Enerchina Holdings Limited

威華達控股有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

Annual Report

2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chen Wei *(Chairman)*
Sam Nickolas David Hing Cheong
(Chief Executive Officer)
Tang Yui Man Francis
Xiang Ya Bo

Independent Non-executive Directors

Lam Ping Cheung
Xiang Bing
Xin Luo Lin

AUTHORISED REPRESENTATIVES

Tang Yui Man Francis
Xiang Ya Bo

AUDIT COMMITTEE

Lam Ping Cheung
Xiang Bing
Xin Luo Lin *(Chairman)*

NOMINATION COMMITTEE

Lam Ping Cheung *(Chairman)*
Sam Nickolas David Hing Cheong
Xiang Bing
Xin Luo Lin

REMUNERATION COMMITTEE

Chen Wei
Lam Ping Cheung
Xiang Bing
Xiang Ya Bo
Xin Luo Lin *(Chairman)*

COMPANY SECRETARY

Lo Tai On

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

28th Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Telephone	:	(852) 2521 1181
Fascimile	:	(852) 2851 0970
Stock Code	:	622
Website	:	http://www.enerchina.com.hk

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

(As to Hong Kong law)

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Deacons
Norton Rose Fulbright Hong Kong
Woo, Kwan, Lee & Lo

(As to Bermuda law)

Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
China CITIC Bank Corporation Limited
Hang Seng Bank Limited
The Hong Kong and Shanghai
Banking Corporation Limited
UBS AG

CONTENTS

	Page(s)
CHAIRMAN'S STATEMENT	2
MANAGEMENT DISCUSSION AND ANALYSIS	4
PROFILES OF DIRECTORS AND SENIOR MANAGEMENT	8
REPORT OF THE DIRECTORS	11
CORPORATE GOVERNANCE REPORT	22
INDEPENDENT AUDITOR'S REPORT	33
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	35
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	36
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	38
CONSOLIDATED STATEMENT OF CASH FLOWS	39
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	41
FINANCIAL SUMMARY	100

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Enerchina Holdings Limited ("Enerchina" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

FINANCIAL HIGHLIGHTS

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.

OVERVIEW

2013 marked the turning point of the PRC's economic transformation. After the new government took office, it made a clear intent to change the economic growth model, signaling major twists for reducing past reliance on investment and exports as main growth drivers. "Maintaining growth, pursuing structural reforms, and promoting changes" are now the guiding ideas behind macro-control. Against this background, growth of the PRC economy recorded a further slowdown in 2013.

With real estate and infrastructure investment being the major force of economic growth in 2013, it was evident that PRC entities relied on land finance to swell their coffers and expanded their balance sheets. This resulted in "stagnation" of the real economy and "inflation" of financial assets. The manufacturing sector was weakened due to rising costs and declining profitability, while the rising debt of enterprises and local governments pose serious risks.

OUTLOOK

Looking forward, recovery of the world's major economies in particular the developed economies will remain slow in 2014. Confronted by a structural economic slowdown, the PRC might have little choice but to adapt the traditional investment-driven model; hence a moderate increase in investment is probable. Significant improvement in consumption would be a difficult task, though e-commerce and information technology consumption are expected to continue their rapid growth. There are also a number of positive factors in the PRC's economic development that are worth watching in 2014. They include the implementation of a new round of reform policies, the launch of the Shanghai Free Trade Zone, the state asset reform, the adjustment of population policy, the deepening reform in the financial sector, and closer international economic cooperation.

CHAIRMAN'S STATEMENT

We believe that the PRC's economic development is in a critical transitional stage, and 2014 is an important year therein. The Group will carefully study the relevant policies and long-term plans of the state and keep a close eye on any major investment and development opportunities that may arise from the transition. We will utilize our strong cash position to capture favourable investment and merger and acquisition opportunities and to diversify our operations so as to generate stable and satisfactory long-term returns for the shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff for their devoted efforts and hard work. I would also like to thank all shareholders for their support over the past years.

CHEN Wei
Chairman

Hong Kong, 18 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Wei, aged 52, was appointed as the chief executive officer and an executive director of the Company since May 2007 and ceased to act as chief executive officer and appointed as the chairman of the board of directors and a member of the remuneration committee of the Company in March 2012. He is currently an executive director of Sinolink Worldwide Holdings Limited ("Sinolink"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. He was previously employed by a number of large organisations and has over 28 years of experience in engineering, business administration, market development and management. Mr. Chen is responsible for the overall business development, management and strategic planning of the Group. He was an executive director of Towngas China Company Limited, a listed company on the Stock Exchange, during 2001-2009. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

Mr. Sam Nickolas David Hing Cheong, aged 32, has been appointed as an executive director, the chief executive officer and a member of the nomination committee of the Company since March 2012. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, and the British Virgin Islands, and is also a Barrister and Solicitor admitted in New Zealand. Mr. Sam is also a registered foreign legal consultant of George & Partners, a specialist corporate law firm based in Hong Kong principally advising on the laws of the British Virgin Islands. He was formerly an executive director of Radford Capital Investment Limited, a company listed on the Stock Exchange from 30 June 2011 to 15 March 2012, and prior to that appointment was a lawyer at international law firm Ogier, where he specialized in corporate advisory matters, mergers and acquisitions, and the formation and representation of investment funds. Before that, Mr. Sam practiced commercial law in New Zealand, and was also previously a regulatory advisor for a government department in New Zealand. Save as disclosed above, Mr. Sam has not held any directorship in other listed public companies in the past three years.

Mr. Tang Yui Man Francis, aged 51, has been appointed as an executive director of the Company since May 2002. Mr. Tang is also an executive director, the chairman of the board of directors and a member of the remuneration committee of Sinolink, a company listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. He is responsible for corporate and financial planning, strategic development and management of the Company. He was an alternate director to Mr. Ou Yaping, a former executive director of the Company, of Towngas China Company Limited, a company listed on the Stock Exchange, during 2007- 2011. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xiang Ya Bo, aged 57, has been appointed as an executive director of the Company since May 2002 and a member of remuneration committee of the Company. Mr. Xiang is also an executive director and chief executive officer of Sinolink, a company listed on the Stock Exchange. He is a brother of Mr. Ou Yaping, the former chairman of the Board, a former executive director and a substantial shareholder of the Company. He graduated with an engineering degree. Mr. Xiang has over 28 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Mr. Xiang is responsible for the overall business development and management. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ping Cheung, aged 62, has been appointed as an independent non-executive director and a member of the audit and remuneration committees and the chairman of the nomination committee of the Company since March 2012. Mr. Lam is a renowned solicitor in Hong Kong. He graduated from the Chinese University of Hong Kong in 1977 and holds a bachelor degree in social science. In 1980, he went to the United Kingdom to pursue his legal studies. He was qualified as a solicitor in Hong Kong in 1985. Mr. Lam was the founder and partner of Messrs. Lam & Co. (formerly known as Messrs. Andrew Lam & Co.), a law firm in Hong Kong. Mr. Lam was the chairman and an executive director of Seamless Green China (Holdings) Limited, a company listed on the GEM board of the Stock Exchange during 2010-2011. Mr. Lam was an independent non-executive director of Golden Resources Development International Limited, a company listed on the Stock Exchange during 2011 to 2012. Save as disclosed above, Mr. Lam has not held any directorship in any other listed public companies in the last three years.

Dr. Xiang Bing, aged 52, has been appointed as an independent non-executive director of the Company since December 2008. He is also a member of audit committee, nomination committee and remuneration committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. Dr. Xiang is currently the founding dean and a professor of the Cheung Kong Graduate School of Business (長江商學院). He is an independent non-executive director and a member of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, Longfor Properties Co., Ltd., and HC International, Inc.; an independent non-executive director and a member of audit committee, nomination committee and remuneration committee of Sinolink; an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Peak Sport Products Co., Limited, all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd. and an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, both are listed on the New York Stock Exchange and an independent non-executive director and a member of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq. He is an independent non-executive director and a member of audit committee and Strategic committee and the chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd., a company listed on the Shenzhen Stock Exchange. He was a director of Jutal Offshore Oil Services Limited, a company listed on the Stock Exchange, a director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司), TCL Corporation (TCL集團股份有限公司), Shaanxi Qinchuan Machine Development Co., Ltd. (陝西秦川機械發展股份有限公司) and Guangdong Midea Electric Appliances Co. Ltd. (廣東美的電器股份有限公司), all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd. (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Xiang was an independent non-executive director of E Fund Management Co., Ltd, a company listed on the Shenzhen Stock Exchange, until 29 June 2010 and he was an independent non-executive director and the chairman of remuneration committee of Little Sheep Group Limited, a company listed on the Stock Exchange, during 2008-2012. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

Mr. Xin Luo Lin, aged 65, was appointed as an independent non-executive director of the Company in June 2002. He is also the chairman of audit committee and remuneration committee and a member of nomination committee of the Company. Mr. Xin is a postgraduate from the Peking University in the People's Republic of China (the "PRC"). He was a research associate at the Waseda University in Japan, an honorary research associate at the University of British Columbia, Canada and a visiting fellow at the University of Adelaide, Australia from 1984 to 1985. He was appointed as a Justice of the Peace in New South Wales of Australia in 1991. Mr. Xin is a co-author of a book titled "China's iron and steel industry policy: implications for Australia". Mr. Xin is also an independent non-executive director, chairman of audit committee and remuneration committee and a member of nomination committee of Sinolink; an independent non-executive director, member of audit committee and remuneration committee of Central China Real Estate Limited; a non-executive director of Asian Capital Holdings Limited and a non-executive director of China Environmental Technology Holdings Limited, all are listed companies on the Stock Exchange; Mr. Xin is a director of Mori Denki Mfg. Co., Ltd., a public company listed on the Tokyo Stock Exchange and a director and the Vice Chairman of Oriental Technologies Investment Limited, a listed company on the Australian Stock Exchange. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited, a company listed on the Stock Exchange, from 2010 to 2012. Mr. Xin was an adviser to the chairman of Guangdong Capital Holdings Limited during the period from 1998 to 2000. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

MANAGING DIRECTOR OF INVESTMENT DEPARTMENT

Mr. Alexander Ji, aged 38, joined the Company in February 2008 and was appointed Managing Director of Investment Department of the Company shortly after. He holds a Bachelor of Science Degree in economics and international area studies from University of California, Los Angeles. He has over 12 years of experience in financial planning, investment analysis, project evaluation and strategic planning, as well as project management and investment.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

No interim dividend (2012: Nil) was paid to the shareholders during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 38.

The Company's reserves available for distribution to shareholders at 31 December 2013 amounted to HK$142,403,000 (2012: HK$134,855,000).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Chen Wei *(Chairman)*
Sam Nickolas David Hing Cheong *(Chief Executive Officer)*
Tang Yui Man Francis
Xiang Ya Bo

Independent Non-executive Directors:

Lam Ping Cheung
Xiang Bing
Xin Luo Lin

REPORT OF THE DIRECTORS

In accordance with clause 87(2) of the Bye-laws, Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong and Mr. Xin Luo Lin shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of Independent Non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

At 31 December 2013, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares

Name of Directors	Capacity	Interest in Shares Personal interest	 Family interest	 Corporate interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company as at 31.12.2013
Chen Wei	Beneficial owner	13,162,500	–	–	13,162,500	41,910,000	55,072,500	0.77%
Tang Yui Man Francis	Beneficial owner	20,840,625	–	–	20,840,625	45,933,360	66,773,985	0.93%
Xiang Ya Bo	Beneficial owner	–	–	–	–	45,933,360	45,933,360	0.64%
Xin Luo Lin	Beneficial owner	9,999,000	–	–	9,999,000	7,387,336	17,386,336	0.24%

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire shares or debentures of the Company and associated corporation".

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

The Company has granted to certain Directors of the Company options to subscribe for the Shares, under the 2002 Share Option Scheme (as hereinafter defined), details of which as at 31 December 2013 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of Shares subject to outstanding options as at 1.1.2013	Granted/ exercise during the year	Number of Shares subject to outstanding options as at 31.12.2013	Percentage of the issued share capital of the Company as at 31.12.2013
Chen Wei	13.11.2007	01.01.2010 – 12.11.2017	0.322	20,955,000	–	20,955,000	0.29%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	20,955,000	–	20,955,000	0.29%
Tang Yui Man Francis	09.06.2004	09.06.2004 – 08.06.2014	0.315	31,963,360	–	31,963,360	0.44%
	13.11.2007	01.01.2010 – 12.11.2017	0.322	6,985,000	–	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	6,985,000	–	6,985,000	0.10%
Xiang Ya Bo	09.06.2004	09.06.2004 – 08.06.2014	0.315	31,963,360	–	31,963,360	0.44%
	13.11.2007	01.01.2010 – 12.11.2017	0.322	6,985,000	–	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	6,985,000	–	6,985,000	0.10%
Xin Luo Lin	09.06.2004	09.06.2004 – 08.06.2014	0.315	3,196,336	–	3,196,336	0.04%
	13.11.2007	01.01.2010 – 12.11.2017	0.322	2,095,500	–	2,095,500	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	2,095,500	–	2,095,500	0.03%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. These options represent personal interest held by the Directors as beneficial owners.

3. During the year, no options were granted to or exercised by the Directors of the Company and no options held by the Directors were lapsed or cancelled under the said scheme.

Save as disclosed above, at no time during the year, the Directors, chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (warrants or debentures of the Company, if applicable) or shares of any of its associated corporation required to be disclosed pursuant to the SFO.

Other than as disclosed above, at no time during the year was the Company, its subsidiaries or holding companies a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

Share Option Scheme of the Company

(A) The Company operated a share option scheme adopted by shareholders of the Company on 24 May 2002 (the "2002 Share Option Scheme"), under which the Board may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for Shares subject to the terms and conditions stipulated in the said scheme. The 2002 Share Option Scheme has a life of 10 years and was terminated at the annual general meeting of the Company on 17 May 2012.

The exercise price of the share options will be determined at the highest of (i) the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; or (iii) the nominal value of the Shares. The share options granted must be taken up within 28 days from the date of grant.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the date of grant. The minimum period for which a share option must be held before it can be exercised would be determined by the Board of Directors.

No further options shall thereafter be offered under the 2002 Share Option Scheme but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

At 31 December 2013, a total of 172,410,289 Shares (representing approximately 2.398% of the existing issued share capital of the Company as at the date of this Annual Report) maybe issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme.

Details of specific categories options are as follows:

Option type	**Date of grant**	**Exercise period**	**Exercise price** HK$
2004 Option	09.06.2004	09.06.2004 – 08.06.2014	0.315
	09.06.2004	09.06.2005 – 08.06.2014	0.315
	09.06.2004	09.06.2006 – 08.06.2014	0.315
	09.06.2004	09.12.2006 – 08.06.2014	0.315
2007 Option	13.11.2007	01.01.2010 – 12.11.2017	0.322
	13.11.2007	01.01.2011 – 12.11.2017	0.322

REPORT OF THE DIRECTORS

The following table discloses movements in the Company's share options granted under the 2002 Share Option Scheme during the year:

	Option types	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2013
Category 1: Directors						
Chen Wei	2007 Option	41,910,000	–	–	–	41,910,000
Tang Yui Man Francis	2004 Option	31,963,360	–	–	–	31,963,360
	2007 Option	13,970,000	–	–	–	13,970,000
Xiang Ya Bo	2004 Option	31,963,360	–	–	–	31,963,360
	2007 Option	13,970,000	–	–	–	13,970,000
Xin Luo Lin	2004 Option	3,196,336	–	–	–	3,196,336
	2007 Option	4,191,000	–	–	–	4,191,000
Total for directors		141,164,056	–	–	–	141,164,056
Category 2: Employees						
	2004 Option	512,233	–	–	–	512,233
	2007 Option	30,734,000	–	–	–	30,734,000
Total for employees		31,246,233	–	–	–	31,246,233
All categories		172,410,289	–	–	–	172,410,289

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. During the year, no options were granted, exercised, lapsed or cancelled under the 2002 Share Option Scheme.

(B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 ("Date of Adoption") (the "2012 Share Option Scheme"), under which the Board may, of its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Options Scheme has a life of 10 years from the Date of Adoption.

REPORT OF THE DIRECTORS

The 2012 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognise and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any directors of the Company or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the Board may in its absolute discretion determine.

The exercisable period of share options would be determined by the Board of Directors at its absolute discretion and notified by the Board of Directors to each Eligible Persons as being the period during which the share options may be exercised, such period to expire not later than 10 years after the date of grant of the share options. The minimum period for which a share option must be held before it can be exercised, would be determined by the Board.

The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme is not permitted to exceed 10% of the Shares of the Company in issue on the Date of Adoption ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. During the term of the 2012 Share Option Scheme, the Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted under the 2012 Share Option Scheme of the Company and any other share option schemes of the Company must not exceeded 10% of the Shares in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any Eligible Person in any 12 month period is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, the number of Shares in respect of which options maybe granted to any Eligible Person (who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12 month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, without prior approval from the Company's independent shareholder.

The exercise price for the Shares under the 2012 Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a Share on the date on which an option is granted.

Consideration of HK$1 is payable by each Elgible Person for the grant of option.

REPORT OF THE DIRECTORS

At 31 December 2013, no options were granted since the Date of Adoption and a total of 718,965,566 Shares (representing approximately 10% of the existing share capital of the Company) as at that date of this Annual Report maybe issued upon exercise of all options which maybe granted under the 2012 Share Option Scheme.

Additional information in relation to the Company's Share Option Schemes are set out in note 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed, no contracts of significance to which the Company, its subsidiaries or holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year were as follows:

(a) Connected transactions

During the year, saved as disclosed below there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

On 31 March 2011, Sinolink Worldwide Holdings Limited ("Sinolink") and the Company entered into a Master Agreement for the purpose of regulating the Individual Lease Agreements for leasing of the properties by the Company and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2011 to 31 March 2014 (the "Master Agreement"). The annual cap amount for each of the financial years ended/ending 31 December 2011, 2012, 2013 and 2014 are HK$6,000,000, HK$8,000,000, HK$8,000,000 and HK$2,000,000 respectively. The total amount of the transactions for the year ended 31 December 2013 was HK$2,900,000.

Sinolink and the Company are owned as to approximately 44.08% and 35.57% respectively by Asia Pacific Promotion Limited ("Asia Pacific"). Therefore, Asia Pacific is a substantial shareholder of Sinolink and the Company and thus a connected person of both Sinolink and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Sinolink and the Company, Sinolink and the Company are associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement between Sinolink and the Company constitutes continuing connected transactions for both Sinolink and the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

As the relevant percentage ratios for the Master Agreement calculated on an annual basis were more than 0.1% and less than 5% for both Sinolink and the Company, in accordance with Rule 14A.34 of the Listing Rules, the Master Agreement was only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and was exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had accordingly published an announcement in respect of the aforesaid continuing connected transactions on 31 March 2011.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board of Directors. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

As the aforementioned master Agreement is expiring on 31 March 2014, the Board of Directors is considering entering into a new agreement with Sinolink in respect of the aforementioned continuing connected transactions as from 1 April 2014. If the Company enters into such new agreement, the Company will issue an announcement as and when appropriate and comply with other requirements under the listing Rules in this respect.

Related Party Transactions

Details of the related party transactions are set out in note 35 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company as at 31 December 2013:

Long positions in Shares

Name of shareholders	Capacity/ Nature of interest	Aggregate interest	Approximate percentage of the issued share capital as at 31.12.2013
Ou Yaping	Interest held jointly with another person and interest of controlled corporations/ Family interest and corporate interest	2,629,140,978 (Note)	36.56%
Asia Pacific Promotion Limited ("Asia Pacific")	Beneficial owner and interest of controlled corporations/ Beneficial interest and Corporate interest	2,617,180,764 (Note)	36.40%

Note:

2,617,180,764 Shares represent the aggregate of (i) 2,557,105,618 Shares held by Asia Pacific directly; and (ii) 60,075,146 Shares are held by Sinolink Worldwide Holdings Limited ("Sinolink"). Mr. Ou Yaping is the sole shareholder and director of Asia Pacific and through Asia Pacific together with his associates hold a total of 44.28% of the existing issued share capital of Sinolink as at 31 December 2013. Therefore, he is deemed to be interested in all these 2,617,180,764 Shares under the SFO.

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other interests or short positions in the Shares and underlying Shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 47% of the Group's turnover. Sales to the largest customer accounted for 15% of the Group's turnover.

The five largest suppliers of the Group in aggregate accounted for about 16% of its purchases for the year. Purchases from the largest supplier accounted for about 8% of its total purchases.

At no time during the year, did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in the largest customers or any of the five largest suppliers of the Group for the year ended 31 December 2013.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$787,000.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Remuneration Committee will make recommendation to the Board on the emoluments of the directors.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at the date of this Annual Report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Corporate Governance Code ("Code") contained in Appendix 14 of Listing Rules as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 22 to 32 of this Annual Report.

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 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, Messrs. Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on page 27.

REPORT OF THE DIRECTORS

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.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Enerchina Holdings Limited

CHEN Wei
Chairman

Hong Kong, 18 March 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Enerchina Holdings Limited is dedicated to maintaining a good and credible corporate governance practices with a view to being transparent, open and accountable to our shareholders, as well as to the stakeholders.

STATEMENT OF COMPLIANCE

During the year 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

BOARD OF DIRECTORS

Composition

As the date of this report, the Board comprised 7 members (each member of the Board, a “Director”). Mr. Chen Wei acted as the Chairman of the Board, whereas Mr. Sam Nickolas David Hing Cheong acted as Chief Executive Officer of the Company. Other Executive Directors were Mr. Tang Yui Man Francis and Mr. Xiang Ya Bo. The Company had three Independent Non-executive Directors, Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin, two of the Independent Non-executive Directors have appropriate professional accounting experience and related financial management expertise and representing at least one-third of the Board. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director is disclosed in pages 8 to 10 of this Annual Report.

Each Independent Non-executive Directors has confirmed that he is independent of the Company pursuant to Rule 3.13 of the Listing Rules and the Company also considers that they are independent.

Pursuant to the Bye-laws of the Company (the “Bye-laws”), the Directors retire on a rotational basis at least once every three years at the annual general meeting of the Company and are eligible for re-election. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The term of office of each Independent Non-executive Director is for a period of 1 year, from 1 January 2014 to 31 December 2014, subject to retirement by rotation and re-election in accordance with the Bye-laws.

CORPORATE GOVERNANCE REPORT

Responsibilities of the Board and Management

The Board, headed by the Chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, and formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend, and supervision of management in accordance with the regulations governing the meetings of the Board and the Bye-laws of the Company.

The Chief Executive Officer and other executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct meetings with the management of the Company and its subsidiaries (collectively the "Group"), at which operational issues and financial performance are evaluated.

The Company considers the essential of internal control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

Matters specifically decided by the Board and those reserved for the management, such as daily management administration and operation of the Company, etc., are reviewed by the Board. The management shall report back to the Board. The procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses was established.

The Bye-laws contains provisions regarding responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies and financial results of the Company. Significant operational policies have to be discussed and passed by the Board.

During the year 2013, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly interval and 5 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and a special general meeting were also held during the year. Details of individual attendance of Directors are set out below:–

	No. of regular Board meetings attended	No. of other Board meetings attended	No. of General meetings attended
Executive Directors			
Chen Wei *(Chairman)*	4	4	2
Sam Nickolas David Hing Cheong *(Chief Executive Officer)*	4	4	2
Xiang Ya Bo	4	1	2
Tang Yui Man Francis	4	5	2
Independent Non-executive Directors			
Lam Ping Cheung	3	0	1
Xiang Bing	3	0	0
Xin Luo Lin	4	0	2

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the Company also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Company organised for the Directors and management an in-house workshop on the Listing Rules.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on continuous professional development during the year:

	Corporate Governance/Updates on laws, rules and regulations	
	Read materials	Attend briefings/ in-house workshop
Executive Directors		
Chen Wei *(Chairman)*	✓	✓
Sam Nickolas David Hing Cheong *(Chief Executive Officer)*	✓	✓
Xiang Ya Bo	✓	✓
Tang Yui Man Francis	✓	✓
Independent Non-executive Directors		
Lam Ping Cheung	✓	✓
Xiang Bing	✓	✓
Xin Luo Lin	✓	✓

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Chen Wei, remains separate from that of the Chief Executive Officer, Mr. Sam Nickolas David Hing Cheong. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the year, the Chairman had met the Independent Non-Executive Directors without the presence of Executive Directors.

CORPORATE GOVERNANCE REPORT

The Chief Executive Officer, assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Group. Their responsibilities include:

- attending regular board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse in related party transaction; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year, the Board considered the following corporate governance matters:

- adoption of code provision A.5.6 and related amendments in the Code and the board diversity policy of the Company;
- review the usage of annual caps on continuing connected transactions of the Group;
- review the compliance with the Code and the disclosure of the report; and
- review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

Board Committees

A number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprised two Executive Directors, Mr. Chen Wei and Mr. Xiang Ya Bo, and three Independent Non-executive Directors, Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin and was chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee comply with the Code which is posted on the website of the Company at www.enerchina.com.hk.

The Remuneration Committee's responsibilities mainly include the reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of Non-executive Directors etc.

During the year 2013, the Remuneration Committee:

- reviewed the remuneration policy for 2013/2014;
- reviewed the remuneration of executive directors and independent non-executive directors and management year-end bonus; and
- made recommendation to the Board on the above matters.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held 1 meeting during 2013 with individual attendance as follows and also passed a written resolutions signed by all members:

Members of Remuneration Committee	*No. of meeting(s) attended*
Chen Wei	1
Xiang Ya Bo	1
Lam Ping Cheung	1
Xiang Bing	1
Xin Luo Lin *(Chairman of the Remuneration Committee)*	1

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration bands (HK$)	*Number of person(s)*
0 to 1,000,000	0
1,000,001 to 2,000,000	2
2,000,001 to 3,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the financial statements.

Audit Committee

As at the date of this Annual Report, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin and was chaired by Mr. Xin Luo Lin.

The Audit Committee reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor twice a year to discuss audit process and accounting issues, and reviews effectiveness of internal control and risk evaluation. Written terms of reference, which describes the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

CORPORATE GOVERNANCE REPORT

During 2013, the Audit Committee:

- reviewed financial statements for the year ended 31 December 2012 and for the six months ended 30 June 2013;
- reviewed of the effectiveness of the internal control system and risk management;
- reviewed of the external auditor's audit findings;
- reviewed and approved remuneration of auditor for 2012 and recommended the reappointment of auditor;
- reviewed the continuing connected transactions and the annual cap; and
- reviewed the implementation of policy for employees of the Group to raise concerns about improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

As at 31 December 2013, the arrangement for employees of the Company raise concerns about possible improprieties in financial reporting, internal control or other matters is in place. No reporting has been received by Audit Committee during the year.

The Audit Committee held 3 meetings during the year. Details of individual attendance of its members are as follows:–

Members of Audit Committee	***No. of meeting(s) attended***
Lam Ping Cheung	2
Xiang Bing	3
Xin Luo Lin *(Chairman of the Audit Committee)*	3

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Lam Ping Cheung.

The terms of reference of the Nomination Committee has complied with the Code which is posted on the website of the Company at www.enerchina.com.hk.

The Nomination Committee's responsibilities mainly include the reviewing and recommending the structure, size and composition of the Board and recommending any change thereon; assessing the independence of independent non-executive directors and recommending the re-election of Directors, etc.

During the year 2013, the Nomination Committee:

- Reviewed of the structure, size and composition (including the skills, knowledge and experience) of the Board;
- Assessed the independence of independent non-executive directors; and
- Reviewed and made recommendations to the Board on re-election of retiring directors at the 2014 annual general meeting.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held 1 meeting during the year 2013 with individual attendance as follows:

Members of Nomination Committee	***No. of meeting(s) attended***
Lam Ping Cheung *(Chairman of the Nomination Committee)*	1
Sam Nickolas David Hing Cheong	1
Xiang Bing	1
Xin Luo Lin	1

During the year 2013, there is no change of directorship of the Company.

The Nomination Committee nominated and the Board recommended Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong and Mr. Xin Luo Lin, being Directors longest in office since their last re-election, to retire by rotation, being eligible, will offer themselves for re-election by shareholders of the Company.

BOARD DIVERSITY POLICY

The Company has formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objectives from time to time.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") 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.

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to inside information in relation to the securities of the Company.

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2013. Deloitte also reviewed the 2013 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2013 amounted to HK$1,500,000. Non-audit services fees charged by Deloitte were as follows:

Description of professional services rendered in connection with:–

	Fee HK$'000
– Reviews of the interim financial report of the Company for the six months ended 30 June 2013	420
– Reviews of the financial information of major acquisition transaction	480
– Other services	65
	965

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

CORPORATE GOVERNANCE REPORT

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMPANY SECRETARY

The Company has engaged and appointed a representative from an external secretarial services provider as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Tang Yui Man Francis, the Executive Director of the Company. The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum of association and bye-laws of the Company during the year.

A copy of memorandum of association and bye-laws of the Company is posted on the website of the Company at www.enerchina.com.hk.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) *Procedures for requisitioning a special general meeting*

Shareholder(s) of the Company ("Shareholder(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) *Procedures for putting forward proposals at general meetings*

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) *Communication with shareholders and investors*

Shareholders are provided with detailed information about the Company in the announcement, annual/interim report and/or circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company held during the year.

CORPORATE GOVERNANCE REPORT

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an Executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will be commonly be present and available to answer questions and Shareholders may also contact the company secretary of the Company to direct their written enquires.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

At the 2013 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemized on the agenda, including re-election of retiring Directors. The Chairman of the Board and certain members of all Committees or their duly appointed delegates and representatives of Deloitte attended the 2013 Annual General Meeting and answered questions from the Shareholders.

At the Special General Meeting held on 18 February 2013, a resolution was proposed by the chairman in respect of the acquisition of the entire issued share capital of CU Group Investments Limited. The Chairman of the Board and certain independent non-executive directors attended the meeting and answered the question of the Shareholders.

The Company also maintains a website at www.enerchina.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:–

Address: 28th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
Fax: (852) 2851 0970
Email: contact@enerchina.com.hk

In addition, procedure for Shareholders to propose a person for election as a director of the Company is available on the Company's website at www.enerchina.com.hk. The above procedures are subject to the bye-laws of the Company and applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the Auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 33 to 34.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF ENERCHINA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 99, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair value in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2014

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	5	**94,905**	40,360
Other income	6	**32,350**	38,381
Other gains and losses	7	**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	21a	**(255,185)**	(93,132)
Loss on disposal of available-for-sale investments	16	**–**	(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	8	**(3,070)**	(3,427)
Profit before taxation	9	**144,398**	158,577
Taxation	10	**(3,054)**	–
Profit for the year		**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	13	**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	14	**71,951**	85,544
Prepaid lease payments	15	**17,532**	17,491
Available-for-sale investments	16	**534,262**	505,000
Interests in an associate	17	**43,276**	–
Intangible assets	18	**3,908**	–
Other deposits	19	**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	20	**24,936**	32,589
Prepaid lease payments	15	**505**	478
Trade and other receivables, deposits and prepayments	21	**584,904**	529,151
Taxation recoverable		**396**	676
Investments held for trading	22	**963,962**	1,455,288
Pledged bank deposits	23	**789**	1,233
Bank balances – trust and segregated accounts	23	**18,523**	–
Bank balances (general accounts) and cash	23	**1,709,265**	1,243,437
		3,303,280	3,262,852
Current liabilities			
Trade and other payables	24	**76,833**	144,237
Taxation payable		**2,639**	238
Borrowings – due within one year	25	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTE	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	26	**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

The consolidated financial statements on pages 35 to 99 were approved and authorised for issue by the Board of Directors on 18 March 2014 and are signed on its behalf by:

Chen Wei
DIRECTOR

Tang Yui Man Francis
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Contribution surplus	Share options reserves	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	71,897	3,041,421	26,959	544	8,710	391,406	3,540,937	–	3,540,937
Exchange differences arising on translation to presentation currency	–	–	(93)	–	–	–	(93)	–	(93)
Profit for the year	–	–	–	–	–	158,577	158,577	–	158,577
Total comprehensive income for the year	–	–	(93)	–	–	158,577	158,484	–	158,484
Share options lapsed	–	–	–	–	(1,163)	1,163	–	–	–
At 31 December 2012	71,897	3,041,421	26,866	544	7,547	551,146	3,699,421	–	3,699,421
Exchange differences arising on translation to presentation currency	–	–	2,168	–	–	–	2,168	–	2,168
Profit for the year	–	–	–	–	–	141,344	141,344	–	141,344
Total comprehensive income for the year	–	–	2,168	–	–	141,344	143,512	–	143,512
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	7,634	7,634
At 31 December 2013	**71,897**	**3,041,421**	**29,034**	**544**	**7,547**	**692,490**	**3,842,933**	**7,634**	**3,850,567**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 *HK$'000*	2012 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**144,398**	158,577
Adjustments for:		
Depreciation of property, plant and equipment	**7,664**	7,787
Release of prepaid lease payments	**499**	487
Interest expenses	**3,070**	3,427
Interest income	**(22,770)**	(25,813)
Write-down on inventories	**2,419**	9,296
Gain on disposal of property, plant and equipment	**–**	(565)
Impairment loss on property, plant and equipment	**20,419**	–
Allowance for consideration receivable	**255,185**	93,132
Loss on disposal of available-for-sale investments	**–**	48,000
Impairment loss on available-for-sale investments	**–**	5,000
Share of results of an associate	**1,726**	–
Dividend income	**(6,869)**	(12,021)
Operating cash flows before movements in working capital	**405,741**	287,307
Decrease in other deposits	**25**	–
Decrease (increase) in inventories	**5,499**	(1,383)
Decrease (increase) in investments held for trading	**491,326**	(289,418)
(Increase) decrease in trade and other receivables, deposits and prepayments	**(529,679)**	65,705
Decrease in bank balances – trust and segregated accounts	**218**	–
Increase (decrease) in trade and other payables	**14,331**	(47,241)
Cash generated from operations	**387,461**	14,970
Interest paid on borrowings	**(3,070)**	(3,427)
Income tax paid	**(451)**	–
NET CASH FROM OPERATING ACTIVITIES	**383,940**	11,543

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Pledged bank deposits released		–	49,322
Pledged bank deposits made		444	(1,233)
Deposits paid for proposed acquisitions		–	(110,000)
Refund of deposits paid for proposed acquisition		100,000	–
Deposits paid for acquisition of property, plant and equipment		(21,377)	–
Repayment from (loan to) an independent third party		40,000	(40,000)
Dividend received from available-for-sale investments and investments held for trading		6,869	12,021
Bank interest received		22,770	25,813
Proceeds from disposal of property, plant and equipment		–	1,455
Purchase of available-for-sale investments		(29,262)	(5,000)
Proceeds from disposal of available-for-sale investments		–	30,000
Purchase of property, plant and equipment		(12,195)	(9,735)
Net cash flows arising from acquisition of subsidiaries	31	(16,625)	–
Investment in an associate		(45,002)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		45,622	(47,357)
FINANCING ACTIVITIES			
New bank and other loans raised		28,208	36,991
Repayment of bank loans		–	(38,841)
Capital contribution from a non-controlling shareholder of a subsidiary		7,634	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		35,842	(1,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		465,404	(37,664)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,243,437	1,281,371
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		424	(270)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances (general accounts) and cash		1,709,265	1,243,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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 primary economic environment in which the Company operates, taking into account the existing business operation of it subsidiaries as well as the acquisition of Enerchine Capital Limited ("Enerchine") and have determined that the functional currency of the Company remained as RMB. Details of the acquisition of Enerchine are disclosed in note 31.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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. Disclosures on the non-wholly owned subsidiaries are made in note 37.

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. Disclosures on offsetting financial assets and financial liabilities are made in note 30.

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 (please see notes 29 for the 2013 disclosures). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– has exposed, or rights, to variable returns from its involvement with the investee; and

– has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the subsidiaries are presented separately from the Group's equity therein.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are mainly those classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Net gains (losses) on investments held for trading" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 29.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other deposits, deposit paid for proposed acquisition, trade and other receivables, pledged bank deposits, bank balances – trust and segregated accounts and bank balances (general accounts) and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity securities (e.g. unlisted shares in overseas and Hong Kong) as available-for-sale financial assets on initial recognition of those items.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recovery of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit for the year" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of property, plant and equipment and prepaid lease payments

Property, plant and equipment and prepaid lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount has been determined based on the higher of value in use calculations and fair value less costs to sell.

Based on an analysis of recoverable amounts of property, plant and equipment and prepaid lease payments determined based on their fair value less costs to sell, the directors consider no impairment loss is necessary as at the end of reporting period. Where the actual selling prices less costs to sell are less than expected, a material impairment loss may arise. During the year ended 31 December 2013, there is an impairment on property, plant and equipment of HK$20,419,000 (2012: nil) recognised in profit or loss. As at 31 December 2013, the carrying amount of property, plant and equipment and prepaid lease payments are HK$71,951,000 (2012: HK$85,544,000) and HK$18,037,000 (2012: HK$17,969,000), respectively.

Consideration receivable and other taxes payable arising from disposal of a subsidiary

As disclosed in note 21, 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") and the disposal was completed on 22 February 2011, on which date Shenzhen Fuhuade ceased to be a subsidiary of the Company.

The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of 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"). As at 31 December 2013, the Group was still not able to seek a satisfactory conclusion on the Supplemental Audit. Under the circumstances, the directors of the Company are of the opinion that the timing and eventual outcome of the finalisation of the Supplemental Audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. Accordingly, it is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. In view of this, the Group fully wrote down the receivable amount of HK$255,185,000, being the amount of consideration receivable amounting to HK$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK$103,736,000 to the profit or loss during the year ended 31 December 2013. Details of the allowance for consideration receivable are disclosed in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. 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 (details of acquisition refer to note 31). 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 the 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")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment turnover and results (Continued)

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.

Segment assets and liabilities

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

At 31 December 2013

	Electrical supplies	Financial services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	133,239	608,951	742,190
Unallocated property, plant and equipment			14,008
Deposits paid for acquisition of property, plant and equipment			21,377
Available-for-sale investments			534,262
Unallocated other receivables, deposits and prepayments			10,381
Investments held for trading			963,962
Tax recoverable			396
Bank balances (general accounts) and cash			1,709,265
Consolidated assets			3,995,841
Segment liabilities	89,150	48,822	137,972
Unallocated other payables			4,663
Taxation payables			2,639
Consolidated liabilities			145,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2012 (re-presented)

	Electrical supplies	Consolidated
	HK$'000	*HK$'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 (general accounts) and cash		1,243,437
Consolidated assets		3,880,887
Segment liabilities	70,594	70,594
Unallocated other payables		110,634
Taxation payables		238
Consolidated liabilities		181,466

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, deposit paid for acquisition of 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 (general accounts) and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and tax payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. TURNOVER AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6. 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

7. 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)

8. FINANCE COSTS

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

9. PROFIT BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,500	1,080
Minimum lease payments under operating leases in respect of rented premises	6,606	2,325
Write-down on inventories	2,419	9,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10. TAXATION

	2013 HK$'000	2012 HK$'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 for the year ended 31 December 2012 as the Group has no assessable profit in Hong Kong for the year then ended.

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.

Taxation for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit before taxation	144,398	158,577
Tax charge at applicable tax rate of 25% (2012: 25%)	36,100	39,644
Tax effect of expenses not deductible for tax purpose	76,970	69,674
Tax effect of income not taxable for tax purpose	(109,197)	(117,009)
Tax effect of tax losses not recognised	2,668	7,691
Utilisation of tax losses previously not recognised	(2,111)	–
Effect of different tax rates of group entities operating in jurisdiction other than PRC	(1,376)	–
Taxation for the year	3,054	–

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of HK$822,687,000 (2012: HK$78,227,000) available to offset the future assessable profit due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of HK$10,672,000, HK$30,811,000, HK$12,238,000 and HK$10,898,000 that will expire by 2018, 2017, 2016 and 2015, respectively (2012: HK$30,811,000, HK$12,238,000 and HK$10,898,000 that will expire by 2017, 2016 and 2015, respectively). Other losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the 7 (2012: 9) directors were as follows:

Year ended 31 December 2013

	Mr. Sam Nickolas David Hing Cheong *HK$'000*	Mr. Xiang Ya Bo *HK$'000*	Mr. Tang Yui Man, Francis *HK$'000*	Mr. Chen Wei *HK$'000*	Mr. Xin Luo Lin *HK$'000*	Mr. Lam Ping Cheung *HK$'000*	Dr. Xiang Bing *HK$'000*	Total *HK$'000*
Fees (Note a)	-	-	-	-	250	250	250	750
Other emoluments								
– salaries and other benefits (Note b)	1,396	1,560	1,786	246	-	-	-	4,988
– contributions to retirement benefit schemes	25	78	15	11	-	-	-	129
– performance and discretionary bonus (Note c)	200	-	500	-	-	-	-	700
Total emoluments	1,621	1,638	2,301	257	250	250	250	6,567

Year ended 31 December 2012

	Mr. Sam Nickolas David Hing Cheong *HK$'000*	Mr. Ou Yaping *HK$'000*	Mr. Xiang Ya Bo *HK$'000*	Mr. Tang Yui Man, Francis *HK$'000*	Mr. Chen Wei *HK$'000*	Mr. Xin Luo Lin *HK$'000*	Mr. Lu Yungang *HK$'000*	Mr. Lam Ping Cheung *HK$'000*	Dr. Xiang Bing *HK$'000*	Total *HK$'000*
Fees (Note a)	–	–	–	–	–	250	125	191	250	816
Other emoluments										
– salaries and other benefits (Note b)	760	90	1,560	1,786	200	–	–	–	–	4,396
– contributions to retirement benefit schemes	11	3	278	14	9	–	–	–	–	315
– performance and discretionary bonus (Note c)	–	–	4,000	–	–	–	–	–	–	4,000
Total emoluments	771	93	5,838	1,800	209	250	125	191	250	9,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Continued)

Notes:

a. The director's fee of independent non-executive directors is determined by the board of directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

b. The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.

c. The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Company's performance and profitability.

Mr. Sam Nickolas David Hing Cheong is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

The five highest paid individuals of the Group included 3 (2012: 3) directors of the Company. Details of their emoluments are included above.

The emoluments of the remaining 2 (2012: 2) highest paid individuals for the year are set out as follows:

	2013	2012
	HK$'000	*HK$'000*
Employees		
Salaries and other benefits	**1,794**	1,805
Contributions to retirement benefit scheme contributions	**55**	43
	1,849	1,848

Their emoluments are within the following band:

	2013	2012
	Number of employees	*Number of employee*
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12. 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).

13. 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

	2013	2012
Number of shares		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC	Leasehold improvement	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2012	54,396	648	4,407	42,677	2,571	3,116	107,815
Currency realignment	7	–	41	13	1	–	62
Additions	190	–	6,057	1,783	282	1,423	9,735
Transfers	1,480	–	–	–	–	(1,480)	–
Disposals	–	–	(20)	(1,658)	(548)	–	(2,226)
At 31 December 2012	56,073	648	10,485	42,815	2,306	3,059	115,386
Currency realignment	1,791	–	68	1,008	20	104	2,991
Acquisition of subsidiaries	–	–	188	–	268	–	456
Additions	301	82	11,318	7	–	487	12,195
Transfers	–	–	–	3,207	–	(3,207)	–
Disposals	–	–	(1)	–	(1)	–	(2)
At 31 December 2013	58,165	730	22,058	47,037	2,593	443	131,026
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	5,686	648	2,941	11,903	2,191	–	23,369
Currency realignment	9	–	2	10	1	–	22
Provided for the year	2,447	–	1,678	3,216	446	–	7,787
Eliminated on disposals	–	–	(18)	(876)	(442)	–	(1,336)
At 31 December 2012	8,142	648	4,603	14,253	2,196	–	29,842
Currency realignment	472	–	30	631	19	–	1,152
Provided for the year	2,388	12	2,224	2,877	163	–	7,664
Impairment loss recognised	11,584	–	55	8,765	15	–	20,419
Eliminated on disposals	–	–	(1)	–	(1)	–	(2)
At 31 December 2013	22,586	660	6,911	26,526	2,392	–	59,075
CARRYING VALUES							
At 31 December 2013	35,579	70	15,147	20,511	201	443	71,951
At 31 December 2012	47,931	–	5,882	28,562	110	3,059	85,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the lease term of the land (medium-term lease)
Leasehold improvement	15% to 20%
Furniture, fixtures and equipment	18% to 20%
Plant and machinery	6% to 10%
Motor vehicles	20%

The buildings are held under medium term leases and are situated in the PRC.

Due to the Group's continuous losses of Electrical Supplies Segment, the directors of the Company conducted an impairment assessment of the Group's leasehold land, buildings, furniture, fixtures and equipment and plant and machinery in the PRC, which are used in the Group's Electrical Supplies Segment. The recoverable amounts of the relevant assets have been determined on the basis of their fair values less costs of disposal. The fair values of the relevant assets at the end of the reporting period were based on the valuation performed by an independent professional valuer. The fair value was determined by reference to the income approach for the leasehold land and buildings, and by reference to cost approach and sales comparison approach for furniture, fixtures and equipment and plant and machinery as appropriate, which takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

During the year ended 31 December 2013, an impairment loss on property, plant and equipment of HK$20,419,000 (2012: nil) is recognised because the recoverable amounts were lower than the carrying amounts of the relevant assets at 31 December 2013.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2013	2012
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong with medium-term leases:		
Non-current portion	**17,532**	17,491
Current portion	**505**	478
	18,037	17,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Unlisted shares in overseas, at cost	**505,000**	505,000
Unlisted shares in the PRC, at cost	**29,262**	–
	534,262	505,000

Investments in unlisted 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.

As at 31 December 2013, the Group in total owns approximately 9.33% (2012: 9.38%) of the issued share capital of HEC Capital Limited ("HEC Capital"), an unlisted private company incorporated in Cayman Islands, with a carrying amount of HK$500,000,000 (2012: HK$500,000,000). The principal activities of HEC Capital and its subsidiaries are principally engaged in investment holding, property investment, money lending, securities brokerage and other financial services.

During the year ended 31 December 2013, the Group acquired 18.75% equity interest in Chi-Courser Investment Management Co Ltd. ("Chi-Courser"), an unlisted private company established in the PRC, at a cash consideration of approximately RMB23,000,000 (equivalent to HK$29,262,000). Chi-Courser is principally engaged in provision of asset management services in the PRC.

During the year ended 31 December 2012, the Group disposed to an independent third party the Group's entire investment in unlisted equity securities issued by a private entity incorporated overseas with carrying amount of HK$78,000,000 at a cash consideration of HK$30,000,000. An impairment loss on available-for-sale investments amounting to HK$48,000,000 was charged to profit or loss.

In addition, during the year ended 31 December 2012, an impairment loss on available-for-sale investments was recognised for the Group's entire investment in unlisted shares in Hong Kong amounting to HK$5,000,000 as the operation remains to be loss making and the Group considered that the investment cost is not recoverable.

For the remaining available-for-sale investments of the Group, the management reviews the latest investees' financial positions, observable data such as net asset value per share and consequently considers no objective evidence of impairment was identified at 31 December 2013 and 2012. Accordingly, the directors of the Company consider no impairment should be recognised during the year ended 31 December 2013 and no further impairment should be recognised during the year ended 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17. INTERESTS IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of investment in an associate		
Unlisted	45,002	–
Share of post-acquisition losses and other comprehensive expense	(1,726)	–
	43,276	–

As at 31 December 2013, the Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activities
Gain All Investments Limited	Incorporated	BVI	BVI/Hong Kong	Ordinary	34.61	34.61	Investment holding in a yacht

The summarised financial information in respect of the Group's associate prepared in accordance with HKFRS is set out below:

	2013 HK$'000	2012 HK$'000
Non-current assets (Note)	129,261	–
Current assets	8	–
Current liabilities	(4,230)	–
Net assets	125,039	–
Group's share of net assets of associate	43,276	–
Revenue	–	–
Loss and total comprehensive expense for the year	(4,987)	–
Group's share of losses and total comprehensive expense of an associate for the year	(1,726)	–

Note: The non-current assets mainly represented a deposit made to purchase a yacht.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. INTANGIBLE ASSETS

The amount represented trading rights that confer eligibility on 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.

19. OTHER DEPOSITS

	2013	2012
	HK$'000	*HK$'000*
Statutory and other deposits with exchanges and clearing houses	**255**	–

The above deposits are non-interest bearing.

20. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**2,941**	2,763
Work in progress	**17,257**	17,419
Finished goods	**4,738**	12,407
	24,936	32,589

21. 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 (Note a)	**–**	347,857
Deposit paid for the proposed acquisition (Note c)	**–**	100,000
Loans to independent third parties (Note b)	**289,117**	40,000
Other receivables, deposits and prepayments	**13,638**	8,513
	584,904	529,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

(a) During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Shenzhen Fuhuade to 中海石油氣電集團有限責任公司 (CNOOC Gas & Power Group) (the "Purchaser"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) is payable in instalments, the payment of which is subject to finalisation and confirmation of the results of Supplemental Audit. Up to 31 December 2012, the Supplemental Audit was not yet finalised and the Group had difficulties in seeking a satisfactory conclusion on the Supplemental Audit, in the absence of which the settlement of the consideration receivable was subject to negotiation with the Purchaser. Due to this reason, a provision for doubtful debts of HK$93,132,000 has been made during the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to seek a satisfactory conclusion on the Supplemental Audit. Under the circumstances, the directors of the Company are of the opinion that the timing and eventual outcome of the finalisation of the Supplemental Audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. Accordingly, it is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. In view of this, the Group fully wrote down the receivable amount of HK$255,185,000, being the amount of consideration receivable amounting to HK$358,921,000 after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK$103,736,000 to the profit or loss during the year ended 31 December 2013.

(b) The fixed-rate loans receivables as at 31 December 2013 represent unsecured loan advances to independent third parties, which have contractual loan period between 3 months and 1 year as at 31 December 2013 under the Group's money lending operation. The average interest rate for the loans receivable was ranging from 5% to 15% 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 and the past collection history of each customer. There are no loans receivables which were past due at the end of reporting period and the directors of the Company consider that no impairment was necessary. There is no concentration of credit risk on loans receivable as the exposure spread over a number of customers.

An amount of HK$40,000,000 was advanced by the Group to an independent third party as at 31 December 2012. The amount was covered by a personal guarantee from another independent third party, interest-bearing at 2% per month and was fully repaid in March 2013.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The Group allows an average credit period of 90 days to its trade customers from sales of electrical supplies. The following is an aged analysis of trade and bills receivables from sales of electrical supplies, 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 loans are secured by pledged marketable securities with a total fair value of approximately HK$1,204,085,000 (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 customers default on the payment as requested by the Group. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 December 2012, except for the concentration of credit risk from CNOOC Gas & Power Group in respect of the consideration receivable for disposal of a subsidiary at that date, the concentration of credit risk is limited due to the customer base being large and unrelated. The Group does not hold any collateral over the consideration receivable for disposal of a subsidiary, the directors of the Company believe that CNOOC Gas & Power Group is a reputable PRC stated-owned company with its shares listed on the Main Board of the Stock Exchange and assessed the recoverability of the balance as disclosed in note 4.

22. INVESTMENTS HELD FOR TRADING

	2013	2012
	HK$'000	*HK$'000*
Investments held for trading, at fair value		
Listed shares in Hong Kong (Note a)	**942,530**	1,443,526
Listed shares in elsewhere	**558**	262
Convertible bonds (Note b)	**20,874**	11,500
	963,962	1,455,288

Notes:

(a) As at 31 December 2013, included in the listed shares in Hong Kong is an amount of HK$201,013,000 (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 7.05% as of 31 December 2012. The principal activities of Towngas China and its subsidiaries are the provision of piped city-gas, construction of gas pipelines, the operation of city gas pipeline networks and the sale of household gas appliances. As at 31 December 2013, the Group's shareholding in Towngas China decreased to less than 5% as a result of continuous disposal during current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

22. INVESTMENTS HELD FOR TRADING (Continued)

Notes: (Continued)

(b) The Group invested in unlisted convertible bonds with principal amount of HK$10,000,000 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 has 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 of the convertible bond 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$5,000,000) 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$5,000,000 and at fair value of HK$2,834,000 at the date of modification is reclassified to loans and receivables. The loan portion was subsequently disposed of to an independent third party for cash of HK$5,750,000 during the year ended 31 December 2013.

During the year ended 31 December 2013, the Group purchased another convertible bonds issued by a company listed on the Main Board of the Stock Exchange at a consideration of HK$10,000,000. Fair value change of HK$8,546,000 (2012: nil) is recognised to profit or loss in current year.

The fair value of the convertible bonds as at 31 December 2013 and 2012 and the date of the modification of the terms 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 29.

23. PLEDGED BANK DEPOSITS/BANK BALANCES (GENERAL ACCOUNTS) AND CASH/BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

Pledged bank deposits

The Group's deposits amounting to HK$789,000 (2012: HK$1,233,000) have been pledged to secure bank loans due within one year is therefore classified as current assets. The deposits carry interest at prevailing market rate at 3.05% (2012: 3.05%) per annum.

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 24). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.01% to 2.85% (2012: 0.01% to 2.85%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

24. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'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 HK$'000	2012 HK$'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

25. BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank borrowings – secured and due within one year	45,802	36,991
Other borrowings – unsecured and due within one year	20,000	–
	65,802	36,991

The bank and other borrowings mainly comprise of:

	Maturity date	Effective interest rate	Carrying amount 2013 HK$'000	Carrying amount 2012 HK$'000
Floating rate bank borrowings:				
Secured RMB bank loans at 6-month PRC bank interest rate plus certain spread	27 November 2014 (2012: 23 November 2013)	7.5% (2012: 6.3%)	38,168	36,991
	16 January 2014 (2012: nil)	7.2% (2012: nil)	7,634	–
Fixed rate other borrowings:				
Unsecured HK$ other borrowings, fixed rate at 5% per annum	12 March 2014 (2012: nil)	5% (2012: nil)	20,000	–
Total borrowings			65,802	36,991

At 31 December 2013, property, plant and equipment with an aggregate carrying amount of HK$23,505,000 (2012: HK$17,997,000), prepaid lease payments of HK$18,037,000 (2012: HK$17,584,000) and bank deposits of HK$789,000 (2012: HK$1,233,000), were pledged to banks to secure bank loans granted to the Group.

26. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	12,000,000,000	120,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	7,189,655,664	71,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27. SHARE OPTION SCHEMES

The Company has a share option scheme (the "2002 Scheme") which will remain in force for a period of ten years. The Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK$1 is payable on the grant of an option. The exercise price is the highest of the closing price of the shares of the Company as stated on the Stock Exchange on the date of grant, the average of the closing prices of the share of the Company as stated on the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the share of the Company.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year ended 31 December 2013 and 2012:

	Number of the share options			
Option scheme	**Outstanding at 1.1.2012**	**Lapsed during 2012**	**Outstanding at 31.12.2012 and 31.12.2013**	**Exercisable at the end of the year**
2002 Scheme	188,581,961	(16,171,672)	172,410,289	172,410,289
Weighted average exercise price	HK$0.32	HK$0.32	HK$0.32	HK$0.32

Had all the outstanding vested share options been fully exercised on 31 December 2013, the Company would have received cash proceeds of HK$55,171,000 (2012: HK$55,171,000).

Details of specific categories of options are as follows:

Option scheme	**Date of grant**	**Vesting proportion**	**Exercisable period**	**Exercise price**
				HK$
2002 Scheme	9.6.2004	64%	9.6.2004 – 8.6.2014	0.315
	9.6.2004	14%	9.6.2005 – 8.6.2014	0.315
	9.6.2004	11%	9.6.2006 – 8.6.2014	0.315
	9.6.2004	11%	9.12.2006 – 8.6.2014	0.315
	13.11.2007	100%	1.1.2010 – 12.11.2017	0.322
	13.11.2007	100%	1.1.2011 – 12.11.2017	0.322
	13.11.2007	90%*	1.1.2010 – 12.11.2017	0.322
	13.11.2007	90%*	1.1.2011 – 12.11.2017	0.322

* The management considers that 90% of the share options will be exercised by the options holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which mainly includes the bank borrowings disclosed in note 25 (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 ***HK$'000***	2012 *HK$'000*
Financial assets		
FVTPL		
Held for trading	**963,962**	1,455,288
Loans and receivables (including cash and cash equivalents)	**2,304,241**	1,780,676
Available-for-sale investments	**534,262**	505,000
Financial liabilities		
Amortised cost	**142,635**	181,228

Financial risk management objectives and policies

The Group's major financial instruments include other deposits, deposit paid for proposed acquisition, investments held for trading, trade and other receivables, available-for-sale investments, pledged bank deposits, bank balances – trust and segregated accounts, bank balances (general accounts) and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Foreign currency risk

Certain trade and other receivables, bank balances and trade and other payables are denominated in foreign currencies which expose the Group to foreign currency risk.

At the end of the reporting period, included in the below monetary assets and monetary liabilities are following amount denominated in currency other than the functional currency of the relevant entity to which it relates.

	Assets		**Liabilities**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollar ("USD")	**3,913**	172,237	**–**	–
RMB	**–**	347,857	**–**	100,538

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2012: 5%) in the relevant functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates.

The sensitivity analysis includes trade and other receivables, bank balances, and trade and other payables where the denomination of the balances is in a currency other than the currency of the respective group entities. A positive number below indicates an increase in profit for the year where the respective functional currencies weaken 5% (2012: 5%) against the relevant foreign currencies. For a 5% (2012: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the profit for the year, and the balances below would be negative.

	2013	2012
	HK$'000	*HK$'000*
Increase in profit for the year		
RMB	**–**	12,366
USD	**195**	7,978

In management's opinion, the sensitively analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see note 25), fixed-rate loans to independent third parties (see note 21) and cash flow interest rate risk in relation to variable-rate bank borrowings (see note 25) and variable-rate bank balances and deposits. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of 6-month PRC bank interest arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank borrowings and bank deposits, the analysis is prepared assuming the amount of liability and bank deposits outstanding at the end of the reporting period was outstanding for the whole year. A 30 basis point (2012: 30 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2012: 30 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by HK$5,048,000 (2012: HK$3,623,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and convertible bonds as well as investments in unlisted equity investment whereby the fair value cannot be measured reliably and thus stated at cost less impairment. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's other price risk is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong and the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date from investments held for trading (including investments in listed equity securities and convertible bonds).

If the prices of the respective equity instruments and convertible bonds had been 15% (2012: 15%) higher/lower, profit for the year ended 31 December 2013 would increase/decrease by HK$120,736,000 (2012: HK$182,275,000) as a result of the changes in fair value of investments held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the management of Enerchine is responsible to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, management of Enerchine reviews the recoverable amount of loans receivable and trade receivables from provision of financial, consultancy and corporate finance advisory services and secured margin clients as disclosed in note 21 on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Except for the concentration of credit risk from CNOOC Gas & Power Group in respect of the consideration receivable for disposal of a subsidiary at 31 December 2012, the concentration of credit risk is limited due to the customer base being large and unrelated. The Group does not hold any collateral over the consideration receivable for disposal of a subsidiary, the management believe that CNOOC Gas & Power Group is a reputable PRC stated-owned company with its shares listed on the main board of the Stock Exchange and do not expect material credit risk from the balance after their assessment as disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2013 *HK$'000*
2013						
Non-derivative financial liabilities						
Trade payables arising from sales of electrical supplies	–	3,259	2,700	7,474	13,433	13,433
Trade payables arising from provision of securities business	–	333	–	–	333	333
Amounts due to cash clients	–	5,207	–	–	5,207	5,207
Other payables and accrued charges	–	57,860	–	–	57,860	57,860
Bank borrowings – variable rate	7.5	6,619	477	40,076	47,172	45,802
Other borrowings – fixed rate	5	83	20,164	–	20,247	20,000
		73,361	23,341	47,550	144,252	142,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012						
Non-derivative financial liabilities						
Trade payables arising from sales of electrical supplies	–	6,770	3,135	3,521	13,426	13,426
Other payables and accrued charges	–	130,811	–	–	130,811	130,811
Bank borrowings – variable rate	6.3	–	–	39,321	39,321	36,991
		137,581	3,135	42,842	183,558	181,228

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of investment held for trading.

Fair value of the Group's investment held for trading that are measured at fair value on a recurring basis

The Group's investment held for trading 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 are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets/financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1)	Investment in unlisted convertible bonds classified as investments held for trading in the consolidated statement of financial position	Assets – HK$20,874,000	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 market interest rate Binominal Option Pricing Model's key input: Volatility of 69.19%/71.23% Risk-free rate of 0.63%/0.16% Spot price of underlying shares of HK$0.115/HK$1.000 Life of option of 3 years/3 years
2)	Investment in listed equity securities classified as held for trading in consolidated statement of financial position	Listed equity securities in – Hong Kong: HK$942,530,000 – overseas: HK$558,000	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and 2 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties for financial assets and own credit risk for financial liabilities.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values, which is included in level 2 category of fair value hierarchy.

Reconciliation of Level 3 fair value measurements of convertible bonds:

	HK$'000
At 1 January 2012	–
Purchase	10,000
Fair value change recognised in profit or loss	1,500
At 31 December 2012 and 1 January 2013	11,500
Transfer to loans and receivable upon change in terms by the counterparty	(2,834)
Fair value change recognised in profit or loss	(6,363)
At 31 December 2013	2,303

The "fair value change of investments held for trading" line item recognised in profit or loss for the year ended 31 December 2013 included HK$3,447,000 (2012: gain of HK$1,500,000) relating to fair value changes on investment in convertible instruments classified as investment held for trading at the end of the current reporting period. The remaining balance of HK$2,916,000 (2012: nil) relates to the loss incurred upon the modification of the terms and conditions of convertible instruments with the principal amount of HK$5,000,000 as disclosed in note 22(b).

Valuation process

The chief financial officer of the Company is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the same group entity on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral given	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013						
Trade payables to cash clients	(5,207)	80	(5,127)	–	–	(5,127)
Trade payables arising from the provision of securities brokerage business with HKSCC	(779)	446	(333)	–	255	(78)
Trade payables with margin clients	(13,263)	13,263	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013						
Other deposits with HKSCC	255	–	255	(255)	–	–
Trade receivables with margin clients	233,702	(13,263)	220,439	–	(220,439)	–
Trade receivables with cash clients	80	(80)	–	–	–	–
Trade receivables arising from provision of securities brokerage business with HKSCC	446	(446)	–	–	–	–
Deposits with securities brokers	32,590	–	32,590	–	–	32,590

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

There is no offsetting or enforceable master netting agreement during the year ended 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

31. 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

31. ACQUISITION OF SUBSIDIARIES (Continued)

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.

32. OPERATING LEASE ARRANGEMENT

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**6,031**	2,987
In the second to fifth year inclusive	**5,873**	725
	11,904	3,712

Leases are negotiated for terms up to 3 years (2012: 2 years) and rentals are fixed over the respective leases.

33. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**4,361**	4,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

34. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all non-PRC employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 13 to 15 per cent (2012: 13 to 14 per cent) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

During the year ended 31 December 2013, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are HK$2,122,000 (2012: HK$2,487,000).

35. RELATED PARTY TRANSACTIONS

The Group does not have any related party transactions and balances for both years.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

36. CONTINGENT LIABILITIES

As at 31 December 2013, a financial guarantee of HK$20,000,000 (2012: HK$20,000,000) has been provided by the Group to a bank in respect of a banking facility granted to an investee incorporated in Hong Kong held by the Group. At the end of the reporting period, HK$11,208,000 (2012: HK$15,428,000) of the bank facility has been utilised. In the opinion of the directors, the banking facility is secured by assets owned by the investee, which market value can substantially cover the utilised bank facility amount. In addition, pursuant to a deed of undertaking for the banking facility among shareholders of the investee, 3 other shareholders of the investee agreed to bear the amount demanded in the event of the claim by the bank. As a result, the fair value of the financial guarantees is insignificant and no provision has been made at the end of the reporting period as the default risk is considered low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ace Energy Holdings Limited	BVI – Limited liability company	US$1	100	–	Investment holding
Deluxe International Investment Limited	Hong Kong – Limited liability company	HK$8,000,000	–	100	Investment holding
Enerchina Investments Limited	BVI – Limited liability company	US$1	100	–	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI – Limited liability company	US$1	100	–	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong – Limited liability company	HK$2	100	–	Provision of management services
Enerchine Capital Limited ("Enerchine")	BVI – Limited liability company	US$131,311,460	100	–	Investment holding
Enerchine Corporate Finance Limited	Hong Kong – Limited liability company	HK$10,000,000	–	100	Corporate finance advisory services
Enerchine Investment Management Limited	Hong Kong – Limited liability company	HK$1,000,000	–	100	Consultancy services and investment management
Enerchine Resources Limited	Hong Kong – Limited liability company	HK$150,000,001	–	100	Money lending
Enerchine Nominee Limited	Hong Kong – Limited liability company	HK$1	–	100	Provision of nominee services
Enerchine Securities Limited	Hong Kong – Limited liability company	HK$589,000,000	–	100	Securities brokerage and financial services
Goodunited Holdings Limited	BVI – Limited liability company	US$1	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
Henan ADD Electric Equipment Co., Ltd. 河南愛迪德電力設備有限公司	PRC – Foreign capital enterprise	HK$95,000,000	–	100	Manufacturing and selling of electrical and energy-related products
Ideal Principles Limited	BVI – Limited liability company	US$1	–	100	Equity investment principally engaging in financial services and property businesses
Kenson Investment Limited	BVI – Limited liability company	US$1	100	–	Investment holding
Million Profits Investments Limited	BVI – Limited liability company	US$1	–	100	Investment holding
Moreluck Enterprises Limited	BVI – Limited liability company	US$1	100	–	Investment holding
Rado International Limited	BVI – Limited liability company	US$1	100	–	Investment holding
Roxy Link Limited	BVI – Limited liability company	US$1	–	100	Investment holding
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong – Limited liability company	HK$2 ordinary shares and HK$100,000 non-voting deferred shares	–	100	Investment holding
Sinolink Industrial Limited	BVI – Limited liability company	US$50,000	100	–	Investment holding
Supreme All Investments Limited	BVI – Limited liability company	US$1	100	–	Investment holding
威華達信息管理(深圳)有限公司	PRC – Limited liability company	RMB10,000,000	100	–	Investment holding
深圳威華軒信息諮詢有限公司 (“威華軒”)	PRC – Limited liability company	RMB24,000,000	–	75	Not commenced business

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

A majority of these subsidiaries operate in Electrical supplies in the PRC and the Financial services in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2013	2012
Electrical supplies	PRC	**1**	1
Financial services	Hong Kong	**4**	–
		5	1

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
威華軒	PRC	**25%**	–	**–**	–	**7,634**	–

Summarised financial information for the years ended 31 December 2013 and 2012 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2013	2012
	HK$'000	*HK$'000*
Current assets and total equity	**30,534**	–
Total comprehensive income for the year	**–**	–
Net cash inflow from financing activities and net cash inflow	**30,534**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 *HK$'000*	2012 *HK$'000*
Assets		
Investments in subsidiaries	**2,866,417**	2,173,798
Amounts due from subsidiaries	**837,739**	1,247,676
Deposit paid for the proposed acquisition	**–**	10,000
Other receivables, deposits and prepayments	**2,355**	2,055
Bank balances and cash	**767,843**	681,798
	4,474,354	4,115,327
Liabilities		
Other payables and accrued charges	**1,534**	5,986
Amounts due to subsidiaries	**1,984,131**	1,324,071
	1,985,665	1,330,057
Total assets less total liabilities	**2,488,689**	2,785,270
Capital and reserves		
Share capital	**71,896**	71,897
Reserves (Note)	**2,416,793**	2,713,373
Total equity	**2,488,689**	2,785,270

Note:

Reserves

	Share premium *HK$'000*	**Contributed surplus** *HK$'000*	**Share options reserve** *HK$'000*	**Other reserves** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	3,041,421	44,396	8,710	(226,129)	2,868,398
Loss for the year	–	–	–	(155,025)	(155,025)
Share options lapsed	–	–	(1,163)	1,163	–
At 31 December 2012	3,041,421	44,396	7,547	(379,991)	2,713,373
Loss for the year	–	–	–	(296,580)	(296,580)
At 31 December 2013	3,041,421	44,396	7,547	(676,571)	2,416,793

FINANCIAL SUMMARY

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	752,297	401,738	110,316	40,360	**94,905**
(Loss) profit before taxation	(38,321)	(683,193)	647,397	158,577	**144,398**
Taxation	–	–	–	–	**(3,054)**
(Loss) profit for the year	(38,321)	(683,193)	647,397	158,577	**141,344**
Attributable to:					
Owners of the Company	(38,279)	(683,181)	647,397	158,577	**141,344**
Non-controlling interests	(42)	(12)	–	–	**–**
(Loss) profit for the year	(38,321)	(683,193)	647,397	158,577	**141,344**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	4,572,799	4,144,951	3,771,726	3,880,887	**3,995,841**
Total liabilities	(1,060,376)	(1,281,557)	(230,789)	(181,466)	**(145,274)**
	3,512,423	2,863,394	3,540,937	3,699,421	**3,850,567**
Equity attributable to owners of the Company	3,511,949	2,863,394	3,540,937	3,699,421	**3,842,933**
Non-controlling interests	474	–	–	–	**7,634**
	3,512,423	2,863,394	3,540,937	3,699,421	**3,850,567**