attributable to the financial services business acquired during the year.

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.

During the period from 19 March 2013 to 31 December 2013, Enerchine contributed approximately HK$43.1 million and HK$157.4 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. It is expected that Enerchine will 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 year ended 31 December 2013, turnover generated by this business increased by 28.4% to approximately HK$51.8 million. A gross loss of approximately HK$3.4 million was reported, narrowing 79.8% compared to 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.

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

As at 31 December 2013, the Group beneficially owned 22,359,677 shares in Towngas China, representing approximately 0.86% 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 gas fuel automobile refilling stations, 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 towards funding the working capital needs of its existing business and funding any future acquisition or investment as and when suitable opportunities arise.

The mandate to dispose Towngas China shares expired on 18 September 2013.

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

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the "CNOOC Gas"). 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 Fuhuade for the period from 1 January 2010 to the date of the disposal (the "Supplemental Audit"). The deferred consideration would be settled in cash by the CNOOC Gas within 20 days after the results of the Supplemental Audit have been confirmed by the Group and CNOOC Gas. Up to 31 December 2013, the Supplemental Audit was not yet finalized and both sides had difference of opinions. Under the circumstances, legal recourse might be sought and the directors of the Company consider that such receivable will be doubtful in recoverability in the foreseeable future. In view of this, the Group recognised allowance for doubtful consideration receivable of HK$255,185,000, representing the net of consideration receivable of HK$358,921,000 and the release of other taxes payable arising from disposal of subsidiary amounting to HK$103,736,000, to the profit and loss account during the year ended 31 December 2013.

Notwithstanding the provision made against the doubtful consideration receivable, the management of the Company will take all necessary measures to defend the interest of the Group.

FINANCIAL POSITION

The Group's total borrowings increased from HK$37.0 million as at 31 December 2012 to HK$65.8 million as at 31 December 2013. Gearing ratio as at 31 December 2013, calculated on the basis of total borrowing over shareholders' equity, was 1.7% (31 December 2012: 1%).

Total assets pledged in securing the loan and other general banking facilities have a net book value of HK$42.3 million as at 31 December 2013. The bank borrowing of the Group is at floating rates and denominated in RMB. The Group's electrical supplies operation is mainly carried out in the PRC and the 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 financial services business is not exposed to foreign exchange risk as all its transactions are denominated in HK dollars.

The Group's cash and cash equivalents and pledged bank deposits amounted to HK$1,709.3 million and HK$0.8 million, respectively, as at 31 December 2013 and are mostly denominated in RMB, HK$ and USD.

Capital commitments

As at 31 December 2013, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK$4.4 million that have not been provided for in the financial statements.

Contingent liabilities

As at 31 December 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. As at the year end, HK$11.2 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 year end as the default risk is considered low.

PROSPECTS

With the recovery in external demand and increase in new investment, the PRC is facing a more benign macro-environment in 2014 that gives reason for cautious optimism. Nonetheless, it is becoming increasingly difficult for the country to rely on "land finance" to drive economic growth, in light of the rapidly rising debts seen in local governments and enterprises that are imposing significant liquidity risks and repayment pressure. As the new round of reforms come into force, macroeconomic policies in 2014 will focus on the government's own reform, the mitigation of risks, the reshuffling of the real estate sector, the improvement in supply and demand, and the reforms of monetary and financial systems.

We believe a great amount of investment and development opportunities still exist in Hong Kong and the PRC market. We will continue to improve the management of our existing businesses and projects; and will actively seek new business opportunities so as to enhance the value of the Company for 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 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed approximately 303 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme.

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 2013.

CORPORATE GOVERNANCE

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

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 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, 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 annual results of the Group for the year ended 31 December 2013 had been audited by the Company's auditor, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") was scheduled to be held on Friday, 23 May 2014. 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, 18 March 2014

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.