Enerchina Holdings Limited
威華達控股有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

Interim Report 2012

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

Butterfield Fulcrum Group (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
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
Ashurst Hong Kong
Norton Rose
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
UBS AG

CONTENTS

FINANCIAL HIGHLIGHTS:

For the six months ended 30 June 2012

- Turnover from continuing operation was HK$19.6 million
- Profit attributable to owners of the Company was HK$137.0 million
- Earnings per share from continuing operation was HK1.91 cents

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of energy-related products and the investing in financial services and property businesses. The electricity generation business was discontinued on 22 February 2011 upon the completion of the equity transfer agreement entered into between the Group and CNOOC Gas & Power Group ("CNOOC Gas") on 19 December 2010.

For the six months ended 30 June 2012, turnover of the Group's continuing operation amounted to approximately HK$19.6 million, a decrease of 17% compared with the same period last year. For the six months ended 30 June 2012, a gross loss of approximately HK$9.3 million was recorded, compared to a gross profit of approximately HK$2.3 million the previous period. Profit attributable to owners of the Company amounted to HK$137.0 million, a substantial decline compared to HK$795.6 million recorded in the six months ended 30 June 2011, mainly due to an one-off gain of HK$766.4 million recorded a year ago on the disposal of the Group's electricity generation business.

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

Henan ADD is principally engaged in the production and sale of porcelain insulators which represent the Group's principal activities in the electricity and power generation business. During the six months ended 30 June 2012, affected by falling sales and prices of electrical and energy-related products due to poor market conditions, turnover generated by this continuing business declined by 17% to approximately

HK$19.6 million. A gross loss of approximately HK$9.3 million was recorded by Henan ADD during the period, compared to a gross profit of approximately HK$2.3 million a year ago. The gross loss was mainly attributable to poor market environment as well as the provision for allowance of inventories of approximately HK$4.3 million, the continued rise in the costs of raw material and energy which increased the direct costs of materials and fuel consumption.

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

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

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

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

As at 30 June 2012, the Group in total owns approximately 12.6% of the issued share capital of HEC Capital. The principal activities of HEC Capital and its subsidiaries are principally engaged in property investment, investment in securities trading and money lending.

Proposed New Acquisition

As disclosed in the announcement of the Company dated 27 May 2012, Sunny Fortune Investments Limited ("Sunny Fortune"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Wu Laam Anne (the "Seller") on 27 May 2012, pursuant to which Sunny Fortune conditionally agreed to acquire, and the Seller conditionally agreed to sell, the entire issued share capital of Welson East Limited and Prosper Trade Investments Limited for a total consideration of approximately HK$2,550,000,000. The consideration consists of (i) a deposit of HK$100,000,000 in cash payable within three business days from the date of the sale and purchase agreement; (ii) HK$1,250,000,000 in cash to be paid by the Company to the Seller (subject to adjustment) on or before the completion date of the sale and purchase agreement (the "Completion Date"); (iii) HK$160,000,000 by way of allotment and issue of consideration shares on the Completion Date; and (iv) HK$1,040,000,000 by way of issue of convertible notes on the Completion Date. The consideration shares represent (i) approximately 22.25% of the existing issued share capital of the Company as at the date of the announcement; and (ii) approximately 18.20% of the issued share capital of the Company as enlarged by the allotment and issue of the consideration shares.

The acquisition consists of two investment portions, being the Donghai Mingcheng project in Xiangshan of Ningbo, and the Jingan Hilton Hotel in Shanghai. The potential investments are located in the fast growing economic region of Shanghai and Zhejiang Province. The Donghai Mingcheng project is a large-scale coastal tourist resort development project covering approximately 750,000 square meters of coastal land. This long-term resort development project is expected to include both residential and commercial properties, as well as a newly built 5-star Hilton hotel. The total construction area for the project will be approximately 1 million square meters.

Development of the land has just commenced as at the date of the acquisition. Therefore no income is expected to be generated from the land. However, given the development potential of the land and the Donghai Mingcheng project, and given the prime location that the land is situated, the Company believes that the land will bring in revenue in the long term, which will in turn benefit the Company and its shareholders. The Jingan Hilton Hotel commenced operations in 1988 and is one of the earliest 5-star foreign hotels established in Shanghai. Centrally located in the city, the 40-storey hotel with approximately 800 guest rooms has consistently generated positive revenue in recent years.

The Directors believe that the transactions are made on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole and that the acquisition will benefit the Group in the longer term. An addition to the Company's current business in the energy and resources sector, the acquisition will enable the Company to enter into the property investment market and acquire an established position in the Zhejiang province of the PRC, and will position the Company to capture the growth potential from the financial and business hub of the PRC.

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

As at 30 June 2012, the Group beneficially owned 195,487,245 shares in Towngas China, representing approximately 7.95% 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, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

On 25 July 2011, 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 15 August 2011 to directors to effect disposal(s) from time to time for a period of 12 months from 15 August 2011 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$3.00.

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

As the above mandate was expired on 14 August 2012, the Company is seeking for a new disposal mandate, details of which are contained in the announcement published on 13 August 2012.

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

In February and March 2012, Kenson Investment Limited, a wholly-owned subsidiary of the Company, disposed all of its 500,000,000 shares in Mascotte. Net proceeds from the disposal amounted to HK$40 million. As at 31 December 2011, the carrying amount of these shares in Mascotte was HK$115.0 million. As a result of the disposal, a loss of HK$74.7 million was incurred in current period.

Disposal of interests in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade") and Overview of Electricity Generation Business

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

On 23 February 2011, Fuhuade received approval notice from the Market Supervision Administration of Shenzhen Municipality on the change of registration and obtained a new business license. As at 30 June 2012, the Group has received RMB680 million (equivalent to approximately HK$817.3 million) from CNOOC Gas, representing 66% of the total consideration amount for the transfer. Moreover, the Group has received an amount of approximately US$19.6 million (equivalent to approximately HK$151.8 million) being the shareholder's loan and accrued interest owed by Fuhuade to Sinolink Electric. Payment for the balance of the total consideration amount is being arranged.

During 1 January 2011 to 22 February 2011 (the date before Fuhuade obtained a new business license), the Group recorded a turnover of HK$62.6 million from the electricity generation business before it was discontinued.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$38.8 million as at 31 December 2011 to HK$36.8 million as at 30 June 2012. Gearing ratio as at 30 June 2012, calculated on the basis of total borrowing over shareholders' equity, was 1% (31 December 2011: 1%).

Total assets pledged in securing the loan and other general banking facilities have a net book value of HK$49.4 million as at 30 June 2012. The bank borrowing of the Group is at floating rates and denominated in RMB. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in RMB. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the exchange movement of RMB to the Group's business and manage the risks of using different financial instruments.

The Group's cash and cash equivalents and pledged bank deposits amounted to HK$1,241.8 million and HK$13.2 million, respectively, as at 30 June 2012 and are mostly denominated in RMB, HKD and USD.

Capital Commitments

As at 30 June 2012, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK$4.6 million that have not been provided in the financial statements.

Contingent liabilities

As at 30 June 2012, a financial guarantee of HK$20.0 million have been jointly and severally provided to a bank in respect of banking facility granted to an investee incorporated in Hong Kong held by the Group. At 30 June 2012, HK$17.5 million of the bank facility has been utilised. In the opinion of the directors, because the banking facility is secured by assets owned by the investee, which market value can substantially cover the utilised bank facility amount, the fair value of such financial guarantees is insignificant on initial recognition and no provision has been made at the end of reporting period as the default risk is considered low.

PROSPECTS

In the face of a sharply slowing economy, the central government has adopted a series of policy measures with an emphasis on steadying growth as a top priority. The second half of the year will see the gradual effects of these steadying measures amidst which the PRC economy is expected to stabilize and rebound.

We believe a great amount of investment and development opportunities still exist in the PRC market, the Group will continue to improve the management of its existing projects, so as to enhance the shareholders' value of the Company.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2012 (2011: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed approximately 479 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2012, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim report of the Group for the six months ended 30 June 2012 had not been audited, but had been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Audit Committee.

APPRECIATION

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

By Order of the Board
Enerchina Holdings Limited
Chen Wei
Chairman

Hong Kong, 23 August 2012

OTHER INFORMATION

Directors' Interests or Short Positions in Shares and Share Options

At 30 June 2012, 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

		Interest in Shares						
Name of Directors	Capacity	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 30.6.2012
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".

Directors' Rights to Acquire Shares or Debentures of the Company and Associated Corporation

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Shares, details of which as at 30 June 2012 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price *HK$*	Number of Shares subject to outstanding options as at 1.1.2012	Granted/ exercise during the period	Number of Shares subject to outstanding options as at 30.6.2012	Percentage of the issued share capital of the Company as at 30.6.2012
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 period, no options was granted to or exercised by the Directors of the Company and no options held by the Directors was cancelled under the share option scheme.

4. During the period, 16,171,672 options held by former directors were lapsed under the share option scheme.

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

Disclosure of Change of Directors' Information

Pursuant to rule 13.51B(1) of the Listing Rules, the changes and updated Directors' information are as follows:

Mr. Xin Luo Lin ceased to be a non-executive director of Sino-Tech International Holdings Limited, a listed public company on the Stock Exchange, on 8 June 2012.

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.

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.

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

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

	Option types	Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2012
Category 1: Directors						
Chen Wei	2007 Option	41,910,000	–	–	–	41,910,000
Lu Yungang	2004 Option	3,196,336	–	–	(3,196,336)	–
	2007 Option	4,191,000	–	–	(4,191,000)	–
Ou Yaping	2004 Option	3,196,336	–	–	(3,196,336)	–
	2007 Option	5,588,000	–	–	(5,588,000)	–
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		157,335,728	–	–	(16,171,672)	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		188,581,961	–	–	(16,171,672)	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 period, no options were granted, exercised or cancelled under the 2002 Share Option Scheme.

3. During the period, 16,171,672 options were lapsed under the 2002 Share Option Scheme.

(B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 Share Option Scheme"), under which the Board may, of its discretion, offer any employee (including any executive director) of the Company or its subsidiaries 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 and no options were granted since the date of its adoption.

Substantial Shareholders and Other Persons

At 30 June 2012, the register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in Shares

Name of shareholders	Capacity/ Nature of interest	Aggregate interest	Approximate percentage of the issued share capital as at 30.6.2012
Ou Yaping	Beneficial owner and interest of controlled corporations/Personal interest and corporate interest	2,629,140,978 *(Note 1)*	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 1)*	36.40%
Pope Asset Management, LLC	Investment Manager/ Other interest	641,879,207	8.93%
Wu Laam Anne	Beneficial owner/ Personal interest	12,000,000,000 *(Note 2)*	166.90%

Notes:

1. 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 through together with his associates hold a total of 44.28% of the existing issued share capital of Sinolink as at 30 June 2012 and is therefore deemed to be interested in all these 2,617,180,764 Shares under the SFO.

2. These 12,000,000,000 Shares (including 1,600,000,000 Shares and 10,400,000,000 underlying shares through unlisted physically settled derivatives) had not yet been allotted and issued as the conditions had not been fulfilled according to the terms and conditions stated in the sale and purchase agreement dated 27 May 2012 between the wholly-owned subsidiary of the Company and Ms. Wu Laam Anne. Details were disclosed in an announcement made by the Company on 27 May 2012. However, these 12,000,000,000 Shares were regarded as deemed interests and should be disclosed under Part XV of the SFO.

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Enerchina Holdings Limited
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 34, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	Six months ended 30.6.2012 HK$'000 (Unaudited)	Six months ended 30.6.2011 HK$'000 (Unaudited)
Continuing operation			
Turnover		**19,569**	23,584
Cost of sales		**(28,823)**	(21,287)
Gross (loss) profit		**(9,254)**	2,297
Other income	*4*	**26,129**	12,140
Net gains on fair value changes of investments held for trading		**138,716**	43,983
Selling and distribution expenses		**(1,861)**	(2,963)
Administrative expenses		**(14,251)**	(23,654)
Other expenses		**–**	(618)
Finance costs	*5*	**(2,001)**	(2,060)
Profit before taxation		**137,478**	29,125
Taxation	*6*	**(493)**	–
Profit for the period from continuing operation	*7*	**136,985**	29,125
Discontinued operation			
Profit for the period from discontinued operation	*8*	**–**	766,427
Profit for the period attributable to owners of the Company		**136,985**	795,552
Other comprehensive (expense) income for the period			
Exchange differences arising on translation to presentation currency		**(4,677)**	6,039
Total comprehensive income for the period attributable to owners of the Company		**132,308**	801,591
		HK cents	*HK cents*
Basic and diluted earnings per share	*10*		
From continuing and discontinued operations		**1.91**	11.07
From continuing operation		**1.91**	0.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	**30.6.2012** **HK$'000** **(Unaudited)**	31.12.2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**83,261**	84,446
Prepaid lease payments		**17,644**	17,979
Available-for-sale investments	*12*	**583,000**	583,000
Deposit paid for proposed acquisition	*13*	**100,000**	–
		783,905	685,425
Current assets			
Inventories		**34,674**	40,536
Prepaid lease payments		**480**	478
Trade and other receivables, deposits and prepayments	*13*	**474,727**	548,048
Tax recoverable		**369**	676
Investments held for trading	*14*	**1,302,596**	1,165,870
Pledged bank deposits		**13,233**	49,322
Bank balances and cash		**1,241,815**	1,281,371
		3,067,894	3,086,301
Current liabilities			
Trade and other payables	*15*	**141,374**	191,706
Taxation payable		**370**	242
Bank borrowings – due within one year	*16*	**36,810**	38,841
		178,554	230,789
Net current assets		**2,889,340**	2,855,512
Total assets less current liabilities		**3,673,245**	3,540,937
Net assets		**3,673,245**	3,540,937
Capital and reserves			
Share capital		**71,897**	71,897
Reserves		**3,601,348**	3,469,040
Total equity		**3,673,245**	3,540,937

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Share capital	Share premium	Translation reserve	Capital reserve	General reserves	Contributed surplus	Share option reserve	Retained earnings (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (audited)	**71,897**	**3,041,421**	**26,959**	**-**	**-**	**544**	**8,710**	**391,406**	**3,540,937**
Exchange differences arising on translation to presentation currency	-	-	(4,677)	-	-	-	-	-	(4,677)
Profit for the period	-	-	-	-	-	-	-	136,985	136,985
Total comprehensive (expense) income for the period	-	-	(4,677)	-	-	-	-	136,985	132,308
Share options lapsed	-	-	-	-	-	-	(1,163)	1,163	-
At 30 June 2012 (unaudited)	**71,897**	**3,041,421**	**22,282**	**-**	**-**	**544**	**7,547**	**529,554**	**3,673,245**
At 1 January 2011 (audited)	71,897	3,041,421	182,362	81,525	3,637	544	10,481	(528,473)	2,863,394
Exchange differences arising on translation to presentation currency	–	–	6,039	–	–	–	–	–	6,039
Profit for the period	–	–	–	–	–	–	–	795,552	795,552
Total comprehensive income for the period	–	–	6,039	–	–	–	–	795,552	801,591
Exchange reserve realised on disposal of a subsidiary	–	–	(185,549)	–	–	–	–	185,549	–
Disposal of a subsidiary	–	–	–	(81,525)	(3,637)	–	–	85,162	–
At 30 June 2011 (unaudited)	71,897	3,041,421	2,852	–	–	544	10,481	537,790	3,664,985

Note: General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	Six months ended 30.6.2012 HK$'000 (Unaudited)	30.6.2011 HK$'000 (Unaudited)
Net cash from (used in) operating activities		**5,105**	(171,530)
Net cash (used in) from investing activities			
Pledged bank deposits released		**36,089**	23,067
Deposit paid for proposed acquisition	13	**(100,000)**	–
Purchase of property, plant and equipment		**(3,366)**	(25,622)
Purchase of available-for-sale investments		**–**	(305,000)
Net proceeds from disposal of a subsidiary	17	**–**	786,741
Dividend received from investments held for trading		**10,617**	6,852
Interest received		**14,492**	2,389
Other investing cash flows		**1,325**	949
		(40,843)	489,376
Net cash (used in) from financing activities			
New bank loans raised		**–**	103,081
Repayment of bank loans		**(1,845)**	(76,934)
		(1,845)	26,147
Net (decrease) increase in cash and cash equivalents		**(37,583)**	343,993
Cash and cash equivalents at beginning of the period		**1,281,371**	1,006,945
Effect of foreign exchange rate changes		**(1,973)**	1,142
Cash and cash equivalents at end of the period, representing bank balances and cash		**1,241,815**	1,352,080

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

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

The Group is principally engaged in investment holdings and manufacturing and sales of electrical and energy-related products. It was also engaged in the supply of electricity which was classified as a discontinued operation in prior period (see note 8).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

- amendments to HKFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets"; and
- amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets".

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The following amendments to HKFRSs have been issued after the date the consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] Effective for annual periods beginning on or after 1 January 2013.

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

3. *SEGMENT INFORMATION*

The Group determines its operating segment and measurement of segment profit based on the internal reports to the executive directors, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment. The Group's continuing operation comprises manufacture and sales of electrical and energy-related products and it is determined that the Group has only one operating segment in its continuing operation, accordingly no segment information was disclosed.

During the period ended 30 June 2011, the Group disposed of the whole operations in electricity supplies, upon disposal this operating segment was discontinued as described in more detail in note 8.

4. OTHER INCOME

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest income on:		
– bank deposits	**14,942**	1,772
– others	**–**	3,372
	14,942	5,144
Dividend income from listed investments	**10,617**	6,852
Others	**570**	144
	26,129	12,140

5. FINANCE COSTS

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings wholly repayable within five years	**2,001**	2,060

6. TAXATION

The amount represents the provision of PRC income tax. Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

7. PROFIT FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**3,340**	2,647
Release of prepaid lease payments	**244**	201
Write down on inventories	**4,344**	–

8. DISCONTINUED OPERATION

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

8. DISCONTINUED OPERATION (Continued)

The profit from the discontinued operation and the results of the electricity supply operation which had been included in the condensed consolidated statement of comprehensive income for the prior period was analysed as follows:

	Six months ended 30.6.2011 *HK$'000* *(Unaudited)*
Turnover	62,632
Cost of sales	(73,285)
Gross loss	(10,653)
Other income	8,091
Administrative expenses	(2,435)
Other expenses	(70)
Finance costs	(8,656)
Loss of electricity supply operation for the period	(13,723)
Gain on disposal of electricity supply operation	780,150
Profit for the period from the discontinued operation	766,427

The net cash flows incurred by Shenzhen Fuhuade was as follows:

	Six months ended 30.6.2011 *HK$'000* *(Unaudited)*
Net cash used in operating activities	(13,777)
Net cash used in investing activities	(19,536)
Net cash from financing activities	22,743
Net cash outflows	(10,570)

The carrying amounts of the assets and liabilities of Shenzhen Fuhuade at the date of disposal were disclosed in note 17.

9. *DIVIDENDS*

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

The directors do not recommend the payment of an interim dividend in respect of six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. *EARNINGS PER SHARE*

From continuing and discontinued operations

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

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Earnings for the purposes of basic and diluted earnings for the period attributable to owners of the Company	**136,985**	795,552

	Six months ended	
	30.6.2012	30.6.2011
	(Unaudited)	*(Unaudited)*
Number of shares		
Number of ordinary shares in issue during the period	**7,189,655,664**	7,189,655,664

The computation of diluted earnings per share from continuing and discontinued operations, have not assumed the exercise of the Company's options as the exercise price was higher than the average market price of shares for both periods.

10. EARNINGS PER SHARE (Continued)

From continuing operation

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

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	**136,985**	795,552
Less: Profit for the period from discontinued operation	**–**	(766,427)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operation	**136,985**	29,125

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discounting operations.

From discontinued operation

Basic and diluted earnings per share from discontinued operations for the six months ended 30 June 2011 was earnings per share of HK10.66 cents, based on the profit for the six months ended 30 June 2011 from the discontinued operation of HK$766 million and the denominators detailed above for both basic and diluted earnings per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group spent HK$3,366,000 (six months ended 30 June 2011: HK$25,622,000) on acquisition of property, plant and equipment.

At 30 June 2012 and 2011, the directors conducted impairment assessment on property, plant and equipment located in PRC, no impairment loss was recognised for the six months ended 30 June 2012 and 2011.

12. *AVAILABLE-FOR-SALE INVESTMENTS*

	30.06.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Unlisted equity shares in overseas, at cost:		
HEC Capital Limited	**500,000**	–
Cordoba Homes Limited	**–**	300,000
Hennabun Capital Group Limited	**–**	200,000
Others	**78,000**	78,000
	578,000	578,000
Unlisted equity shares in Hong Kong, at cost	**5,000**	5,000
	583,000	583,000

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

12. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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

As at 30 June 2012, the Group in total owns approximately 12.6% of the issued share capital of HEC Capital. The principal activities of HEC Capital and its subsidiaries are principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business) and money lending.

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

For the Group's available-for-sale investments, the management reviews the latest investee's financial positions, observable data such as net asset value per share and transactions of the investee's share and consequently considers no objective evidence of impairment was identified at 30 June 2012 and 31 December 2011. Accordingly, the directors consider no impairment was recognised.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**18,929**	32,635
Consideration receivable for disposal of a subsidiary *(note 17)*	**438,824**	440,989
Other receivables, deposits and prepayments	**16,974**	74,424
	474,727	548,048
Deposit paid for proposed acquisition *(Note)*	**100,000**	–

Note: The amount represents a deposit of HK$100,000,000 paid by the Group to Ms. Wu Laam Anne in regards of 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 approximately HK$2,550,000,000. The deposit is fully refundable if the acquisition is not completed successfully. The amount is classified as a non-current asset as at 30 June 2012. Details of the proposed acquisition are set out in the announcement of the Company dated 27 May 2012. Up to the date these condensed consolidated financial statements were authorised for issuance, the transaction has not been completed.

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

	30.06.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within 90 days	**13,202**	14,717
91 – 180 days	**5,727**	17,672
181 – 360 days	**–**	246
	18,929	32,635

14. INVESTMENTS HELD FOR TRADING

	30.06.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Investments held for trading, at fair value		
Listed shares in Hong Kong	**1,302,216**	1,165,475
Listed shares in elsewhere	**380**	395
	1,302,596	1,165,870

Included in the listed shares in Hong Kong is an amount of HK$1,090,819,000 (31 December 2011: HK$821,046,000) equity interest in Towngas China Company Limited ("Towngas China"), a company incorporated in the Cayman Islands with limited liability with its share listed on the Main Board of the Stock Exchange. The Group's interest in Towngas China is 7.95% as of 30 June 2012 (31 December 2011: 7.95%). The principal activities of Towngas China and its subsidiaries are the provision of piped city-gas, construction of gas pipelines, the operation of city gas pipeline networks, the operation of gas fuel automobile refilling stations, and the sale of household gas appliances.

15. TRADE AND OTHER PAYABLES

	30.06.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables	**22,326**	63,692
Other taxes arising from disposal of a subsidiary *(note 17)*	**100,044**	100,538
Other payables and accrued charges	**19,004**	27,476
	141,374	191,706

15. *TRADE AND OTHER PAYABLES (Continued)*

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

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within 90 days	**16,399**	6,307
91 – 180 days	**3,046**	54,840
181 – 360 days	**1,241**	986
Over 360 days	**1,640**	1,559
	22,326	63,692

16. *BANK BORROWINGS*

Bank loan of RMB30,000,000 (equivalent to HK$36,810,000 and HK$36,991,000 as at 30 June 2012 and 31 December 2011 respectively) carries interest at 6-month PRC bank interest rate plus certain spread and become due within one year after the end of the reporting period. In addition, loans related to bills discounted with recourse of HK$1,850,000 as at 31 December 2011 bear effective interest rate ranging from 3.3% to 5.2%.

At 30 June 2012, property, plant and equipment with an aggregate carrying amount of HK$18,445,000 (31 December 2011: HK$19,345,000), prepaid lease payments of HK$17,736,000 (31 December 2011: HK$18,062,000) and bank deposits of HK$13,233,000 (31 December 2011: HK$49,322,000) were pledged to banks for the bank borrowings and other general banking facilities granted to the Group.

17. DISPOSAL OF A SUBSIDIARY

As disclosed in note 8, on 22 February 2011, the Group discontinued its electricity supply operation at the time of disposal of its subsidiary, Shenzhen Fuhuade (the "Disposal"). The net assets of Shenzhen Fuhuade at the date of Disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,415,935
Prepaid lease payments	44,328
Inventories	72,611
Trade and other receivables, deposits and prepayments	78,094
Pledge bank deposits	20,212
Bank balances and cash	30,567
Trade and other payables	(191,906)
Amount due to the Group *(Note)*	(152,567)
Taxation payable	(8,684)
Borrowings – due within one year	(864,929)
Borrowings – due after one year	(74,645)
	369,016
Gain on disposal	780,150
Total consideration after deducting estimated other tax expenses in relation to the Disposal	1,149,166
Satisfied by:	
Cash received	817,308
Cash consideration receivable	429,858
	1,247,166
Net cash inflow arising on the Disposal:	
Total cash consideration received	817,308
Bank balances and cash disposed of	(30,567)
	786,741

17. *DISPOSAL OF A SUBSIDIARY (Continued)*

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

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

The consideration after deducting estimated other tax expenses such as withholding tax arising on the Disposal was subject to adjustment in accordance with the results of the supplemental audit on the financial information of Shenzhen Fuhuade for the period from 1 January 2010 to the date of the disposal (the "Supplement Audit"). Up to 30 June 2012, the Supplemental Audit was not yet completed, accordingly, the gain arising on the Disposal of HK$780,150,000 is determined by consideration of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000), assuming no adjustment will arise upon completion of the Supplemental Audit, which in the opinion of the directors of the Company represent the most likely outcome at the end of the reporting period, and deducting the net assets of Shenzhen Fuhuade disposed of, and other tax expenses in relation to the Disposal of HK$98,000,000. On 21 September 2011, the Company agreed that an amount of RMB13,847,000 (equivalent to HK$17,074,000) should be payable to the Purchaser in relation to the Disposal, accordingly the gain arising on the Disposal was adjusted to HK$763,076,000 as disclosed in the Group's annual financial statements for the year ended 31 December 2011.

The deferred consideration will be settled in cash by the Purchaser substantially within 20 days after the results of the Supplemental Audit have been confirmed by the Group and the Purchaser. The directors of the Company expected that such amount will be settled within one year from the end of the reporting period.

17. DISPOSAL OF A SUBSIDIARY (Continued)

Cash consideration receivable of HK$429,858,000 and other taxes payable of HK$98,000,000 arising from the Disposal at the date of the Disposal, which were denominated in RMB, were retranslated at the rate prevailing at the end of the reporting period, exchange difference arising on such retranslation of HK$1,671,000 was recognised in profit or loss during the period ended 30 June 2012. Accordingly, the carrying amounts of cash consideration receivable and other taxes payable arising from the Disposal amount to HK$438,824,000 (note 13) and HK$100,044,000 (note 15), respectively.

The impact of Shenzhen Fuhuade on the Group's results and cash flows in the prior period was disclosed in note 8.

18. RELATED PARTY TRANSACTION

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

19. CAPITAL COMMITMENTS

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**4,570**	4,849

20. CONTINGENT LIABILITIES

As at 30 June 2012, a financial guarantee of HK$20,000,000 (31 December 2011: HK$20,000,000) has been jointly and severally provided to a bank in respect of banking facility granted to an investee incorporated in Hong Kong held by the Group. At the end of the reporting period, HK$17,521,000 (31 December 2011: HK$19,650,000) of the bank facility has been utilised. In the opinion of the directors, because the banking facility is secured by assets owned by the investee, which market value can substantially cover the utilised bank facility amount, the fair value of such financial guarantees is insignificant on initial recognition and no provision has been made at the end of reporting period as the default risk is considered low.