



**Enerchina**

**Holdings Limited**

威華達控股有限公司

*(Incorporated in Bermuda with limited liability)*

Stock Code: 622

INTERIM REPORT **2009**

## CORPORATE INFORMATION

### *Board of Directors*

#### *Executive Directors*

Ou Yaping (*Chairman*)  
Chen Wei (*Chief Executive Officer*)  
Tang Yui Man Francis  
Xiang Ya Bo

#### *Non-executive Director*

Sun Qiang Chang  
(*Non-executive Vice Chairman*)

#### *Independent Non-executive Directors*

Lu Yungang  
Xiang Bing  
Xin Luo Lin

### *Authorised Representatives*

Tang Yui Man Francis  
Xiang Ya Bo

### *Audit Committee*

Lu Yungang  
Xiang Bing  
Xin Luo Lin (*Chairman*)

### *Remuneration Committee*

Lu Yungang  
Ou Yaping  
Xiang Bing  
Xiang Ya Bo  
Xin Luo Lin (*Chairman*)

### *Qualified Accountant*

Lam Yuen Ming

### *Company Secretary*

Lo Tai On

### *Registered Office*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### *Principal Place of Business*

28th Floor, Vicwood 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*)  
Jackson Woo & Associates  
Norton Rose  
Woo, Kwan, Lee & Lo  
(*As to Bermuda law*)  
Conyers Dill & Pearman

### *Principal Bankers*

Bank of China (Hong Kong) Limited  
China Construction Bank  
Hang Seng Bank Limited  
Shenzhen Development Bank Co., Ltd.  
China Merchants Bank  
UBS AG

# CONTENTS

	Page(s)
Financial Highlights	2
Management Discussion and Analysis	2
Other Information	9
Report on Review of Interim Financial Information	16
Condensed Consolidated Statement of Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Financial Statements	23

## FINANCIAL HIGHLIGHTS

### For the six months ended 30 June 2009

- Total turnover was HK\$301.3 million
- Profit attributable to owners of the Company was HK\$19.8 million
- Earnings per share was HK0.31 cents

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in electricity generation and the sale of electricity, and through Towngas China Company Limited (Stock code: 1083, "Towngas China"), the sales and distribution of natural gas and liquefied petroleum gas ("LPG") (together "Gas Fuel") in The People's Republic of China (the "PRC") including the provision of piped natural gas and LPG, construction of gas pipelines, the operation of city gas pipeline network, the operation of Gas Fuel automobile refilling stations, and the sale of Gas Fuel household appliances.

For the six months ended 30 June 2009, the Group recorded a turnover of HK\$301.3 million, representing a decrease of 50% as compared to the same period last year. Gross loss amounted to HK\$20.8 million for the six months ended 30 June 2009, an increase of 166% as compared to the same period last year. This was mainly due to delays in the receipt of subsidies for fuel cost, and the newly imposed fuel tax which increased the Group's production cost for the period.

The Group's unaudited consolidated profit attributable to owners of the Company for the six months ended 30 June 2009 amounted to HK\$19.8 million, a 61% improvement as compared to last year's HK\$12.3 million. This is mainly due to the net effect of (i) the rise in production cost of the electricity generation business; and (ii) the net gains of change in fair value of investments held for trading amounted to HK\$37.5 million as compared to the net losses of change in fair value of investments held for trading of HK\$23.3 million for the first half of the 2008's.

### *Overview of Electricity Generation Business*

During the period, the Group's on-grid electricity generation amounted to 415.2 million kWh, representing a decrease of 53% as compared to 885.8 million kWh over the corresponding period last year. In the first half of 2009, with the continuous impact brought by the global economic crisis, power demand decreased significantly. The total power generated by Guangdong province was 114.47 billion kWh, representing a decrease of 15.55% over the same period of last year. In addition, power to grid in Shenzhen decreased by 48.57%. Electricity generation was particularly low in the first quarter of 2009 as the financial turmoil took its toll, whilst there was a substantial increase in electricity generation in the first quarter of 2008 following the unprecedented snowstorm. As a result, with the significantly lower demand for electricity, the turnover of on-grid electricity decreased by 50% to HK\$301.3 million.

Direct operating expenses attributable to electricity supplies decreased by 44% to HK\$322.1 million. During the period, the total fuel cost decreased by 50% to HK\$250.4 million. Notwithstanding the significant drop in fuel cost as compared with the same period last year, the new tax imposed on fuel oil by the PRC Government resulted in a higher production cost of approximately HK\$51.5 million. Accordingly, the gross loss margin of the power generation business for the period decreased to 7%.

Gas turbine power plants are designed to complement the peak running capacity of the main power grid. In the circumstances that the demand for electricity rises to overwhelming levels, the power plants can take up some basic tasks of electricity generation for the main power grid. At such times, the power plants operate for relatively longer hours, which resulted in a higher amount of electricity generated for the year. Conversely, when electricity demand slows down or is overwhelmed by supply, the power plants will have to bear the brunt as they can only undertake the peak load of the main power grid. Their operating hours will be relatively shorter, and annual electricity generation will be significantly lower. According to the forecast of the Guangdong Economic and Trade Commission on the province's power market in 2009, there will be a significant over-supply of electricity in the first and fourth quarters, however the situation will be relatively better in the second and third quarters. Judging by the actual figures of electricity generation in June, this forecast is basically in line with the reality. For the second half, with the expected growth in industrial production, investment and consumption, and the anticipated slowdown in export declines, there will be more favorable factors to drive and benefit electricity consumption.

### *Overview of Gas Fuel Business through its Major Associate, Towngas China*

For the six months ended 30 June 2009, Towngas China recorded a turnover of HK\$900 million from its piped gas business, an increase of 18.3% over the previous year, after disposal of its liquefied petroleum gas business. Operating profit before returns on investments grew by 12.9% to HK\$83 million. This was mainly due to the increased sales in piped gas over the same period last year. Towngas China recorded an EBITDA of HK\$348 million, an increase of 12.3% over the corresponding period last year. Profit after taxation attributable to shareholders jumped 26.8%, reaching HK\$128 million.

The jump in profit attributable to shareholders of Towngas China is mainly due to the growing profits of its associated companies, coupled with dividends from available-for-sale investments of HK\$27.5 million. Such a dividend income was not recorded in the first half of 2008.

As disclosed in Towngas China's announcement on 2 April 2009 (as supplemented by subsequent announcement dated 1 June 2009), Towngas China had disposed of its LPG business at a total consideration of HK\$419 million during the period. This transaction was approved at the extraordinary general meeting held on 11 May 2009. The disposal, which was completed on 4 June 2009, has facilitated Towngas China to focus its resources on developing its piped city-gas business, thereby enhancing the profitability of Towngas China.

During the end of last year and early this year, Towngas China invested in new projects in Xinjin County of Sichuan Province, Chiping County of Shandong Province and Xindu District of Chengdu City. These projects were inaugurated and entered into operation in the first half of this year. Towngas China will continue to strive for rapid market expansion through mergers and acquisitions. In addition to expanding its market coverage over Northeastern China and Sichuan Province, Towngas China is actively expanding into other regions so as to accelerate development.

### **FINANCIAL POSITION**

The Group's total borrowings increased from HK\$647.3 million as at 31 December 2008 to HK\$723.4 million as at 30 June 2009. The bank borrowings as at 30 June 2009 were bank loan used to finance the expansion of the power plant in Shenzhen. The Group's total net interest-bearing debt to equity was 17.1% as at 30 June 2009.

Total assets pledged in securing these loans have a net book value of HK\$798.8 million as at 30 June 2009. All the bank borrowings of the Group are mainly at floating rates and denominated in both Renminbi and United States dollars. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in Renminbi. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the appreciation of Renminbi to the Group's business and manage the risks of using different financial instruments.

The Group's cash and cash equivalents amounted to HK\$125.9 million as at 30 June 2009 and are mostly denominated in Renminbi, Hong Kong dollars and United States dollars.

### *Capital Commitments*

As at 30 June 2009, the Group had capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK\$5.7 million.

### *Post Balance Sheet Event*

In August 2009, the Company completed an open offer of its shares with gross proceeds of approximately HK\$71.9 million, at a subscription price of HK\$0.03 per open offer share on the basis of one open offer share for every two existing shares held.

## **PROSPECTS**

With the implementation of a series of economic policies by the State, the Chinese economy has shown positive changes since the second quarter of 2009. In August 2009, the Group's capital base has been strengthened through open offer. The net proceeds will be used for general working capital. Moving forward, the Board continues to pursue investment opportunities with good strategic value in order to enhance the shareholders' value of the Company.

### *Electricity Generation Business*

Against the background of environmental conscious, the Guangdong Province officially implemented a of policy-saving energy for power generation, pursuant to which power plants that use heavy oil fuel are placed below hydropower plants, nuclear power plants, geothermal, natural gas and coal power plants in terms of priority of procurement. Recognizing the unfavourable economic conditions in current times, the Guangdong Economic and Trade Commission calls for optimizing the allocation of power resources on the basis that a certain amount of electricity should be generated by local units to sustain their operation.

With the higher environmental conscious for power generation and the Second West-East Natural Gas Pipeline project, natural gas has gradually become a major economical energy source in the PRC. In view of the significant decline in the price of natural gas, the Group is striving for an increase in the proportion of natural gas supply for its electricity generation and continues to negotiate with the supplier to secure long-term contracts.

We foresee the next five years would be the second development of China's natural gas. It will also be an evolution for the Group's natural gas business after the successful modifying two 180MW power generator units with dual-fuel firing capabilities in previous year. The Company will kick off to convert the remaining 235MW installed capacity generating unit into a gas-fired plant in an appropriate stage. The Company believes that the improvement in productivity, efficiency, gross profit margin and maintenance cost saving following the natural gas conversion plan will put itself in a better position in the industry.

### *Gas Fuel Business through its Major Associate, Towngas China*

As rapid economic growth continues unabated, there is still ample room for urbanization on the mainland, where a greater population is forecast in the cities. This will be accompanied by a rise in the standard of living. Hence in the long run, the development outlook is exceptionally optimistic for public utilities sectors including city-gas industry. Given this scenario, the city-gas projects under Towngas China's control on the mainland hold out a strong earning potential. Towngas China will continue to grow its business through mergers and acquisitions activities in the city-gas sector.

Towngas China will strive to retain its competitive edge, endeavoring to widen the competitive gap between itself and its business rivals. Its competitive advantages over other private gas enterprises, particularly traditional natural gas suppliers, remain considerable in many aspects, especially in terms of market expansion, standard of customer services, safety of gas supply of city pipeline networks and optimization of assets investments and operating costs of enterprise.



## **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 2009 (2008: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2009, the Group employed approximately 159 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 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 2009.

## **CORPORATE GOVERNANCE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2009, 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. Lu Yungang, 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 2009 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  
**Chen Wei**  
*Chief Executive Officer*

Hong Kong, 17 September 2009

## OTHER INFORMATION

### *Directors' Interests or Short Positions in Shares and in Share Options*

At 30 June 2009, 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 corporation (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:

#### *(a) Long positions in Shares and underlying Shares*

Name of Directors	Capacity	Interest in Shares				Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company as at 30.6.2009
		Personal interest	Family interest	Corporate interest	Total interest in Shares			
Chen Wei	Beneficial owner	8,775,000	—	—	8,775,000	30,000,000	38,775,000	0.81%
Lu Yungang	Beneficial owner	—	—	—	—	5,288,000	5,288,000	0.11%
Ou Yaping	Beneficial owner, interest in controlled corporations and joint interest	—	7,973,476	4,195,574,450	4,203,547,926 (Note)	6,288,000	4,209,835,926	87.83%
Sun Qiang Chang	Beneficial owner	—	—	—	—	15,000,000	15,000,000	0.31%
Tang Yui Man Francis	Beneficial owner	13,893,750	—	—	13,893,750	32,880,000	46,773,750	0.98%
Xiang Ya Bo	Beneficial owner	—	—	—	—	32,880,000	32,880,000	0.69%
Xin Luo Lin	Beneficial owner	—	—	—	—	5,288,000	5,288,000	0.11%

*Note:* 4,195,574,450 Shares represent the aggregate of (i) 2,433,838,892 proposed open offer shares which was underwritten by Asia Pacific Promotion Limited ("Asia Pacific"), being wholly-owned by Mr. Ou Yaping; (ii) 1,701,660,412 Shares held by Asia Pacific directly; and (iii) 60,075,146 Shares are held by Sinolink Worldwide Holdings Limited ("Sinolink"). Mr. Ou Yaping through Asia Pacific holds 47.50% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all these 4,195,574,450 Shares under the SFO.

Asia Pacific and the Company entered into an underwriting agreement on 4 June 2009. Asia Pacific, being the underwriter of the open offer shares of the Company, agreed to underwrite not less than 2,396,551,888 new shares and not more than 2,433,838,892 new shares to be issued under the open offer.

The open offer was over-subscribed and completed on 7 August 2009. Accordingly, Asia Pacific was not required to take up any untaken open offer share pursuant to the Underwriting Agreement. As at the date of this report, the shareholding interests of shares of Mr. Ou and his associates represented 36.56% of the total issued shares of the Company.

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

(b) *Directors' interests or short positions in shares and underlying shares in associated corporation*

Name of Directors	Name of associated corporation	Capacity	Interest in shares			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation as at 30.6.2009
			Personal interest	Corporate interest	Family interest				
Ou Yaping	Towngas China	Beneficial Owner and interest in controlled corporation	3,618,000	530,487,245 (Note)	—	534,105,245	—	534,105,245	27.28%
Chen Wei	Towngas China	Beneficial owner	1,600,000	—	—	1,600,000	6,633,000	8,233,000	0.42%
Tang Yui Man Francis	Towngas China	Beneficial owner	—	—	—	—	3,015,000	3,015,000	0.15%

*Note:* The 530,487,245 shares in Towngas China Company Limited ("Towngas China") represent the aggregate of (i) 344,046,568 shares of Towngas China held by Kenson Investment Limited ("Kenson") and 186,440,677 shares of Towngas China held by Supreme All Investments Limited ("Supreme All"), which are wholly-owned subsidiaries of the Company. Mr. Ou Yaping through his wholly-owned company, Asia Pacific holds 36.76% interests in shares of the Company and is therefore deemed to be interested in all these 530,487,245 shares in Towngas China under the SFO.

Details of the Directors' interests in share options granted by the associated corporation are set out 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

#### (a) Interest in options to subscribe for Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Share, details of which as at 30 June 2009 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of Shares subject to outstanding options as at	Granted during the period	Number of Shares subject to outstanding options as at	Percentage of the issued share capital of the Company as at
				1.1.2009		30.6.2009	30.6.2009
Chen Wei	13.11.2007	01.01.2010 – 12.11.2017	0.450	15,000,000	—	15,000,000	0.31%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	15,000,000	—	15,000,000	0.31%
Lu Yungang	09.06.2004	09.06.2005 – 08.06.2014	0.440	2,288,000	—	2,288,000	0.05%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	1,500,000	—	1,500,000	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	1,500,000	—	1,500,000	0.03%
Ou Yaping	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	—	2,288,000	0.05%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	2,000,000	—	2,000,000	0.04%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	2,000,000	—	2,000,000	0.04%
Sun Qiang Chang	08.12.2005	08.12.2005 – 07.12.2015	0.830	15,000,000	—	15,000,000	0.31%
Tang Yui Man Francis	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	—	22,880,000	0.48%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	5,000,000	—	5,000,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	5,000,000	—	5,000,000	0.10%
Xiang Ya Bo	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	—	22,880,000	0.48%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	5,000,000	—	5,000,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	5,000,000	—	5,000,000	0.10%
Xin Luo Lin	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	—	2,288,000	0.05%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	1,500,000	—	1,500,000	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	1,500,000	—	1,500,000	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. 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 or lapsed under the share option scheme.
3. These options represent personal interest held by the Directors as beneficial owners.

(b) *Interest in options to subscribe for shares of associated corporation*

Name of Directors	Name of associated corporation	Date of grant	Exercise period	Exercise Price HK\$	Number	Number	Approximate
					of shares subject to outstanding options as at 1.1.2009	of shares subject to outstanding options as at 30.6.2009	percentage of the issued share capital of associated corporation as at 30.6.2009
Chen Wei	Towngas China	04.04.2001	01.01.2003 - 03.04.2011	0.473	1,809,000	1,809,000	0.09%
		04.04.2001	01.01.2004 - 03.04.2011	0.473	1,809,000	1,809,000	0.09%
		19.11.2004	31.12.2005 - 30.03.2011	3.483	904,500	904,500	0.05%
		19.11.2004	31.12.2006 - 30.03.2011	3.483	904,500	904,500	0.05%
		19.11.2004	31.12.2007 - 30.03.2011	3.483	1,206,000	1,206,000	0.06%
Tang Yui Man Francis	Towngas China	19.11.2004	31.12.2005 - 30.03.2011	3.483	904,500	904,500	0.05%
		19.11.2004	31.12.2006 - 30.03.2011	3.483	904,500	904,500	0.05%
		19.11.2004	31.12.2007 - 30.03.2011	3.483	1,206,000	1,206,000	0.06%

*Notes:*

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. These options represent personal interest held by the Directors as beneficial owners.

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 any of its associated corporation required to be disclosed pursuant to the SFO.

Other than as disclosed above, at no time the period was the Company, its holdings company, or any or its subsidiaries or fellow subsidiaries, party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Share in, or debenture of, the Company or any other body corporate.

### *Share Option Scheme of the Company*

The Company operates a share option scheme adopted by shareholders 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.

Details of specific categories options during the period are as follows:

<b>Option type</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
2004A Option	09.06.2004	09.06.2004 – 08.06.2014	0.440
	09.06.2004	09.06.2005 – 08.06.2014	0.440
	09.06.2004	09.06.2006 – 08.06.2014	0.440
	09.06.2004	09.12.2006 – 08.06.2014	0.440
2004B Option	20.10.2004	20.10.2005 – 19.10.2015	0.500
2005 Option	08.12.2005	08.12.2005 – 07.12.2015	0.830
2007 Option	13.11.2007	01.01.2010 – 12.11.2017	0.450
	13.11.2007	01.01.2011 – 12.11.2017	0.450

The following table discloses movements in the Company's share options during the period:

	Option types	Outstanding at 1.1.2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2009
<i>Category 1: Directors</i>						
Chen Wei	2007 Option	30,000,000	—	—	—	30,000,000
Lu Yungang	2004A Option	2,288,000	—	—	—	2,288,000
	2007 Option	3,000,000	—	—	—	3,000,000
Ou Yaping	2004A Option	2,288,000	—	—	—	2,288,000
	2007 Option	4,000,000	—	—	—	4,000,000
Sun Qiang Chang	2005 Option	15,000,000	—	—	—	15,000,000
Tang Yui Man Francis	2004A Option	22,880,000	—	—	—	22,880,000
	2007 Option	10,000,000	—	—	—	10,000,000
Xiang Ya Bo	2004A Option	22,880,000	—	—	—	22,880,000
	2007 Option	10,000,000	—	—	—	10,000,000
Xin Luo Lin	2004A Option	2,288,000	—	—	—	2,288,000
	2007 Option	3,000,000	—	—	—	3,000,000
Total for directors		127,624,000	—	—	—	127,624,000
<i>Category 2: Employees</i>						
	2004A Option	6,950,008	—	—	—	6,950,008
	2007 Option	40,000,000	—	—	—	40,000,000
Total for employees		46,950,008	—	—	—	46,950,008
<i>Category 3: Other</i>						
Davin A. Mackenzie resigned as director in December 2008	2004B Option	2,288,000	—	—	(2,288,000)	—
	2007 Option	3,000,000	—	—	(3,000,000)	—
Total for Other		5,288,000	—	—	(5,288,000)	—
All categories		179,862,008	—	—	(5,288,000)	174,574,008

**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, 5,288,000 options were lapsed under the 2002 Share Option Scheme.



### Substantial Shareholders

At 30 June 2009, the register of substantial shareholders 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:

Long positions in Shares

Name of shareholders	Capacity	Aggregate interest	Approximate percentage of the issued share capital as at 30.6.2009
Asia Pacific	Beneficial owner and interest of controlled corporations	4,195,574,450 (Note 1)	87.53%
Pope Asset Management, LLC	Investment Manager	386,697,961	8.07%
Keywise Capital Management (HK) Limited	Investment Manager	307,880,710 (Note 2)	6.42%
Keywise Greater China Opportunities Master Fund	Beneficial owner	307,880,710 (Note 2)	6.42%

Notes:

1. 4,195,574,450 shares represent the aggregate of (i) 2,433,838,892 proposed open offer shares which was underwritten by Asia Pacific, being wholly-owned by Mr. Ou Yaping; (ii) 1,701,660,412 Shares held by Asia Pacific directly; and (iii) 60,075,146 Shares are held by Sinolink. Mr. Ou Yaping through Asia Pacific holds 47.50% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all these 4,195,574,450 Shares under the SFO.

Asia Pacific and the Company entered into an underwriting agreement on 4 June 2009. Asia Pacific, being the underwriter of the open offer shares of the Company, agreed to underwrite not less than 2,396,551,888 new shares and not more than 2,433,838,892 new shares to be issued under the open offer.

The open offer was over-subscribed and completed on 7 August 2009. Accordingly, Asia Pacific was not required to take up any untaken open offer share pursuant to the Underwriting Agreement. As at the date of this report, the shareholding interests of shares of Mr. Ou and his associates represented 36.56% of the total issued shares of the Company.

2. Keywise Greater China Opportunities Master Fund is an investment fund registered in the Cayman Islands and is wholly owned by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong. Accordingly, Keywise Capital Management (HK) Limited is deemed to be interested in these 307,880,710 Shares in which Keywise Greater China Opportunities Master Fund is interested.

Save as disclosed above, as at 30 June 2009, 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.

# Deloitte.

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### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF ENERCHINA HOLDINGS LIMITED**  
(incorporated in Bermuda with limited liability)

#### *Introduction*

We have reviewed the interim financial information set out on pages 18 to 32, which comprises the condensed consolidated statement of financial position of Enerchina Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2009 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 “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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
17 September 2009

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTES	Six months ended 30.6.2009 <i>HK\$'000</i> <i>(Unaudited)</i>	30.6.2008 <i>HK\$'000</i> <i>(Unaudited)</i>
Turnover		301,276	603,776
Cost of sales		<u>(322,078)</u>	<u>(572,035)</u>
Gross (loss) profit		(20,802)	31,741
Other income	4	21,536	40,447
Administrative expenses		(23,165)	(26,192)
Other expenses		(1,389)	(1,172)
Net gains (losses) on investments held for trading		37,549	(23,283)
Share of results of associates		36,065	28,742
Finance costs	5	<u>(30,005)</u>	<u>(38,008)</u>
Profit for the period	6	<u>19,789</u>	<u>12,275</u>
Other comprehensive (expense) income			
Share of other comprehensive (expense) income of associates		(2,854)	72,066
Exchange differences arising on translation		—	54,231
Exchange reserve realised on deemed partial disposal of associates		—	(74)
Other comprehensive (expense) income for the period		<u>(2,854)</u>	<u>126,223</u>
Total comprehensive income for the period		<u><u>16,935</u></u>	<u><u>138,498</u></u>
Profit for the period attributable to:			
Owners of the Company		19,807	12,298
Minority interests		(18)	(23)
		<u>19,789</u>	<u>12,275</u>
Total comprehensive income attributable to:			
Owners of the Company		16,953	138,486
Minority interests		(18)	12
		<u>16,935</u>	<u>138,498</u>
Earnings per share	9	<i>HK cents</i>	<i>HK cents</i>
Basic		<u>0.31</u>	<u>0.19</u>
Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2009

	NOTES	<b>30.6.2009</b> <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2008 <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,445,785</b>	1,480,531
Prepaid lease payments		<b>43,361</b>	43,979
Interest in associates		<b>2,383,438</b>	2,355,532
Convertible note receivable	11	<b>34,700</b>	—
Available-for-sale investments	12	<b>78,000</b>	24
Other receivable	12	<b>—</b>	77,976
		<b>3,985,284</b>	3,958,042
<b>Current assets</b>			
Inventories		<b>145,978</b>	103,946
Prepaid lease payments		<b>1,237</b>	1,237
Trade and other receivables, deposits and prepayments	13	<b>200,176</b>	136,812
Investments held for trading		<b>91,531</b>	50,452
Pledged bank deposits		<b>53,051</b>	23,810
Bank balances and cash		<b>125,927</b>	160,155
		<b>617,900</b>	476,412
<b>Current liabilities</b>			
Trade and other payables	14	<b>377,924</b>	304,529
Taxation payable		<b>8,922</b>	8,922
Borrowings - amount due within one year	15	<b>509,919</b>	477,835
		<b>896,765</b>	791,286
Net current liabilities		<b>(278,865)</b>	(314,874)
Total assets less current liabilities		<b>3,706,419</b>	3,643,168
<b>Non-current liabilities</b>			
Borrowings - amount due after one year	15	<b>213,472</b>	169,473
Net assets		<b>3,492,947</b>	3,473,695
<b>Capital and reserves</b>			
Share capital		<b>47,931</b>	47,931
Reserves		<b>3,444,518</b>	3,425,248
Equity attributable to owners of the Company		<b>3,492,449</b>	3,473,179
Minority interests		<b>498</b>	516
Total equity		<b>3,492,947</b>	3,473,695

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Capital reserve	General reserve	Contribution surplus	Share option reserve	Retained earnings	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 (audited)	47,931	2,994,875	201,907	81,525	3,637	544	3,070	409,978	3,743,467	550	3,744,017
Exchange differences arising on translation to presentation currency	—	—	49,352	—	—	—	—	—	49,352	33	49,385
Share of other comprehensive income of associates	—	—	63,497	—	—	—	—	—	63,497	—	63,497
Realised on deemed partial disposal of associates	—	—	(74)	—	—	—	—	—	(74)	—	(74)
Loss for the year	—	—	—	—	—	—	—	(394,497)	(394,497)	(67)	(394,564)
Total comprehensive income (expense) for the year	—	—	112,775	—	—	—	—	(394,497)	(281,722)	(34)	(281,756)
Share of other reserve of associates upon redemption of convertible bonds of associates	—	—	—	—	—	—	—	6,787	6,787	—	6,787
Recognition of equity-settled share-based payments	—	—	—	—	—	—	4,647	—	4,647	—	4,647
Share options lapsed	—	—	—	—	—	—	(125)	125	—	—	—
At 31 December 2008 (audited)	47,931	2,994,875	314,682	81,525	3,637	544	7,592	22,393	3,473,179	516	3,473,695
At 1 January 2009 (audited)	47,931	2,994,875	314,682	81,525	3,637	544	7,592	22,393	3,473,179	516	3,473,695
Share of other comprehensive expense of associates	—	—	(2,854)	—	—	—	—	—	(2,854)	—	(2,854)
Profit for the period	—	—	—	—	—	—	—	19,807	19,807	(18)	19,789
Total comprehensive (expense) income for the period	—	—	(2,854)	—	—	—	—	19,807	16,953	(18)	16,935
Recognition of equity-settled share-based payments	—	—	—	—	—	—	2,317	—	2,317	—	2,317
Share option lapsed	—	—	—	—	—	—	(618)	618	—	—	—
At 30 June 2009 (unaudited)	47,931	2,994,875	311,828	81,525	3,637	544	9,291	42,818	3,492,449	498	3,492,947

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	47,931	2,994,875	201,907	81,525	3,637	544	3,070	409,978	3,743,467	550	3,744,017
Exchange differences arising on translation to presentation currency	—	—	54,196	—	—	—	—	—	54,196	35	54,231
Share of other comprehensive income of associates	—	—	72,066	—	—	—	—	—	72,066	—	72,066
Realised on deemed partial disposal of associates	—	—	(74)	—	—	—	—	—	(74)	—	(74)
Profit for the period	—	—	—	—	—	—	—	12,298	12,298	(23)	12,275
Total comprehensive income for the period	—	—	126,188	—	—	—	—	12,298	138,486	12	138,498
Share of other reserve of associates upon redemption of convertible bonds of associates	—	—	—	—	—	—	—	6,787	6,787	—	6,787
Recognition of equity-settled share-based payments	—	—	—	—	—	—	2,323	—	2,323	—	2,323
Share option lapsed	—	—	—	—	—	—	(125)	125	—	—	—
At 30 June 2008 (unaudited)	47,931	2,994,875	328,095	81,525	3,637	544	5,268	429,188	3,881,063	562	3,881,625

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	<b>Six months ended</b>	
	<b>30.6.2009</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>30.6.2008</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Net cash used in operating activities	<u>(49,586)</u>	<u>(66,274)</u>
Net cash used in investing activities		
Purchase of convertible note receivable	<b>(34,700)</b>	—
Increase in pledged bank deposits	<b>(29,241)</b>	(22,476)
Purchase of property, plant and equipment	<b>(4,343)</b>	(6,820)
Other investing cash flows	<b>7,559</b>	10,444
	<u><b>(60,725)</b></u>	<u>(18,852)</u>
Net cash from (used in) financing activities		
Repayments of bank loans	<b>(541,830)</b>	(314,567)
New bank loans raised	<b>617,913</b>	138,735
	<u><b>76,083</b></u>	<u>(175,832)</u>
Net decrease in cash and cash equivalents	<b>(34,228)</b>	(260,958)
Cash and cash equivalents at beginning of the period	<b>160,155</b>	466,441
Effect of foreign exchange rate changes	<u>—</u>	<u>11,078</u>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u><b>125,927</b></u>	<u><b>216,561</b></u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 1. BASIS OF PREPARATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are supply of electricity.

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

At 30 June 2009, the Group had net current liabilities of approximately HK\$279 million and reported a net decrease in cash and cash equivalents of approximately HK\$34 million for the six months then ended. The Group’s liabilities as at 30 June 2009 included bank loans of approximately HK\$510 million that are repayable within twelve months from the end of the reporting period. Taking into account of the internally generated funds, gross proceeds of an open offer (see note 19) and the available banking facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

## 2. *PRINCIPAL ACCOUNTING POLICIES*

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions <sup>3</sup>
HKFRS 3 (Amendment)	Business combinations <sup>1</sup>
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) - INT 18	Transfers of assets from customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>4</sup> Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the Group's annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

#### *Business segments*

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of the measurement of segment profit or loss.

The Group determines its operating segments and measurement of segment profit based on the internal reports to Chief Executive Officer, the Group’s chief operating decision maker, for the purposes of resource allocation and performance assessment.

The Group is primarily engaged in the supply of electricity and it is determined that the Group has only one operating segment. The Group’s segment loss for the six months ended 30 June 2009 was HK\$33,620,000 (segment profit for the six months ended 30 June 2008: HK\$15,464,000), representing the Group’s results from the sale of electricity, without allocation of other income, central administration costs, share of results of associates, other gains or losses on investments held for trading and finance costs.

#### 4. OTHER INCOME

Other income mainly comprised of:

	<b>Six months ended</b>	
	<b>30.6.2009</b> <i>HK\$'000</i>	<b>30.6.2008</b> <i>HK\$'000</i>
Interest income on:		
– bank deposits	<b>650</b>	3,333
– others	<b>231</b>	5
	<b>881</b>	3,338
Dividend income		
– listed	<b>218</b>	196
– unlisted	<b>1,155</b>	6,909
	<b>1,373</b>	7,105
Bad debts recovered (note)	<b>19,175</b>	—
Gain on deemed disposal arising from dilution of interest in associates	—	430
Insurance recovery of damages and losses incurred in prior years as a result of breakdown of plant and machinery	—	28,873

Note: The amount represents the recovery of bad debts which were written off in prior years. During the period ended 30 June 2009, the Group entered into a settlement agreement with the relevant parties and a sum of HK\$19,175,000 was repaid to the Group accordingly.

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowings wholly repayable within five years	<b>30,005</b>	<b>38,008</b>

## 6. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>39,070</b>	<b>50,827</b>
Release of prepaid lease payments	<b>619</b>	<b>606</b>

## 7. TAXATION

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

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC"), certain of the Group's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period is at 10% (six months ended 30 June 2008: 9%). These tax incentives will be expired by the year 2010. In addition, the subsidiaries are entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than seven years.

No PRC Enterprise Income Tax has been provided for after taking these tax incentives into account.

## 8. DIVIDENDS

The directors have resolved not to declare an interim dividend in respect of six months ended 30 June 2009 and 2008.

## 9. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<b>HK\$'000</b>	HK\$'000
Earnings for the period attributable to owners of the Company	<b>19,807</b>	12,298
	<b>30.6.2009</b>	30.6.2008
<b>Number of shares</b>		
Weighted average number of ordinary shares	<b>6,470,690,098</b>	6,470,690,098

On 10 August 2009, the Company announced an open offer ("Open Offer") of 2,396,551,888 Open Offer shares in the proportion of one Open Offer share for every two existing shares at HK\$0.03. The number of shares for the purpose of calculating basic earnings per share for the period from 1 January 2008 to 30 June 2008 and for the period from 1 January 2009 to 30 June 2009 has been adjusted to reflect the Open Offer of shares.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both periods.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4,343,000 (1.1.2008 to 30.6.2008: HK\$6,820,000) on acquisition of property, plant and equipment.

## 11. CONVERTIBLE NOTE RECEIVABLE

Unlisted convertible note with principal amount of HK\$34,700,000 was issued on 1 June 2009 by an independent third party, Top Diligent Limited (“Top Diligent”), a private company which is incorporated in the British Virgin Islands whose subsidiaries are principally engaged in the sale of liquefied petroleum gas in bulk and in cylinders. The convertible note bears interest at a contractual interest rate of 8% per annum and is due for redemption on 1 June 2012 (“Maturity Date”). Top Diligent is entitled, by giving not less than 10 business days notice to the Group, to redeem up to HK\$20,000,000 on or prior to the first anniversary date of the date of issue. The Group is entitled at any time after the date of issue up to the Maturity Date to convert the convertible note into ordinary shares of Top Diligent, the conversion price of which is to be determined based on the then consolidated net asset value of Top Diligent, subject to adjustment if early redemption right was exercised.

At the issue date, the convertible note comprised of a liability component and embedded derivatives being the conversion option and the issuer’s redemption option. In the opinion of the directors of the Company, the fair values of the convertible note on initial recognition and the reporting date are substantially the same as the cost.

## 12. AVAILABLE-FOR-SALE INVESTMENTS/OTHER RECEIVABLE

Investments in unlisted equity securities issued by a private entity incorporated overseas are held for an identified long term strategic purpose and are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Other receivable as at 31 December 2008 represented an advance to the investee of the Group. The advance was unsecured, interest free, and had no fixed repayment terms. The amount advanced was capitalised into additional subscription of shares of that investee company during the period. Additional shares of the investee were issued to the Group by capitalising the amounts owing to the Group. Accordingly, the amount was classified as non-current at 31 December 2008.

## 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables totalling HK\$102,930,000 (31.12.2008: HK\$58,163,000) all of which are aged less than 90 days.



#### 14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and notes payables of HK\$315,026,000 (31.12.2008: HK\$248,551,000), the aged analysis of which is as follows:

	<b>30.6.2009</b> <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Aged:		
0 – 90 days	<b>311,668</b>	245,096
91 – 180 days	<b>2,133</b>	1,378
181 – 360 days	—	—
Over 360 days	<b>1,225</b>	2,077
	<b>315,026</b>	248,551

#### 15. BORROWINGS

	<b>30.6.2009</b> <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Bank loans		
– secured	<b>532,348</b>	342,320
– unsecured	<b>191,043</b>	304,988
	<b>723,391</b>	647,308

The maturity of the above borrowings is as follows:

On demand or within one year	<b>509,919</b>	477,835
More than one year but not more than two years	<b>110,864</b>	142,160
More than two years but not more than three years	<b>102,608</b>	27,313
	<b>723,391</b>	647,308
Less: Amount due within one year shown under current liabilities	<b>(509,919)</b>	(477,835)
Amount due after one year	<b>213,472</b>	169,473

At 30 June 2009, property, plant and equipment and bank deposits with aggregate carrying amounts of HK\$745,754,000 (31.12.2008: HK\$757,824,000) and HK\$53,051,000 (31.12.2008: HK\$23,810,000) respectively were pledged to banks to secure general banking facilities granted to the Group.

## 16. GOVERNMENT SUBSIDIES

During the period, government subsidies of HK\$11,912,000 (six months ended 30 June 2008: HK\$303,608,000) were granted by the Treasury of Shenzhen Trade and Industrial Council in compensation for the high fuel cost, which is to ensure the Group's power plant can maintain its profitability in times of rising crude oil cost. The government subsidies are recognised in condensed consolidated statement of comprehensive income and are deducted from the related cost of sales for reporting purpose. There were no other specific conditions attached to the subsidies and, therefore, the Group recognised the subsidies upon receipt.

## 17. RELATED PARTY TRANSACTION

During the period, the Group paid office expenses of approximately HK\$1,689,000 (six months ended 30 June 2008: HK\$1,412,000) to Sinolink Worldwide Holdings Limited, a company with common shareholder and directors of the Company. The office expense is determined with reference to actual costs incurred.

## 18. CAPITAL COMMITMENTS

	<b>30.6.2009</b> <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u><b>5,738</b></u>	<u>5,638</u>

## 19. POST BALANCE SHEET EVENT

In August 2009, the Company completed an Open Offer of its shares with gross proceeds of approximately HK\$71,900,000, at a subscription price of HK\$0.03 per open offer share on the basis of one open offer share for every two existing shares held.