Enerchina Holdings Limited
威華達控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 622

ANNUAL 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)*
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 Bank of Hangzhou China Construction Bank Hang Seng Bank Limited Shanghai Pudong Development Bank China Merchants Bank UBS AG

CONTENTS

On behalf of the board of directors (the "Board"), I hereby present to our shareholders the annual results of Enerchina Holdings Limited ("Enerchina" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2009, the Group recorded a turnover of HK$752.3 million, representing a decrease of 26.0% as compared to the same period last year. Gross loss amounted to HK$116.2 million for the year ended 31 December 2009, compared with the gross profit of HK$18.0 million recorded for the year ended 31 December 2008. The setback was mainly due to delays in the receipt of subsidies for fuel cost and the imposed fuel tax, which increased the Group's production cost for the year.

The Group's audited consolidated loss attributable to owners of the Company for the year ended 31 December 2009 amounted to HK$38.3 million, representing a decrease of approximately HK$356.2 million compared with the audited consolidated loss attributable to owners of the Company of HK$394.5 million for the year ended 31 December 2008.

OVERVIEW

The financial tsunami that swept across the world in 2008 continued to affect the global economy in 2009. Notwithstanding this, the PRC economy has stabilized with the national GDP growth regaining momentum and contributing to signs of an emerging global recovery. However, given the overall uncertain conditions, we remained cautious about the operating environment and continued to focus on reducing our operating costs and improving our production efficiency.

In August 2009, the Group's capital base has been strengthened through an open offer. The net proceeds from the open offer amounted to approximately HK$68 million for use as general working capital of the Group.

Electricity Generation Business

By taking advantage of the PRC government's favorable policy towards natural gas electricity generation, supported in particular by the construction of the Second West-to-East Natural Gas Pipeline project, the Group is optimistic about the long term prospects of the gas fired electricity generation business in the PRC. The Group plans to convert the remaining 235MW installed capacity generating unit into a gas-fired plant at an appropriate stage. We will stick to our set principals and use our best effort to grasp the various business opportunities and strive to develop our electricity generation business.

Gas Fuel Business through its Major Associate, Towngas China Company Limited

On 31 December 2009, Hong Kong & China Gas (China) Limited ("HKCG") gained defacto control over Towngas China Company Limited ("Towngas China") following the change in directorships of the board. Since then, Towngas China becomes a subsidiary of HKCG. In future, Towngas China will receive stronger support from HKCG in respect of its development, and hence marches toward a new era of business operations.

OUTLOOK

The Group will continue to focus on making improvement in productivity, efficiency, gross profit margin and cost saving and maintaining high responsiveness to demand fluctuations in the market. At the same time, we will exercise due care and diligence to explore other suitable investment and merger and acquisition opportunities to diversify our operation.

APPRECIATION

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

OU Yaping
Chairman

8 April 2010

BUSINESS REVIEW

Overview of Electricity Generation Business

During the year, the Group's on-grid electricity generation amounted to 1,036 million kWh, representing a decline of 29% as compared to 1,458 million kWh over 2008. In the first half of 2009, with the continuous impact brought by the global economic crisis, power demand decreased significantly. Although demand picked up during the second half of the year, demand in the entire 2009 remained weak. As a results, taking into account exchange difference between Renminbi ("RMB") and Hong Kong Dollar ("HKD"), the turnover of on-grid electricity dropped by 26% to HK$752.3 million.

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, 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. In 2009, there was significant under-demand of electricity in the first quarter but the situation was relatively better in the second and third quarters.

Direct operating expenses attributable to electricity supplies decreased by 13% to HK$868.5 million. During the year, the total fuel cost decreased by 13% to HK$747.3 million. Notwithstanding the drop in fuel cost as compared with the same period last year, the tax imposed on fuel oil by the PRC Government resulted in a higher production cost of approximately HK$147.8 million. Accordingly, the power generation business for the year recorded a gross loss of HK$116.2 million.

The consolidated loss for the year attributable to the owners of the Company for the year ended 31 December 2009 amounted to HK$38.3 million as compared to the consolidated loss of HK$394.5 million in 2008. This was mainly the results of (i) the one-off impairment of goodwill associated with the acquisition of electricity generation business in prior years, which amounted to HK$316.6 million being recorded in 2008; (ii) net gains on investments held for trading of HK$83.5 million as compared with the net losses of HK$92.4 million for the same period last year; and (iii) increase of HK$118.0 million in 2009 in fuel costs due to the increased fuel consumption tax.

Overview of Gas Fuel Business through its Major Associate, Towngas China Company Limited

For the year ended 31 December 2009, the piped gas business of Towngas China Company Limited ("Towngas China") booked a turnover from continuing operations of HK$2,025 million, an increase of 22.2% when compared to 2008. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") was HK$725 million, an increase of approximately 7.1% from 2008. Profit after taxation attributable to shareholders of Towngas China amounted to HK$265 million, an increase of 31.0% when compared to last year. During the year, Towngas China focused its resources on developing its city piped gas business and gas consumptions and enhanced its profitability.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$647.3 million as at 31 December 2008 to HK$610.0 million as at 31 December 2009. The bank borrowings as at 31 December 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 11.9% as at 31 December 2009.

Total assets pledged in securing these loans have a net book value of HK$951.6 million as at 31 December 2009. All the bank borrowings of the Group are mainly at floating rates and denominated in both RMB and USD. 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 appreciation 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$192.0 million and HK$47.7 million, respectively, as at 31 December 2009 and are mostly denominated in RMB, HKD and USD.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group has capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK$4.9 million.

OPEN OFFER

In August 2009, the Company issued 2,396,551,888 new shares on the basis of one offer share for every two existing shares held on 15 July 2009 at the subscription price of HK$0.03 per offer share. The net proceeds of the open offer amounted to approximately HK$68 million, which would be used by the Group as general working capital.

PROSPECTS

The Board continues to pursue investment opportunities with good strategic value in the energy and other sectors in order to enhance the shareholder value of the Company.

Electricity Generation Business

Power shortage and environmental deterioration are major global issues. As such, the PRC government has pledged a number of policies and national targets to save power and protect the environment, 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 local governments call 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.

In implementing the environmental power generation system, the PRC has made purchases of natural gas from many sources and these orders are now commencing deliveries. In view of this and together with the commencement of the Second West-East Natural Gas Pipeline project, natural gas has gradually become a major economical energy source in the PRC. 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 will continue to strengthen our current position in the natural gas electricity generation sector by planning to convert the remaining 235MW installed capacity generating unit into a gas-fired plant in a timely manner and maximizing our operational efficiency. The Group believes that with the improvement in productivity and efficiency, and the anticipated reduction in operating costs following its natural gas conversion plan, the Group will become more competitive in the industry.

Gas Fuel Business through its Major Associate, Towngas China

In 2010, Towngas China will focus its work on developing new investments, Towngas China will leverage on the relative advantage it enjoys, from the large number of its subsidiaries and their diverse distribution across regions close to the West-to-East Pipeline and the Sichuan-to-East Pipeline, and the coastal liquefied natural gas receiving terminals. Based on this competitive edge, it will maximize potential of its existing investment projects, in an endeavor to explore new markets.

In order to strengthen the competitiveness of its existing projects, Towngas China will draw on the robust strengths of Hong Kong & China Gas (China) Limited ("HKCG"). It will implement an investment strategy to achieve economic efficiency. With the adoption of a corporate culture approach, continual efforts will be made to upgrade the caliber of Towngas China's employees, in the areas of service quality, gas supply safety and market developments. Collectively, these initiatives will not only boost Towngas China's profitability but also establish a sustainable competitive edge for its employees and Towngas China, and secure a leading industry position for Towngas China, amid the rapid future developments propelled by diversified natural gas sources in China's city gas sector.

In 2009, Towngas China acquired a number of new projects in Sichuan, Shandong, Anhui, Jiangxi and Guangdong Provinces respectively, while engaging in proactive and careful market expansion by signing an agreement in February 2010 for investment and establishment of a piped gas project in the new industrial district of Anshan City, Liaoning Province.

In mid-March 2010, as announced by Towngas China, it entered into an agreement with HKCG´s subsidiary (as vendor) to acquire six piped city-gas projects in the Liaoning and Zhejiang provinces with the consideration to be settled by Towngas China´s allotment and issue of consideration shares to the vendor. An extraordinary general meeting of Towngas China (EGM) will be held on 29 April 2010 for approving the agreement and the transactions contemplated thereunder, including the whitewash waiver. Circular dated 7 April 2010 together with the notice of the EGM were despatched to shareholders on 7 April 2010 by Towngas China. Having considered the circular and the recommendations therein, it is the Company´s current intention, in respect of its shareholdings in Towngas China, to vote in favour of the resolutions proposed at the EGM.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 158 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.

Tang Yui Man Francis	Xin Luo Lin	Xiang Ya Bo	Ou Yaping	Lu Yungang	Xiang Bing	Chen Wei

EXECUTIVE DIRECTORS

Mr. Ou Yaping, aged 48, is the chairman and an executive director, a member of remuneration committee and indirect substantial shareholder of the Company. He is also the chairman and executive director of Sinolink Worldwide Holdings Limited ("Sinolink") and an executive director of Towngas China Company Limited ("Towngas China"), both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ou is a brother of Mr. Xiang Ya Bo, the executive directors of the Company. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board and a part-time professor of that institute. Mr. Ou was previously employed by a number of trading and investment companies in the PRC and Hong Kong. Mr. Ou has over 24 years of experience in investing, trading and corporate management. Mr. Ou is responsible for the overall business development, management and strategic planning of the Company. He has been the executive director since May 2002 and redesignated as the chairman of the Company since June 2005. He is also the director of Asia Pacific Promotion Limited ("Asia Pacific"), a substantial shareholder of the Company, whose interest in shares of the Company is disclosed in the section of "Substantial Shareholder". Save as disclosed above, Mr. Ou has not held any directorship in other listed public companies in the past three years.

Pursuant to a service agreement entered into between Mr. Ou and the Company on 1 April 2010, Mr. Ou was appointed for a specific term of three years from 1 April 2010 and is subject to retirement and re-election provisions of Bye-laws and he is entitled to an annual salary of HK$390,000 and year-end discretionary bonus which are determined by the Board based on the review and recommendation from the remuneration committee of the Company with reference to his duties and responsibilities within the Company, the Company's performance and the prevailing market situation. Save as disclosed above, he does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company.

Mr. Chen Wei, aged 48, is the chief executive officer and executive director of the Company. He is currently the executive director of Sinolink, a company listed on the Stock Exchange. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. He was previously employed by a number of large organisations and has over 24 years of experience in engineering, business administration, market development and management. Mr. Chen is responsible for the overall business development, management and strategic planning of the Group. He has been the chief executive officer and executive director of the Company since May 2007. He resigned as an executive director of Towngas China Company Limited which listed on the Stock Exchange effective from 31 December 2009. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

Pursuant to a service agreement and supplemental agreement entered into between Mr. Chen and the Company on 31 March 2008 and 15 January 2010 respectively, Mr. Chen was appointed for a specific term of three years from 1 April 2008 and is subject to retirement and re-election provisions of Bye-laws and he is entitled to an annual salary of HK$1,700,020 and year-end discretionary bonus which are determined by the Board based on the review and recommendation from the remuneration committee of the Company with reference to his duties and responsibilities within the Company, the Company's performance and the prevailing market situation. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Mr. Xiang Ya Bo, aged 53, is an executive director and member of remuneration committee of the Company. He is a brother of Mr. Ou Yaping, the executive director of the Company. Mr. Xiang is also the founder of Jiadeyu Information Consultant (Shenzhen) Co. Ltd. which engaged in the business of computer technologies and e-commerce. He graduated with an engineering degree. Mr. Xiang has over 21 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Mr. Xiang is responsible for the overall business development, management and strategic planning of the power generation business. He has been the executive director of the Company since May 2002. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

Pursuant to a service agreement entered into between Mr. Xiang and the Company on 2 May 2007, Mr. Xiang was appointed for a specific term of three years from 2 May 2007 and is subject to retirement and re-election provisions of Bye-laws and he is entitled to an annual salary of HK$2,002,000 and year-end discretionary bonus which are determined by the Board based on the review and recommendation from the remuneration committee of the Company with reference to his duties and responsibilities within the Company, the Company's performance and the prevailing market situation. Save as disclosed above, he does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company.

Mr. Tang Yui Man Francis, aged 47, is an executive director of the Company. Mr. Tang is also the chief executive officer and executive director of Sinolink and the alternate director to Mr Ou Yaping of Towngas China, both companies are listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. He is responsible for corporate and financial planning, strategic development and management of the Company. Mr. Tang has been the executive director of the Company since May 2002. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

Pursuant to a service agreement entered into between Mr. Tang and the Company on 1 April 2010, Mr. Tang was appointed for a specific term of three years from 1 April 2010 and is subject to retirement and re-election provisions of Bye-laws and he is entitled to an annual salary of HK$1,800,045 and year-end discretionary bonus which are determined by the Board based on the review and recommendation from the remuneration committee of the Company with reference to his duties and responsibilities within the Company, the Company's performance and the prevailing market situation. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Sun Qiang Chang, aged 53, is a non-executive director and non-executive vice chairman of the Company. Mr. Sun holds a Bachelor of Arts degree from the Beijing Foreign Studies University, a joint degree of MA/MBA from the Joseph Lauder Institute of International Management and the Wharton School of the University of Pennsylvania. His experience includes working as a translator at the United Nations in New York, as an investment banking associate at Lepercq, de Neuflize & Co., a boutique leverage buyout firm, and as an executive director in the Investment Banking Division and the Principal Investment Area of Goldman Sachs (Asia) L.L.C. in Hong Kong.

Mr. Sun is the managing partner of Warburg Pincus' Hong Kong office, responsible for the firm's investment activities in North Asia. He is a director of GOME Electrical Appliances Holding Limited and China Huiyuan Juice Group Limited, both companies are listed on the Stock Exchange, and a director of Harbin Pharmaceutical Group Holding Co., Ltd. He resigned as a non-executive director of Kasen International Holdings Limited, a company listed on the Stock Exchange, in May 2006. He was an executive director from April 2000 and redesignated as a non-executive director and non-executive vice chairman of the Company since June 2005. Save as disclosed above, Mr. Sun has not held any directorship in other listed public companies in the past three years.

Mr. Sun is appointed for a term of one year and is subject to retirement and re-election provisions of Bye-laws. There is no agreement as to the remuneration payable to Mr. Sun. His remuneration is to be determined by the Board based on the review and recommendation from the Remuneration Committee of the Company with reference to his duties and responsibilities within the Company, the Company's performance and the prevailing market situation. For the year ended 31 December 2009, no emolument was paid or payable to Mr. Sun. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lu Yungang, aged 47, is an independent non-executive director and member of audit committee and remuneration committee of the Company. He holds a Bachelor of Science degree from the Beijing University, a Master of Science degree from the Brigham Young University, and a Ph.D. in finance degree from the University of California (Los Angeles). Mr. Lu is the founder and managing director of APAC Capital Group, an investment management company focusing on Greater China markets. Prior to founding APAC Capital Group, he was a research analyst at a number of leading investment banks. Mr. Lu has over 15 years of experience in investment research and management. He is also the independent non-executive director of AsiaInfo Holdings, Inc., Spreadtrum Communications, Inc. and China Techfaith Wireless Communication Technology Ltd., which are listed public companies on the Nasdaq. He is also an independent non-executive director of Kasen International Holdings Limited and retired as a director of Nority International Group Limited in May 2007, both companies listed on the Stock Exchange. He has been the independent non-executive director of the Company since May 2004. Save as disclosed above, Mr. Lu has not held any directorship in other listed public companies in the past three years.

Mr. Lu is appointed for a term of one year and is subject to retirement and re-election provisions of Bye-Laws. He is entitled to an annual remuneration for an amount of HK$250,000 payable in two equal installments. His remuneration is determined by the Board and the remuneration committee of the Company with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorized by the shareholders of the Company at the annual general meeting. Mr. Lu is not entitled to any bonus payments. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Dr. Xiang Bing, aged 48, was appointed as an independent non-executive director of the Company in December 2008. He is also the member of audit committee and remuneration committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. He has over 10 years of teaching experience in the academic field. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business (長江商學院). He is the independent non-executive director and members of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, Longfor Properties Co., Ltd. (appointed on 1 November 2009), Sinolink and HC International, Inc.; the independent non-executive director and chairman of remuneration committee of Little Sheep Group Limited, the independent non-executive director and chairman of audit committee and remuneration committee and member of nomination committee of Peak Sport Products Co., Limited (appointed on 8 September 2009), all of which are companies listed on the Stock Exchange. Dr. Xiang is also the independent non-executive director and members of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd. and an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, both are listed on New York Stock Exchange and the independent non-executive director and members of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq. He is independent non-executive director of E Fund Management Co., Ltd and independent non-executive director and members of audit committee and Strategic committee and chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd. with effect from 13 August 2009, both companies listed on the Shenzhen Stock Exchange. He was a director of Jutal Offshore Oil Services Limited (for the period from 30 March 2006 to 30 May 2008), a company listed on the Stock Exchange, the director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司), TCL Corporation (TCL 集團股份有限公司), Shaanxi Qinchuan Machine Development Co., Ltd. (陝西秦川機械發展股份有限公司) and Guangdong Midea Electric Appliances Co. Ltd. (廣東美的電器股份有限公司), all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd. (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

Dr. Xiang is appointed for a term of one year and is subject to retirement and re-election provisions of Bye-Laws. He is entitled to an annual remuneration for an amount of HK$250,000 payable in two equal installments. His remuneration is determined by the Board and the remuneration committee of the Company with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorized by the shareholders of the Company at the annual general meeting. Dr. Xiang is not entitled to any bonus payments. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Mr. Xin Luo Lin, aged 61, is an independent non-executive director and the chairman of audit committee and remuneration committee of the Company. He postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin also holds directorships in a number of companies in Hong Kong. He is also the independent non-executive director of Sinolink, independent non-executive director, member of audit committee and member of remuneration committee of Central China Real Estate Limited effective from 1 March 2010, both are listed public company on the Stock Exchange, a director of Mori Denki Mfg. Co., Ltd., a listed public company on the Tokyo Stock Exchange and a director and Vice Chairman of Oriental Technologies Investment Limited, a listed public company on the Australian Stock Exchange. He has been the independent non-executive director of the Company since April 2001. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

Mr. Xin is appointed for a term of one year and is subject to retirement and re-election provisions of Bye-Laws. He is entitled to an annual remuneration for an amount of HK$250,000 payable in two equal installments. His remuneration is determined by the Board and the remuneration committee of the Company with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorized by the shareholders of the Company at the annual general meeting. Mr. Xin is not entitled to any bonus payments. He does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on pages 42 to 43.

No interim dividend (2008: Nil) was paid to the shareholders during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 46.

The Company's reserve available for distribution to shareholders at 31 December 2009 amounted to HK$234,407,000 (2008: HK$229,338,000).

DIRECTORS

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

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

In accordance with clause 87(2) of the bye-laws of the Company ("Bye-laws"), Mr. Chen Wei, Mr. Sun Qiang Chang and Mr. Xin Luo Lin shall retire by rotation at the forthcoming AGM. Mr. Sun Qiang Chang notified the Company that he will not seek for re-election at the forthcoming AGM. All the other retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

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

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

At 31 December 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 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:

(a) Long positions in Shares and underlying Shares

Name of Directors	Capacity	Interest in Shares: Personal interest	Interest in Shares: Family interest	Interest in Shares: Corporate interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company as at 31.12.2009
Chen Wei	Beneficial owner	13,162,500	—	—	13,162,500	41,910,000	55,072,500	0.77%
Lu Yungang	Beneficial owner	—	—	—	—	7,387,336	7,387,336	0.10%
Ou Yaping	Beneficial owner, interest in controlled corporations and joint interest	—	11,960,214	2,617,180,764 (Note)	2,629,140,978	8,784,336	2,637,925,314	36.69%
Sun Qiang Chang	Beneficial owner	—	—	—	—	20,955,000	20,955,000	0.29%
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	—	—	—	—	7,387,336	7,387,336	0.10%

Note: 2,617,180,764 Shares represent the aggregate of (i) 2,557,105,618 Shares held by Asia Pacific Promotion Limited ("Asia Pacific") directly; and (ii) 60,075,146 Shares are held by Sinolink Worldwide Holdings Limited ("Sinolink"). Mr. Ou together with his associates hold a total of 44.01% of the existing issued share capital of Sinolink as at 31 December 2009 and is therefore deemed to be interested in all these 2,617,180,764 Shares under the SFO.

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: Personal interest	Interest in shares: Corporate interest	Interest in shares: Family interest	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 31.12.2009
Ou Yaping	Towngas China	Beneficial owner and interest in controlled corporation	3,618,000	530,487,245 (Note 1)	—	534,105,245	—	534,105,245	27.27%
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%

Notes:

1. 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 (ii) 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 together with his associates hold a total of 36.57% interests in Shares as at 31 December 2009 and is therefore deemed to be interested in all these 530,487,245 shares under the SFO.

2. Mr. Chen Wei resigned as executive director of Towngas China with effect from 31 December 2009.

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 Shares, details of which as at 31 December 2009 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price	Number of shares subject to outstanding options as at 1.1.2009	Adjusted exercise price after open offer of Shares	Adjustment subject to open offer of Shares	Number of shares subject to outstanding options as at 31.12.2009	Percentage of the issued share capital of the Company as at 31.12.2009
			HK$		*HK$*			
Chen Wei	13.11.2007	01.01.2010 – 12.11.2017	0.450	15,000,000	0.322	5,955,000	20,955,000	0.29%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	15,000,000	0.322	5,955,000	20,955,000	0.29%
Lu Yungang	09.06.2004	09.06.2005 – 08.06.2014	0.440	2,288,000	0.315	908,336	3,196,336	0.04%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	1,500,000	0.322	595,500	2,095,500	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	1,500,000	0.322	595,500	2,095,500	0.03%
Ou Yaping	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.315	908,336	3,196,336	0.04%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	2,000,000	0.322	794,000	2,794,000	0.04%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	2,000,000	0.322	794,000	2,794,000	0.04%
Sun Qiang Chang	08.12.2005	08.12.2005 – 07.12.2015	0.830	15,000,000	0.594	5,955,000	20,955,000	0.29%
Tang Yui Man Francis	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	0.315	9,083,360	31,963,360	0.44%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	5,000,000	0.322	1,985,000	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	5,000,000	0.322	1,985,000	6,985,000	0.10%

Name of Directors	Date of grant	Exercise period	Exercise price *HK$*	Number of shares subject to outstanding options as at 1.1.2009	Adjusted exercise price after open offer of Shares *HK$*	Adjustment subject to open offer of Shares	Number of shares subject to outstanding options as at 31.12.2009	Percentage of the issued share capital of the Company as at 31.12.2009
Xiang Ya Bo	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	0.315	9,083,360	31,963,360	0.44%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	5,000,000	0.322	1,985,000	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	5,000,000	0.322	1,985,000	6,985,000	0.10%
Xin Luo Lin	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.315	908,336	3,196,336	0.04%
	13.11.2007	01.01.2010 – 12.11.2017	0.450	1,500,000	0.322	595,500	2,095,500	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.450	1,500,000	0.322	595,500	2,095,500	0.03%

Notes:

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

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

3. During the year, no options 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.

4. The number of outstanding share options and the exercise prices were adjusted to reflect the effect of open offer of shares on 10 August 2009.

(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	Number of shares subject to outstanding options as at 1.1.2009	Number of shares subject to outstanding options as at 31.12.2009	Approximate percentage of the issued share capital of associated corporation as at 31.12.2009
				HK$			
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.

3. Mr. Chen Wei resigned as executive director of Towngas China with effect from 31 December 2009.

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 above, at no time during the year 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.

Share Option Scheme of the Company

The Company operated a share option scheme under which the Board of Directors of the Company may grant options to eligible employees, including Directors and its subsidiaries, to subscribe for Shares in the Company for the recognition of their contributions to the Group. The share option scheme was approved by the shareholders at the special general meeting of the Company on 24 May 2002 ("Date of Adoption") and has a life of 10 years from the Date of Adoption.

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

A nominal consideration of HK$1 is payable on the grant of an option. Option granted must be taken within 28 days from the date of grant. The exercise price is the highest of (i) the closing price of the shares of the Company as stated on the Stock Exchange on the date of grant; (ii) the average of the closing prices of the share of the Company as stated on the Stock Exchange for the five business days immediately preceding the date of grant; or (iii) the nominal value of the share of the Company.

At 31 December 2009, a total of 239,688,881 Shares (representing approximately 3.333% of the existing issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and yet to be exercised under the share option scheme and a total of 479,310,377 Shares, refreshed at the annual general meeting on 20 May 2008 (representing approximately 6.67% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the share option scheme.

Details of specific categories options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Adjusted exercise price
			HK$	*HK$*
2004A Option	09.06.2004	09.06.2004 – 08.06.2014	0.440	0.315
	09.06.2004	09.06.2005 – 08.06.2014	0.440	0.315
	09.06.2004	09.06.2006 – 08.06.2014	0.440	0.315
	09.06.2004	09.12.2006 – 08.06.2014	0.440	0.315
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	0.594
2007 Option	13.11.2007	01.01.2010 – 12.11.2017	0.450	0.322
	13.11.2007	01.01.2011 – 12.11.2017	0.450	0.322

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

	Option types	Outstanding at 1.1.2009	Adjustment subject to open offer of Shares	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2009
Category 1: Directors						
Chen Wei	2007 Option	30,000,000	11,910,000	—	—	41,910,000
Lu Yungang	2004A Option	2,288,000	908,336	—	—	3,196,336
	2007 Option	3,000,000	1,191,000	—	—	4,191,000
Ou Yaping	2004A Option	2,288,000	908,336	—	—	3,196,336
	2007 Option	4,000,000	1,588,000	—	—	5,588,000
Sun Qiang Chang	2005 Option	15,000,000	5,955,000	—	—	20,955,000
Tang Yui Man Francis	2004A Option	22,880,000	9,083,360	—	—	31,963,360
	2007 Option	10,000,000	3,970,000	—	—	13,970,000
Xiang Ya Bo	2004A Option	22,880,000	9,083,360	—	—	31,963,360
	2007 Option	10,000,000	3,970,000	—	—	13,970,000
Xin Luo Lin	2004A Option	2,288,000	908,336	—	—	3,196,336
	2007 Option	3,000,000	1,191,000	—	—	4,191,000
Total for Directors		127,624,000	50,666,728	—	—	178,290,728
Category 2: Employees						
	2004A Option	6,950,008	2,759,145	—	—	9,709,153
	2007 Option	40,000,000	15,880,000	—	(4,191,000)	51,689,000
Total for employees		46,950,008	18,639,145	—	(4,191,000)	61,398,153
Category 3: Other						
Davin A. Mackenzie	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	69,305,873	—	(9,479,000)	239,688,881

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the year, no options were granted or cancelled under the share option scheme of the Company.
3. During the year, 9,479,000 options were lapsed under the share option scheme of the Company.
4. The number of outstanding share options and the exercise prices were adjusted to reflect the effect of open offer of Shares on 10 August 2009.
5. Mr. Davin A. Mackenzie resigned as an Independent Non-executive Director of the Company on 16 December 2008 and share options granted to him were lapsed on 16 January 2009.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

During the year, the following connected transactions / continuing connected transactions of the Company were entered into by the Group:

(a) Connected transactions

1. On 28 October 2009, the Company entered into an agreement with Mr. Ou Yaping, the Chairman of the Board, for the disposal to Mr. Ou the entire issued share capital of Magic Strength Holdings Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK$37,476,000 (the "Disposal").

   Mr. Ou is a connected person of the Company under the Listing Rules. Accordingly, the transaction constitutes the connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Disposal contemplated under the agreement exceed 2.5%, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company had accordingly got the independent shareholders' approval in respect of the above transaction on 2 December 2009.

2. The related party transactions set out in note 35 to the consolidated financial statements constitute connected transactions under Rule 14A of the Listing Rules and are exempt from reporting, announcement and independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

Save as disclosed above, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange.

(b) Continuing connected transactions

On 19 May 2008, Sinolink Worldwide Holdings Limited ("Sinolink") and the Company entered into a Master Agreement for the purpose of regulating the Individual Lease Agreements for leasing of the properties by the Company and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2008 to 31 March 2011 (the "Master Agreement"). The annual cap amount for each of the financial years ended/ending 31 December 2008, 2009, 2010 and 2011 are HK$3,750,000, HK$5,000,000, HK$5,000,000 and HK$1,250,000 respectively. The total amount of the transactions for the year ended 31 December 2009 was HK$3,378,000.

On 19 May 2008, Sinolink and the Company are owned as to approximately 47.50% and 35.50% respectively by Asia Pacific Promotion Limited ("Asia Pacific"). Therefore, Asia Pacific is a substantial shareholder of Sinolink and the Company and thus a connected person of both Sinolink and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Sinolink and the Company, Sinolink and the Company are the associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement between Sinolink and the Company constitutes continuing connected transaction (the "Continuing Connected Transactions") for both Sinolink and the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Master Agreement calculated on an annual basis with aggregation of the consideration under a License Agreement dated 2 January 2008 entered into between Sinolink and a wholly owned subsidiary of the Company are more than 0.1% and less than 2.5% for both Sinolink and the Company, in accordance with Rule 14A.34 of the Listing Rules, the Master Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirements. The Company had accordingly published an announcement in respect of the Continuing Connected Transactions dated 19 May 2008.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business; on terms no less favourable to the Group than terms available from/to independent third parties; and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUBSTANTIAL SHAREHOLDERS

At 31 December 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 31.12.2009
Asia Pacific	Beneficial owner and interest of controlled corporations	2,617,180,764 (Note 1)	36.40%
Pope Asset Management, LLC	Investment manager	386,697,961	5.38%
Keywise Capital Management (HK) Limited	Investment manager	307,880,710 (Note 2)	4.28%
Keywise Greater China Opportunities Master Fund	Beneficial owner	307,880,710 (Note 2)	4.28%

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. Mr. Ou together with his associates hold a total of 44.01% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all these 2,617,180,764 Shares under the SFO.

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

The percentage interests of Keywise China and Keywise Capital in the Company were reduced from 6.42% to 4.28% due to the increase in issued Shares by allotment of new Shares pursuant to open offer on 10 August 2009.

Save as disclosed above, as at 31 December 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sole customer of the Group accounted for all the Group's turnover.

The five largest suppliers of the Group in aggregate accounted for about 82% of its purchases for the year. Purchases from the largest supplier accounted for about 69% of its total purchases.

At no time during the year, did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in the largest customers or any of the five largest suppliers of the Group for the year ended 31 December 2009.

EMOLUMENT POLICY

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

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 31 to 39 of this annual report.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non- executive directors. The 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 annual results of the Group for the year ended 31 December 2009 had been audited by the Company's auditor, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on page 36.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2009.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

OU Yaping
Chairman

Hong Kong, 8 April 2010

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices since 2005.

STATEMENT OF COMPLIANCE

The Company complied with the code provisions as set out in the Code during the year ended 31 December 2009.

BOARD OF DIRECTORS

Composition

The Board comprises 8 members (each member of the Board, a "Director"). Mr. Ou Yaping acts as the Chairman of the Board, whereas Mr. Chen Wei acts as Chief Executive Officer of the Company. Other Executive Directors are Mr. Tang Yui Man Francis and Mr. Xiang Ya Bo. Mr. Sun Qiang Chang is Non-executive Director and acts as Non-executive Vice Chairman of the Company. The Company has three Independent Non-executive Directors, Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin, all Independent Non-executive Directors have appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director is disclosed in pages 9 to 14 of this report.

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

Except for the family relationship between Mr. Xiang Ya Bo and Mr. Ou Yaping as disclosed in biographical details on pages 9 and 10 of this Annual Report, there is no financial, business, family or other material relationship between any members of the Board.

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

The term of office of each Non-executive Director including the Independent Non-executive Directors is for a period of 1 year, from 1 January 2010 to 31 December 2010, subject to retirement by rotation and re-election in accordance with the Bye-laws, except for that of Mr. Sun Qiang Chang and Dr. Xiang Bing. Mr. Sun Qiang Chang is a Non-executive Director, whose term of office is for a period of 1 year from 2 June 2009 to 1 June 2010 subject to retirement by rotation and are eligible for re-election. Dr. Xiang Bing is an Independent Non-executive Director of the Company, whose term of office is for a period of 1 year and 16 days, from 16 December 2009 to 31 December 2010 subject to retirement by rotation and re-election in accordance with the Bye-laws.

Functions

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

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

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

Matters specifically decided by the Board and those reserved for the management are reviewed by the Board. These are established procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses.

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

During the year 2009, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly interval and 14 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each meeting in accordance with the Code and the Bye-laws. Details of individual attendance of Directors are set out below:

	No. of meetings attended
Executive Directors:	
Ou Yaping *(Chairman)*	14
Chen Wei *(Chief Executive Officer)*	14
Xiang Ya Bo	9
Tang Yui Man Francis	18
Non-executive Director:	
Sun Qiang Chang *(Non-executive Vice Chairman)*	5
Independent Non-executive Directors:	
Lu Yungang	5
Xiang Bing	5
Xin Luo Lin	10

Chairman and Chief Executive Officer

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

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development.

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

Responsibilities

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

– attending regular board meetings and focusing on business strategy, operational issues and financial performance;

– active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;

– approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;

– monitoring the quality, timeliness, relevance and reliability of internal and external reporting;

– monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;

– consideration of misuse of corporate assets and abuse in related party transaction; and

– ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

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

Board Committees

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

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprise of two Executive Directors, Mr. Ou Yaping and Mr. Xiang Ya Bo, and three Independent Non-executive Directors, Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

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

The Remuneration Committee's responsibilities include the reviewing and considering the Company's remuneration policy for Directors and senior management, the determination of remuneration packages for Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and making recommendation to the Board regarding remuneration of Non-executive Directors.

During the year 2009, the Remuneration Committee:

– reviewed the remuneration policy for 2009/2010;

– reviewed the remuneration of executive directors, non-executive director and independent non-executive directors and management year-end bonus; and

– reviewed and approved the services agreements of Executive Directors.

The Remuneration Committee held 2 meetings during 2009 with individual attendance as follows:

Members of Remuneration Committee	***No. of meetings attended***
Ou Yaping	2
Xiang Ya Bo	1
Lu Yungang	2
Xiang Bing	2
Xin Luo Lin *(Chairman of the Remuneration Committee)*	2

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

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

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

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

During 2009, the Audit Committee:

- reviewed financial statements for the year ended 31 December 2008 and for the six months ended 30 June 2009;
- reviewed of the effectiveness of the internal control system;
- reviewed of the external auditor's audit findings;
- reviewed and approved remuneration of auditor for 2009 and recommend the re-appointment of auditor.

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

Members of Audit Committee	***No. of meetings attended***
Lu Yungang	3
Xiang Bing	3
Xin Luo Lin *(Chairman of the Audit Committee)*	3

Nomination of Directors

The Board has not established a nomination committee. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new Directors, the Board has taken into consideration of the candidate's qualification, ability and potential contributions to the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2009, all Directors have complied with the required standard set out in the Model Code.

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

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2009. Deloitte also reviewed the 2009 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2009 amounted to HK$1,100,000. Non-audit services fees charged by Deloitte were as follows:

Description of professional services rendered in connection with:

	Fee
	HK$'000
– Reviews of the interim financial report of the Company and its associated corporation for the six months ended 30 June 2009	310
– Other services	345
	655

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. Based on the results of the review, the Group would take steps to further enhance the effectiveness of the internal control system.

GOING CONCERN

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

SHAREHOLDERS COMMUNICATION

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

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

At the 2009 Annual General Meeting, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of Directors. The Chairman of the Board and certain members of all Committees or their duly appointed delegates attended the 2009 Annual General Meeting and answered questions from the shareholders of the Company.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows of the Group for the year. The statement of the Auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 40 to 41.

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

We have audited the consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 111 which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	5	**752,297**	1,016,532
Cost of sales		**(868,459)**	(998,526)
Gross (loss) profit		**(116,162)**	18,006
Other income	6	**26,420**	62,959
Administrative expenses		**(51,227)**	(54,112)
Other expenses		**(2,357)**	(409)
Net gains (losses) on investments held for trading		**83,481**	(92,404)
Share of results of an associate		**75,792**	57,526
Finance costs	7	**(54,268)**	(69,550)
Impairment loss recognised in respect of goodwill		**—**	(316,580)
Loss for the year	8	**(38,321)**	(394,564)
Other comprehensive income (expense)			
Share of other comprehensive income of an associate		**1,169**	63,497
Exchange differences arising on translation		**775**	49,385
Exchange reserve realised on deemed partial disposal of an associate		**(41)**	(74)
Other comprehensive income for the year		**1,903**	112,808
Total comprehensive expense for the year		**(36,418)**	(281,756)
Loss for the year attributable to:			
Owners of the Company		**(38,279)**	(394,497)
Minority interests		**(42)**	(67)
		(38,321)	(394,564)

	NOTE	2009 HK$'000	2008 HK$'000
Total comprehensive expense attributable to:			
Owners of the Company		**(36,376)**	(281,722)
Minority interests		**(42)**	(34)
		(36,418)	(281,756)
		HK cents	HK cents (restated)
Loss per share	12		
– basic		**(0.57)**	(6.14)
– diluted		**(0.57)**	(6.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,390,625**	1,480,531
Prepaid lease payments	14	**42,791**	43,979
Goodwill	16	**—**	—
Interest in an associate	17	**2,426,581**	2,355,532
Available-for-sale investments	18	**78,000**	24
Other receivable	18	**—**	77,976
		3,937,997	3,958,042
Current assets			
Inventories	19	**92,901**	103,946
Prepaid lease payments	14	**1,238**	1,237
Trade and other receivables, deposits and prepayments	20	**152,136**	136,812
Investments held for trading	21	**148,834**	50,452
Pledged bank deposits	22	**47,673**	23,810
Bank balances and cash	22	**192,020**	160,155
		634,802	476,412
Current liabilities			
Trade, notes and other payables	23	**441,418**	304,529
Taxation payable		**8,922**	8,922
Borrowings - amount due within one year	24	**466,915**	477,835
		917,255	791,286
Net current liabilities		**(282,453)**	(314,874)
Total assets less current liabilities		**3,655,544**	3,643,168
Non-current liabilities			
Borrowings - amount due after one year	24	**143,121**	169,473
Net assets		**3,512,423**	3,473,695

	NOTE	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	25	**71,897**	47,931
Reserves		**3,440,052**	3,425,248
Equity attributable to owners of the Company		**3,511,949**	3,473,179
Minority interests		**474**	516
Total equity		**3,512,423**	3,473,695

The consolidated financial statements on pages 42 to 111 were approved and authorised for issue by the Board of Directors on 8 April 2010 and are signed on its behalf by:

Ou Yaping
Chairman

Chen Wei
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Capital reserve	General reserves	Contributed surplus	Share option reserve	Retained earnings/ (accumulated losses)	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (note 27)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	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 an associate	–	–	63,497	–	–	–	–	–	63,497	–	63,497
Realised on deemed partial disposal of an associate	–	–	(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 an associate upon redemption of convertible bonds of an associate	–	–	–	–	–	–	–	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	47,931	2,994,875	314,682	81,525	3,637	544	7,592	22,393	3,473,179	516	3,473,695
Exchange differences arising on translation to presentation currency	–	–	775	–	–	–	–	–	775	–	775
Share of other comprehensive income of an associate	–	–	1,169	–	–	–	–	–	1,169	–	1,169
Realised on deemed partial disposal of an associate	–	–	(41)	–	–	–	–	–	(41)	–	(41)
Loss for the year	–	–	–	–	–	–	–	(38,279)	(38,279)	(42)	(38,321)
Total comprehensive income (expense) for the year	–	–	1,903	–	–	–	–	(38,279)	(36,376)	(42)	(36,418)
Issue of shares	23,966	47,931	–	–	–	–	–	–	71,897	–	71,897
Issue share expenses	–	(1,385)	–	–	–	–	–	–	(1,385)	–	(1,385)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	4,634	–	4,634	–	4,634
Share options lapsed	–	–	–	–	–	–	(940)	940	–	–	–
At 31 December 2009	**71,897**	**3,041,421**	**316,585**	**81,525**	**3,637**	**544**	**11,286**	**(14,946)**	**3,511,949**	**474**	**3,512,423**

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(38,321)**	(394,564)
Adjustments for:		
Share of results of an associate	**(75,792)**	(57,526)
Depreciation of property, plant and equipment	**85,770**	96,740
Release of prepaid lease payments	**1,238**	1,226
Share-based payment expenses	**4,634**	4,647
Interest expenses	**54,268**	69,550
Interest income	**(1,183)**	(4,227)
Interest income from convertible note receivable	**(1,384)**	—
Loss on disposal of property, plant and equipment	**1,782**	144
Net (gains) losses on investments held for trading	**(83,481)**	92,404
Dividend income	**(2,901)**	(14,759)
Gain on disposal of subsidiaries	**(1,392)**	(433)
Loss (gain) on deemed disposal arising from dilution of interest in an associate	**566**	(430)
Impairment loss recognised in respect of goodwill	**—**	316,580
Operating cash flows before movements in working capital	**(56,196)**	109,352
Decrease in inventories	**11,163**	75,712
Increase in investments held-for-trading	**(14,901)**	(92,417)
(Increase) decrease in trade and other receivables, deposits and prepayments	**(15,172)**	105,488
Increase (decrease) in trade, notes and other payables	**136,347**	(70,520)
Cash generated from operations	**61,241**	127,615
Interest paid on banks and other borrowings	**(54,268)**	(69,550)
NET CASH FROM OPERATING ACTIVITIES	**6,973**	58,065

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	NOTE	**2009** HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of convertible note receivable		**(34,700)**	—
Increase in pledged bank deposits		**(23,836)**	(23,810)
Purchase of property, plant and equipment		**(5,502)**	(74,466)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	30	**37,476**	2,153
Interest received		**1,183**	4,227
Proceeds from disposal of property, plant and equipment		**9,535**	7
Dividend received		**2,901**	14,759
Dividend received from an associate		**5,305**	—
NET CASH USED IN INVESTING ACTIVITIES		**(7,638)**	(77,130)
FINANCING ACTIVITIES			
Repayments of bank loans		**(826,883)**	(731,479)
New bank loans raised		**788,876**	432,584
Proceeds from issue of shares		**71,897**	—
Issue share expenses		**(1,385)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**32,505**	(298,895)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**31,840**	(317,960)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**160,155**	466,441
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**25**	11,674
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**192,020**	160,155

1. GENERAL

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 address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting HKD as its presentation currency is because the Company is a public company with its shares listed on the Stock Exchange and most of its investors are located in Hong Kong.

The Group is principally engaged in the supply of electricity.

At 31 December 2009, the Group had net current liabilities of approximately HK$282 million. The Group's liabilities as at 31 December 2009 included bank loans of approximately HK$467 million that are repayable within twelve months from the end of the reporting period. Subsequent to the end of the reporting period, certain bank loans have been renewed and additional banking facilities have been obtained. The directors of the Company are of the opinion that, taking into account of the financial resources available, the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 5).

Improving disclosures about financial instruments (Amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

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

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is 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.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from electricity supply is recognised when electricity is supplied.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are mainly classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

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

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL include mainly investments held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including trade, notes and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002 and vested on or after 1 January 2005

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as leasee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group entities which are stated at functional currency of the respective group entity other than Hong Kong dollars are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Retirement benefit costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of long-lived assets

Property, plant and equipment and prepaid lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount has been determined based on the higher of value in use calculations and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the property, plant and equipment and prepaid lease payments and a suitable discount rate in order to calculate the present value. In determining the value in use to estimate the future cash flows, the directors of the Company consider the government subsidies in respect of fuel cost incurred in 2009 and onwards will be granted and recognised upon receipt.

Based on such analysis, the directors of the Company consider no impairment loss is necessary for long-lived assets as at the reporting dates. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of property, plant and equipment and prepaid lease payments are approximately HK$1,390,625,000 (2008: HK$1,480,531,000) and HK$44,029,000 (2008: HK$45,216,000), respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The amount of goodwill had been fully impaired in 2008. Details of the recoverable amount calculation are disclosed in note 16.

Income taxes

As at 31 December 2009, no deferred tax asset is recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$437,987,000 (2008: HK$190,842,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

5. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents revenue arising on the supply of electricity for the year.

Segment information

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 segment 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.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	Year ended 31 December 2009		Year ended 31 December 2008	
	Electricity supplies HK$'000	**Total HK$'000**	Electricity supplies HK$'000	Total HK$'000
Turnover	**752,297**	**752,297**	1,016,532	1,016,532
Segment result	**(140,338)**	**(140,338)**	(322,431)	(322,431)
Other income		**26,420**		62,529
Central administration expenses		**(28,842)**		(30,664)
Finance costs		**(54,268)**		(69,550)
Net gains (losses) on investments held for trading		**83,481**		(92,404)
(Loss) gain on deemed disposal arising from dilution of interest in an associate		**(566)**		430
Share of results of an associate		**75,792**		57,526
Loss for the year		**(38,321)**		(394,564)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Electricity supplies HK$'000	Unallocated HK$'000	Consolidated HK$'000
At 31 December 2009			
ASSETS			
Segment assets	1,628,662	—	1,628,662
Interest in an associate	—	2,426,581	2,426,581
Other unallocated assets			517,556
Consolidated total assets			4,572,799
LIABILITIES			
Segment liabilities	(438,838)	—	(438,838)
Unallocated liabilities			(621,538)
Consolidated total liabilities			(1,060,376)

	Electricity supplies HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER SEGMENT INFORMATION			
Capital additions	5,502	—	5,502
Depreciation and amortisation	85,221	549	85,770
Interest expenses	54,268	—	54,268
Loss on disposal of property, plant and equipment	1,782	—	1,782
Release of prepaid lease payments	1,238	—	1,238

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	Electricity supplies HK$'000	Unallocated HK$'000	Consolidated HK$'000
At 31 December 2008			
ASSETS			
Segment assets	1,761,913	—	1,761,913
Interest in an associate	—	2,355,532	2,355,532
Other unallocated assets			317,009
Consolidated total assets			4,434,454
LIABILITIES			
Segment liabilities	(302,396)	—	(302,396)
Unallocated liabilities			(658,363)
Consolidated total liabilities			(960,759)

	Electricity supplies HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER SEGMENT INFORMATION			
Capital additions	73,250	1,216	74,466
Depreciation and amortisation	96,201	539	96,740
Interest expenses	69,550	—	69,550
Impairment loss recognised in respect of goodwill	316,580	—	316,580
Release of prepaid lease payments	1,226	—	1,226

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical segments

As all external turnover for both years and non-current assets less financial instruments as at the reporting dates are derived from or located in the People's Republic of China ("PRC"), an analysis of the consolidated turnover and non-current assets less financial instruments by geographical location is not presented.

Information about major customer

The revenue of HK$752,297,000 (2008: HK$1,016,532,000) is arising from the supply of electricity to the Group's sole customer.

6. OTHER INCOME

Other income mainly comprised of:

	2009	2008
	HK$'000	HK$'000
Interest income on:		
– bank deposits	**1,183**	4,211
– others	**1,384**	16
Total interest income	**2,567**	4,227
Dividend income		
– listed	**438**	570
– unlisted	**2,463**	14,189
	2,901	14,759
Bad debts recovered (Note)	**19,175**	—
Insurance recovery of damages and losses incurred in prior years as a result of breakdown of property, plant and equipment	**—**	29,230
Gain on disposal of subsidiary	**1,392**	433
Gain on deemed disposal arising from dilution of interest in an associate	**—**	430

Note: The amount represents the recovery of bad debts which were written off in prior years. During the year, 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.

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**54,268**	69,550

8. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,585**	2,049
Consumption tax on fuel oil (included in cost of sales)	**147,753**	29,735
Depreciation of property, plant and equipment	**85,770**	96,740
Loss on disposal of property, plant and equipment	**1,782**	144
Loss on deemed disposal arising from dilution of interest in an associate	**566**	—
Release of prepaid lease payments	**1,238**	1,226
Minimum lease payments under operating leases in respect of rented premises	**4,473**	12,328
Staff costs (including directors' remuneration):		
Retirement benefit scheme contributions	**957**	1,110
Share-based payments	**4,634**	4,647
Salaries and other benefits	**24,205**	28,081
Total staff costs	**29,796**	33,838
Share of tax of an associate (included in share of results of an associate)	**29,037**	18,598

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the eight (2008: nine) directors were as follows:

	Year ended 31 December 2009								
	Mr. Sun Qiang Chang HK$'000	Mr. Ou Yaping HK$'000	Mr. Xiang Ya Bo HK$'000	Mr. Tang Yui Man, Francis HK$'000	Mr. Chen Wei HK$'000	Mr. Xin Luo Lin HK$'000	Mr. Lu. Yungang HK$'000	Dr. Xiang Bing HK$'000	Total HK$'000
Fees	—	—	—	—	—	250	250	250	750
Other emoluments									
– salaries and other benefits	—	390	2,002	1,800	2,161	—	—	—	6,353
– contributions to retirement benefit schemes	—	12	105	12	30	—	—	—	159
– performance and discretionary bonus (Note)	—	—	100	50	200	—	—	—	350
– share-based payments	—	195	487	487	1,461	146	146	—	2,922
Total emoluments	—	597	2,694	2,349	3,852	396	396	250	10,534

9. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

	Year ended 31 December 2008									
	Mr. Sun Qiang Chang HK$'000	Mr. Ou Yaping HK$'000	Mr. Xiang Ya Bo HK$'000	Mr. Tang Yui Man, Francis HK$'000	Mr. Chen Wei HK$'000	Mr. Xin Luo Lin HK$'000	Mr. Lu Yungang HK$'000	Mr. Davin A. MacKenzie* HK$'000	Dr. Xiang Bing HK$'000	Total HK$'000
Fees	—	—	—	—	—	250	250	250	11	761
Other emoluments										
– salaries and other benefits	—	390	2,002	2,600	1,532	—	—	—	—	6,524
– contributions to retirement benefit schemes	—	12	130	12	23	—	—	—	—	177
– performance and discretionary bonus (Note)	—	403	600	460	424	—	—	—	—	1,887
– share-based payments	—	186	465	465	1,395	140	140	140	—	2,931
Total emoluments	—	991	3,197	3,537	3,374	390	390	390	11	12,280

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

* Director resigned in 2008.

The five highest paid individuals of the Group included three directors (2008: four directors) of the Company. Details of their emoluments are included above.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

The emoluments of the remaining two (2008: one) highest paid individuals for the year are set out as follows:

	2009	2008
	HK$'000	HK$'000
Employees		
Salaries and other benefits	**1,788**	1,079
Contributions to retirement benefit scheme contributions	**39**	—
	1,827	1,079

Their emoluments are within the following band:

	2009	2008
	Number of employees	Number of employee
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**1**	1
	2	1

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the year.

10. TAXATION

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of most PRC subsidiaries, except for those described below, is 20% (2008: 18%) for the year ended 31 December 2009.

Pursuant to relevant laws and regulations in the 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 these subsidiaries in 2009 is 10% (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 both years after taking these tax incentives into account.

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of approximately HK$437,987,000 (2008: HK$190,842,000) available to offset the future assessable profit due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of HK$321,999,000 (2008: HK$72,915,000 that will expire by 2013) that will expire by 2014. Other losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of the tax loss due to unpredictability of future profit streams.

10. TAXATION *(Continued)*

Taxation for the year can be reconciled to the loss for the year per consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	HK$'000
Loss for the year	**(38,321)**	(394,564)
Tax credit at applicable income tax rate of 20% (2008: 18%) (Note)	**(7,664)**	(71,022)
Tax effect of expenses not deductible for tax purpose	**1,918**	75,395
Tax effect of income not taxable for tax purpose	**(18,067)**	(11,760)
Tax effect of share of results of associates	**(15,158)**	(10,355)
Tax effect of tax losses not recognised	**49,429**	15,917
Effect of tax concessions granted to PRC subsidiaries	**(10,507)**	(269)
Effect of different tax rates of subsidiaries operating in different jurisdictions	**49**	2,094
Taxation for the year	**—**	—

Note: The tax rate of 20% (2008: 18%) represents PRC Enterprises Income Tax which is applicable to most of the Group's operations in the PRC during the year.

11. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2008: nil).

12. LOSS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Loss for the purpose of basic loss for the year attributable to owners of the Company	**(38,279)**	(394,497)

	2009	2008 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,723,214,442**	6,422,759,060

In 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 loss per share for the year ended 31 December 2009 and for the year ended 31 December 2008 has been adjusted to reflect the Open Offer of shares.

The computation of diluted loss per share has not assumed the exercise of the Company's options as the exercise price was higher than the average market price of shares for both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC	Leasehold improvement	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2008	94,565	648	4,846	1,664,978	6,416	21,544	1,792,997
Currency realignment	10,123	—	234	101,082	363	1,319	113,121
Additions	—	—	1,002	65,393	1,178	6,893	74,466
Disposals	(147)	—	(103)	(5)	(1,262)	—	(1,517)
At 31 December 2008	104,541	648	5,979	1,831,448	6,695	29,756	1,979,067
Currency realignment	199	—	6	2,063	6	34	2,308
Additions	—	—	34	4,051	—	1,417	5,502
Disposals	—	—	(332)	(109,689)	(191)	—	(110,212)
At 31 December 2009	**104,740**	**648**	**5,687**	**1,727,873**	**6,510**	**31,207**	**1,876,665**
DEPRECIATION							
At 1 January 2008	22,307	641	2,386	345,940	4,612	—	375,886
Currency realignment	1,943	—	84	24,963	286	—	27,276
Provided for the year	7,357	7	637	87,817	922	—	96,740
Eliminated on disposals	(132)	—	(93)	(5)	(1,136)	—	(1,366)
At 31 December 2008	31,475	648	3,014	458,715	4,684	—	498,536
Currency realignment	45	—	3	576	5	—	629
Provided for the year	7,392	—	714	76,936	728	—	85,770
Eliminated on disposals	—	—	(298)	(98,425)	(172)	—	(98,895)
At 31 December 2009	**38,912**	**648**	**3,433**	**437,802**	**5,245**	**—**	**486,040**
CARRYING VALUES							
At 31 December 2009	**65,828**	**—**	**2,254**	**1,290,071**	**1,265**	**31,207**	**1,390,625**
At 31 December 2008	73,066	—	2,965	1,372,733	2,011	29,756	1,480,531

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Buildings	Over the lease term of the land on which buildings are located or 50 years, whichever is shorter
Leasehold improvement	15% to 20%
Furniture, fixtures and equipment	18% to 20%
Plant and machinery	6% to 10%
Motor vehicles	6% to 20%

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

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009 **HK$'000**	2008 HK$'000
Leasehold land outside Hong Kong with medium-term leases	**44,029**	45,216
Analysed for reporting purposes:		
Non-current portion	**42,791**	43,979
Current portion	**1,238**	1,237
	44,029	45,216

15. CONVERTIBLE NOTE RECEIVABLE

Unlisted convertible note with principal amount of HK$34,700,000 was issued on 4 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 4 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 value of the convertible note on initial recognition substantially the same as the cost.

During the year, the Group disposed of its entire interest in a group entity holding such convertible note receivable to a director who is also the substantial shareholder of the Company (see note 30) and a gain on disposal of approximately HK$1,392,000 is recognised in the statement of comprehensive income.

16. GOODWILL

	HK$'000
COST	
At 1 January 2008, 31 December 2008 and 31 December 2009	322,985
IMPAIRMENT	
At 1 January 2008	(6,405)
Impairment loss recognised in profit or loss	(316,580)
At 31 December 2008 and 31 December 2009	**(322,985)**
CARRYING VALUES	
At 31 December 2009	**—**
At 31 December 2008	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2009 & 2008 HK$'000
Electricity supplies	316,580
Others	6,405
	322,985
Impairment loss recognised	
– electricity supplies	(316,580)
– others	(6,405)
	—

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

16. GOODWILL *(Continued)*

The recoverable amounts of the CGU of electricity supplies were determined based on value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during that year. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the electricity supplies. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

During the year ended 31 December 2008, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years and extrapolates cash flows for the following 15 years based on an estimated decreasing growth rate of 10% for the first five years and 5% for the sixth to tenth year for electricity supplies, which is based on industry growth forecasts. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 11%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the CGU's past performance and management's expectations for the market development.

17. INTEREST IN AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Cost of investment in an associate listed in Hong Kong	**2,091,883**	2,092,449
Share of post-acquisition reserves	**334,698**	263,083
	2,426,581	2,355,532
Fair value of listed investments	**1,660,425**	811,645

During the year ended 31 December 2009, the Group's shareholding in Towngas China Company Limited ("Towngas China") was diluted as a result of the exercise of share options by the shareholders of Towngas China. Accordingly, the Group's interest in Towngas China decreased from 27.10% as at 31 December 2008 to 27.09% as at 31 December 2009.

Details of the Group's associate as at 31 December 2009 and 2008 are as follows:

Name of associate	Place of incorporation/ establishment and form of business structure	Principal place of operation	Percentage of equity interest attributable to the Group		Principal activities
			2009	2008	
Towngas China	Cayman Islands - limited liability company	PRC	**27.09%**	27.10%	Sale and distribution of liquefied petroleum gas and natural gas and related services and gas pipeline construction

17. INTEREST IN AN ASSOCIATE *(Continued)*

In 2009, included in the cost of investment of an associate was goodwill of HK$707,245,000 (2008: HK$707,482,000) arising on acquisitions of an associate. Details of movements of goodwill are as follows:

	2009	2008
	HK$'000	HK$'000
COST		
At 1 January	**707,482**	707,929
Released upon deemed disposal of an associate	**(237)**	(447)
At 31 December	**707,245**	707,482

Summarised financial information in respect of the Group's associate is set out below:

	2009	2008
	HK$'000	HK$'000
Total assets	**11,330,417**	10,386,545
Total liabilities	**(4,979,047)**	(4,297,060)
Net assets	**6,351,370**	6,089,485
Group's share of net assets of an associate	**1,720,586**	1,647,603
Revenue	**2,905,953**	4,409,198
Profit for the year	**312,143**	271,187
Group's share of other comprehensive income	**1,128**	63,423
Group's share of profit and other comprehensive income of an associate	**75,792**	57,526

18. AVAILABLE-FOR-SALE INVESTMENTS/OTHER RECEIVABLE

	2009	2008
	HK$'000	HK$'000
Unlisted shares in overseas, at cost	**78,000**	24
Other receivable	**—**	77,976

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 at the end of the reporting period 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 is unsecured, interest free, and has no fixed repayment terms. The amount advanced was capitalised into additional shares of that investee company during the year. Additional shares of the investee were issued to the Group by capitalising the amounts owing to the Group. Accordingly, the amount is classified as non-current at 31 December 2008.

19. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Fuel oil	**92,901**	103,946

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade receivables	**65,947**	58,163
Other receivables, deposits and prepayments	**86,189**	78,649
	152,136	136,812

The Group allows an average credit period ranging from 0 to 180 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the invoice date of the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0 to 90 days	**65,947**	58,163

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. The Group does not hold any collateral over these balances. There are no balances included in trade and other receivables which have been past due.

The Group has concentration of credit risk from the sale of electricity supplies to government department in Shenzhen, PRC, the sole customer, which the management does not expect material credit risk from the balance due.

21. INVESTMENTS HELD FOR TRADING

	2009 HK$'000	2008 HK$'000
Investments held for trading, at fair value		
Listed shares in Hong Kong	**140,300**	38,331
Listed shares in elsewhere	**1,187**	566
Unlisted managed investment funds	**7,347**	11,555
	148,834	50,452

The fair values of the investments held for trading relating to listed shares are determined based on the quoted market bid prices of underlying securities available on the relevant exchanges.

With respect to the unlisted managed investment fund, the fair value is measured by reference to the price quoted from a financial institution, the administrator of the investment fund, which is determined by the underlying net asset value held by the unlisted private investment fund.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group's deposits amounting to HK$47,673,000 (2008: HK$23,810,000) have been pledged to secure bank loans due within one year and short-term general facilities of the Group and are therefore classified as current assets. The deposits carry interest at prevailing market rate at 0.36% (2008: 0.72% to 1.98%) per annum.

Bank balances carry interest at prevailing market rate ranging from 0.01% to 4.50% (2008: 0.01% to 4.50%) per annum.

23. TRADE, NOTES AND OTHER PAYABLES

	2009	2008
	HK$'000	HK$'000
Trade payables	**392,812**	248,551
Other payables and accrued charges	**48,606**	55,978
	441,418	304,529

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

	2009	2008
	HK$'000	HK$'000
Within 90 days	**387,949**	245,096
Between 91 - 180 days	**3,723**	1,378
Between 181 - 360 days	**—**	—
Over 360 days	**1,140**	2,077
	392,812	248,551

24. BORROWINGS

	2009 HK$'000	2008 HK$'000
Borrowings comprise the following:		
Bank loans - secured	**439,775**	342,320
Bank loans - unsecured	**170,261**	304,988
	610,036	647,308
The maturity of the above borrowings is as follows:		
On demand or within one year	**466,915**	477,835
More than one year but not more than two years	**71,044**	142,160
More than two years but not more than three years	**72,077**	27,313
	610,036	647,308
Less: Amount due within one year shown under current liabilities	**(466,915)**	(477,835)
Amount due after one year	**143,121**	169,473

24. BORROWINGS *(Continued)*

The bank loans mainly comprise of:

	Maturity date	Effective interest rate	Carrying amount 2009 HK$'000	2008 HK$'000
Floating rate bank borrowings:				
Unsecured RMB bank loan of RMB80,000,000 (2008: RMB209,000,000) at basic borrowing rate announced by People's Bank of China	7 February 2010 and 4 June 2010	4.62% to 5.40%	**90,806**	236,961
Secured RMB bank loans of RMB258,770,000 (2008: RMB217,450,000) at basic borrowing rate announced by People's Bank of China	24 February 2010, 29 March 2010, 10 April 2010 and 15 May 2011	4.43% to 7.83%	**293,724**	246,543
Secured USD bank loans of USD4,199,000 at London Interbank Offered Rate ("LIBOR") (2008: USD12,360,000)	31 March 2010, 30 June 2010, 20 September 2010 and 20 December 2010	3.30% to 6.28%	**32,544**	95,777
Fixed rate bank borrowings:				
Unsecured RMB bank loan of RMB70,000,000 (2008: RMB60,000,000)	31 March 2010 and 30 June 2010	5.40%	**79,455**	68,027
Other secured RMB bank loan of RMB100,000,000	26 May 2010	4.43%	**113,507**	—
Total bank loans			**610,036**	647,308

24. BORROWINGS *(Continued)*

The floating rate bank loans carry interest at 6 month LIBOR plus certain spread or 6-month PRC bank interest rate plus certain spread.

The fair values of the Group's bank borrowings approximate their carrying amounts calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the end of the reporting period.

At 31 December 2009, property, plant and equipment with an aggregate carrying amount of HK$811,008,000 (2008: HK$757,824,000), bank deposits of HK$47,673,000 (2008: HK$23,810,000) and inventories of HK$92,901,000 (2008: Nil), were pledged to banks for the secured bank loans and other general banking facilities granted to the Group.

25. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	7,500,000,000	75,000
Issued and fully paid:		
At 1 January 2008 and 31 December 2008	4,793,103,776	47,931
Issue of shares on open offer (Note)	2,396,551,888	23,966
At 31 December 2009	7,189,655,664	71,897

Note: In August 2009, the Company allotted and issued 2,396,551,888 ordinary shares of HK$0.01 each at a price of HK$0.03 per offer share ("Offer Share") as a result of an open offer on the basis of one Offer Share for every two existing shares held by the qualifying shareholders of the Company. All the shares which were issued during the year rank pari passu with the then existing shares in all aspects.

26. SHARE OPTION SCHEMES

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

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

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year ended 31 December 2009 and 2008:

	Number of the share options						
Option scheme	**Outstanding at 1.1.2009**	**Granted during the year**	**Exercised during the year**	**Adjustment during the year**	**Forfeited during the year**	**Outstanding at 31.12.2009**	**Exercisable at the end of the year**
2002 Scheme	**179,862,008**	**—**	**—**	**69,305,873**	**(9,479,000)**	**239,688,881**	**104,179,881**
Weighted average exercise price	**HK$0.48**	**N/A**	**N/A**	**HK$0.34**	**HK$0.41**	**HK$0.34**	**HK$0.37**

	Number of the share options					
Option scheme	Outstanding at 1.1.2008	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2008	Exercisable at the end of the year
2002 Scheme	181,112,008	—	—	(1,250,000)	179,862,008	76,862,008
Weighted average exercise price	HK$0.48	N/A	N/A	HK$0.45	HK$0.48	HK$0.52

26. SHARE OPTION SCHEMES *(Continued)*

Had all the outstanding vested share options been fully exercised on 31 December 2009, the Company would have received cash proceeds of HK$38,663,000 (2008: HK$39,807,000).

Details of specific categories of options are as follows:

Option scheme	Date of grant	Vesting proportion	Exercisable period	Adjusted exercise price
				HK$
2002 Scheme	9.6.2004	64%	9.6.2004 - 8.6.2014	0.315
	9.6.2004	14%	9.6.2005 - 8.6.2014	0.315
	9.6.2004	11%	9.6.2006 - 8.6.2014	0.315
	9.6.2004	11%	9.12.2006 - 8.6.2014	0.315
	8.12.2005	100%	8.12.2005 - 7.12.2015	0.594
	13.11.2007	100%	1.1.2010 - 12.11.2017	0.322
	13.11.2007	100%	1.1.2011 - 12.11.2017	0.322
	13.11.2007	90%*	1.1.2010 - 12.11.2017	0.322
	13.11.2007	90%*	1.1.2011 - 12.11.2017	0.322

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

27. RESERVES

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 PRC. They are not available for distribution.

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which mainly includes the bank loans disclosed in note 24 (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves including retained earnings.

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

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
FVTPL		
Held for trading	**148,834**	50,452
Loans and receivables (including cash and cash equivalents)	**330,120**	322,859
Available-for-sale investments	**78,000**	24
Financial liabilities		
Amortised cost	**1,044,935**	940,365

Financial risk management objectives and policies

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency risk

Certain bank balances and bank borrowings are denominated in foreign currencies which expose the Group to foreign currency risk.

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

	Bank balance		**Bank borrowings**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**9,108**	13,957	**(32,545)**	(95,777)

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2008: 10%) in exchange rate of USD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2008: 10%) change in foreign currency rates.

The sensitivity analysis includes bank balances, loan and bank borrowings where the denomination of the balances is in a currency other than the currency of the respective group entities. A positive number below indicates a decrease in loss for the year ended 31 December 2009 and 2008 where RMB strengthen 10% (2008: 10%) against USD. For a 10% (2008: 10%) weakening of RMB against USD, there would be an equal but opposite impact on the loss for the year, and the balances below would be negative.

	2009	2008
	HK$'000	HK$'000
Decrease in loss for the year	**2,109**	7,370

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

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and cash flow interest rate risk in relation to variable-rate bank borrowings (see note 24) and variable-rate bank deposits. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank borrowings and bank deposits, the analysis is prepared assuming the amount of liability and bank deposits outstanding at the end of the reporting period was outstanding for the whole year. A 70 basis point (2008: 70 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 70 basis points (2008: 70 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would increase/decrease by approximately HK$109,000 (2008: HK$2,767,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities and unit funds. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's other price risk is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong and PRC.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date from investments held for trading.

If the prices of the respective equity instruments had been 15% (2008: 15%) higher/lower, loss for the year ended 31 December 2009 decrease/increase by HK$22,325,000 (2008: HK$7,568,000) as a result of the changes in fair value of investments held for trading.

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

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

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

The Group has concentration of credit risk from the sale of electricity supplies to government department in Shenzhen, PRC, the sole customer, which the management does not expect material credit risk from the balance due.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. At 31 December 2009, the Group had net current liabilities of approximately HK$282 million. The Group's liabilities as at 31 December 2009 included bank loans of approximately HK$467 million that are repayable within twelve months from the end of the reporting period. Subsequent to the end of the reporting period, certain bank loans have been renewed and additional banking facilities have been obtained. The management is also in the process of negotiating with certain banks to renew the current bank loans upon expiry or to obtain additional banking facilities. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future.

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk ***(Continued)***

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Non-derivative financial liabilities							
Trade payables	—	324,884	63,065	4,863	—	392,812	392,812
Other payables	—	39,603	111	2,373	—	42,087	42,087
Bank loans							
– variable rate	5.06	—	153,145	136,213	152,180	441,538	417,074
– fixed rate	5.4 and 4.43	—	5,751	191,288	—	197,039	192,962
		364,487	222,072	334,737	152,180	1,073,476	1,044,935

	Weighted average effective interest rate	On demand or less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Non-derivative financial liabilities							
Trade payables	—	6,368	159,363	82,820	—	248,551	248,551
Other payables	—	1,699	654	42,153	—	44,506	44,506
Bank loans							
– variable rate	7.31	14,247	58,309	378,443	182,369	633,368	579,281
– fixed rate	8.22	—	68,717	—	—	68,717	68,027
		22,314	287,043	503,416	182,369	995,142	940,365

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk ***(Continued)***

Liquidity and interest risk tables (Continued)

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

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets other than available-for-sale investments and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

29. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements recognised in the statement of financial position *(Continued)*

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Non-derivative financial assets held for trading				
– listed equity securities	141,487	—	—	141,487
– unlisted managed investment funds	—	—	7,347	7,347
Total	141,487	—	7,347	148,834

There were no transfers between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted managed investment funds HK$'000
At 1 January, 2009	11,555
Settlements	(4,208)
At 31 December, 2009	**7,347**

30. DISPOSAL OF SUBSIDAIRIES

During the year ended 31 December 2009, the Group disposed of its entire equity interest in a subsidiary whose principal asset is a convertible note receivable to a director who is also the substantial shareholder of the Company. The net assets of that subsidiary at the date of disposal were as follows:

	2009
	HK$'000
Convertible note receivable	**34,700**
Other receivable, deposits and prepayments	**1,384**
Net assets	**36,084**
Gain on disposal	**1,392**
Total consideration	**37,476**
Satisfied by:	
Cash	**37,476**
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	**37,476**

During the year ended 31 December 2008, the Group disposed of its entire equity interest in a subsidiary whose principal asset is a club membership. The net assets of that subsidiary at the date of disposal were as follows:

	2008
	HK$'000
Available-for-sale investments	1,486
Other receivable, deposits and prepayments	234
Net assets	1,720
Gain on disposal	433
Total consideration	2,153
Satisfied by:	
Cash	2,153
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	2,153

31. OPERATING LEASE ARRANGEMENT

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

	2009	2008
	HK$'000	HK$'000
Within one year	**4,056**	4,439
In the second to fifth year inclusive	**5,179**	8,610
Over five years	**16,048**	17,964
	25,283	31,013

Leases are negotiated for terms up to 20 years (2008: 20 years).

32. GOVERNMENT SUBSIDIES

During the year ended 31 December 2008, government subsidies of HK$523,272,000 were granted by the Treasury of Shenzhen Trade and Industrial Council in compensation for the high fuel cost, which was to ensure the Group's power plant could maintain its profitability in times of rising crude oil cost. The government subsidies were recognised in consolidated statement of comprehensive income and were deducted from the related cost of sales for financial reporting purpose. There were no other specific conditions attached to the subsidies and, therefore, the Group recognised the subsidies upon receipt in that year.

During the year, government subsidies of HK$11,912,000 in respect of fuel cost incurred in 2008 were granted and recognised in the profit or loss upon receipt.

33. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**4,895**	5,638

34. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all non-PRC employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2009, the total expenses recognised in the consolidated statement of comprehensive income are HK$256,000 (2008: HK$317,000).

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. During the year ended 31 December 2009, the total expense recognised in the consolidated statement of comprehensive income are HK$701,000 (2008: HK$793,000).

35. RELATED PARTY TRANSACTIONS

During the year, the Group paid office expenses of HK$3,378,000 (2008: HK$3,101,000) to Sinolink Worldwide Holdings Limited ("Sinolink"). Sinolink is a shareholder of the Company and Mr. Ou Yaping, its director and a substantial shareholder, is also a director and a substantial shareholder of the Company. The office expense is determined with reference to actual costs incurred.

Details of balances with related parties and other transactions with related parties are also set out in other notes to the consolidated financial statements.

During the year, the Group disposed of its entire equity interest in a subsidiary whose principal asset is a convertible note receivable to Mr. Ou Yaping. Details of the transaction are set out in notes 15 and 30 and have been published in the Company's announcement dated 13 November 2009.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 9.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
Ace Energy Holdings Limited	BVI - Limited liability company	US$1	**100**	**—**	100	—	Investment holding
Beijing Zhonglian Far East Engineering & Project Management Consulting Services Co., Ltd. 北京中聯遠東工程管理諮詢有限公司	PRC - Sino-foreign equity joint venture	RMB10,000,000	**—**	**70**	—	70	Management services and technical consultancy
Enerchina Investments Limited	BVI - Limited liability company	US$1	**100**	**—**	100	—	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI - Limited liability company	US$1	**100**	**—**	100	—	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong - Limited liability company	HK$2	**100**	**—**	100	—	Provision of management services
Goodunited Holdings Limited	BVI - Limited liability company	US$1	**—**	**100**	—	100	Investment holding
Kenson Investment Limited	BVI - Limited liability company	US$1	**100**	**—**	100	—	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly %	Indirectly %	Directly %	Indirectly %	
Million Profits Investments Limited	BVI- Limited liability company	US$1	—	100	—	100	Investment holding
Moreluck Enterprises Limited	BVI - Limited liability company	US$1	100	—	100	—	Investment holding
Rado International Limited	BVI - Limited liability company	US$1	100	—	100	—	Investment holding
Roxy Link Limited	BVI - Limited liability company	US$1	—	100	—	100	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. 深圳福華德電力有限公司	PRC - Sino-foreign equity joint venture	RMB224,500,000	—	100	—	100	Electricity supplies
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong - Limited liability company	HK$2 ordinary shares and HK$100,000 non-voting deferred shares	—	100	—	100	Investment holding
Sinolink Industrial Limited	BVI - Limited liability company	US$50,000	100	—	100	—	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly	**Indirectly**	Directly	Indirectly	
			%	**%**	%	%	
Supreme All Investments Limited	BVI - Limited liability company	US$1	**100**	**—**	100	—	Investment holding
威華達信息管理（深圳）有限公司	PRC - Limited liability company	RMB10,000,000	**100**	**—**	100	—	Investment holding

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

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	2,820,170	3,804,168	1,735,303	1,016,532	**752,297**
Profit (loss) before taxation	318,609	(149,566)	(10,731)	(394,564)	**(38,321)**
Taxation	(33,828)	(17,879)	(462)	—	**—**
Profit (loss) for the year	284,781	(167,445)	(11,193)	(394,564)	**(38,321)**
Attributable to:					
Owners of the Company	190,958	(79,621)	(2,425)	(394,497)	**(38,279)**
Minority interests	93,823	(87,824)	(8,768)	(67)	**(42)**
Profit (loss) for the year	284,781	(167,445)	(11,193)	(394,564)	**(38,321)**

ASSETS AND LIABILITIES

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	9,121,347	8,803,137	5,001,294	4,434,454	**4,572,799**
Total liabilities	(4,363,977)	(4,000,167)	(1,257,277)	(960,759)	**(1,060,376)**
	4,757,370	4,802,970	3,744,017	3,473,695	**3,512,423**
Equity attributable to owners of the Company	3,740,234	3,688,763	3,743,467	3,473,179	**3,511,949**
Equity component of share option reserve of a listed subsidiary	6,090	14,002	—	—	**—**
Minority interests	1,011,046	1,100,205	550	516	**474**
	4,757,370	4,802,970	3,744,017	3,473,695	**3,512,423**