



Enerchina

H o l d i n g s L i m i t e d

威 華 達 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 622

2010
Interim Report

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

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
Facsimile : (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 in
association with Ashurst Hong Kong
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

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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2010

- Total turnover was HK\$210.5 million
- Loss attributable to owners of the Company was HK\$181.5 million
- Loss per share was HK2.52 cents

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2010, the Group recorded a turnover of HK\$210.5 million, a decrease of 30% compared with the same period last year. Gross loss amounted to HK\$25.2 million for the six months ended 30 June 2010, an increase of 21% compared with the same period last year, mainly due to delays in the receipt of subsidies for fuel cost.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30 June 2010 amounted to HK\$181.5 million compared with the unaudited consolidated profit attributable to owners of the Company of HK\$19.8 million for the six months ended 30 June 2009. This is mainly the results of (i) net losses of HK\$73.4 million on investments held for trading arising from the change in fair value compared with the net gains of HK\$37.5 million for the same period last year; and (ii) a loss in the amount of approximately HK\$108.1 million in the accounts of the Company as a result of the deemed and partial disposal of an associate.

Overview of Electricity Generation Business

During the period, the Group's on-grid electricity generation amounted to 284.5 million kWh, a decrease of 31% compared to 415.2 million kWh recorded in the corresponding period last year. The decrease was mainly attributable to the Group's prudent measure to maintain its cash flow by scaling down the operations of electricity generators that consume a higher amount of fuel, following serious delays in the receipt of subsidies for fuel cost due to the Shenzhen government's reorganization. As a result of this measure, there was a decline in the overall operating hours of the Group's electricity generators, which led to a significant drop in electricity generation.

Whilst demand for electricity remained strong, the Shenzhen government's basic principle behind its subsidy policy was to ensure that electricity plants would not incur a loss. However, due to various reasons, there were serious delays in the granting of subsidies and such holdups affected the timely arrangement of funding for electricity generation. Nonetheless, following completion of the government revamp and clarification of the sources of subsidies, the Group has recently received previous subsidies. Hence, direct operating expenses attributable to electricity supplies decreased by 27% to HK\$235.7 million. Total fuel cost for the period also decreased by 25% to HK\$188.7 million.

In the coming year, as the government places strong emphasis on the use of clean energy and the sources of subsidies for power plants, the Group, with the advantage of using liquefied natural gas as power fuel, is expected to see a significant increase in electricity generation.

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

For the six months ended 30 June 2010, Towngas China's piped gas business booked a turnover of HK\$1,240 million, a growth of approximately 37.8% over the corresponding period last year. Operating profit before returns on investments grew by approximately 56.5% to HK\$130 million. This was mainly due to the significant increase in the sales of piped gas and income from the construction of gas pipelines over the corresponding period last year and the enhanced cost control of corporate expenses. Profit after taxation attributable to shareholders increased by 34.2% to HK\$172 million.

In mid-March 2010, Towngas China entered into an agreement with Hong Kong & China Gas Limited's subsidiary (as vendor) to acquire six piped city-gas projects in the Liaoning and Zhejiang provinces (the "Acquisition") with the consideration settled by Towngas China's allotment and issue of consideration shares to the vendor. Upon the completion of the Acquisition on 15 July 2010, the Group's interest in Towngas China was diluted to approximately 18%. Subsequent to the end of the reporting period, the Group has reclassified the associate as available-for-sale investments.

Placing of Shares in Towngas China

On 16 April 2010, the Company completed the placing of 85,000,000 shares of Towngas China at HK\$3.6 per share which represented approximately 4.34% of the total issued share capital of Towngas China. Net proceeds from the placing amounted to approximately HK\$300 million. A loss in the amount of approximately HK\$95.9 million was recognized in the accounts of the Company as a result of the placing.

After the placing of shares in Towngas China, the Company beneficially owns 445,487,245 shares of Towngas China. On 4 June 2010, the Company dispatched a circular to shareholders to seek a mandate to dispose the remaining shares it holds in Towngas China. The mandate was granted at a special general meeting held on 22 June 2010. Under the mandate authorized by the shareholders at the special general meeting, the Company may dispose all the remaining Towngas China shares in the 12 months commencing the passing of the relevant resolution at the special general meeting subject to the following two conditions:

1. the selling price per remaining Towngas China share shall represent no more than 20% discount to the average closing price of Towngas China shares in the five trading days immediately prior to the date of the relevant sale and purchase agreement;
2. the minimum selling price per remaining Towngas China share shall not be less than HK\$3.00.

Acquisition of the Entire Interest of Deluxe International Investment Limited ("Deluxe")

On 30 June 2010, the Group and ADD Midland Holdings Ltd. entered into an agreement to acquire the entire issued share capital of Deluxe at a cash consideration of US\$11,086,226 (equivalent to approximately HK\$85,918,000). As a condition of the sale and purchase, the Group agreed to settle, for and on behalf of Deluxe on completion of the acquisition, the outstanding principal of convertible bonds issued by Deluxe, which amounts to US\$2,413,774 (equivalent to approximately HK\$18,707,000). The acquisition was completed in late July 2010, following which Deluxe became an indirect wholly-owned subsidiary of the Company.

The principal asset of Deluxe is its 100% equity interest in Henan ADD Electricity Equipment Co., Ltd. ("Henan ADD"). Formerly known as Henan Stone Electric Power Equipment Co., Ltd., Henan ADD was established in 2006. By employing new technologies, new processes, new materials and new methods, Henan ADD manages to speed up the research and manufacture of high-voltage, high-intensity porcelain insulators. With years of experience in the research and development, production, and sale of high-voltage porcelain products, Henan ADD has become a major producer with an annual output of 12,000 tons of these products. Apart from domestic sale, Henan ADD also exports to Japan, Germany, Russia, Iran and Southeast Asian countries and regions.

The Directors believe that the acquisition will enable the Company to establish a strong and competitive foundation within the industry.

FINANCIAL POSITION

The Group's total borrowings increased from HK\$610.0 million as at 31 December 2009 to HK\$638.5 million as at 30 June 2010. The bank borrowings as at 30 June 2010 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 7.9% as at 30 June 2010.

Total assets pledged in securing these loans have a net book value of HK\$1,043.6 million as at 30 June 2010. 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\$372.4 million and HK\$124.6 million, respectively, as at 30 June 2010 and are mostly denominated in RMB, HKD and USD.

Capital Commitments

As at 30 June 2010, the Group had capital commitments in respect of the acquisition of property, plant and equipment, and the acquisition of a subsidiary, not provided in the financial statements amounting to HK\$3.2 million and HK\$104.6 million respectively.

PROSPECTS

The PRC's macro-economic recovery in 2009 extended to the first half of 2010, reaching its peak in the first quarter and beginning to slow down in the second quarter. Overall, we expect the PRC to reach the goal of achieving a stable and relatively rapid economic development this year.

The Group aims to further strengthen its working capital through the disposal of Towngas China shares. At the same time, we will seek to invest in or acquire assets or projects with good potential. Moving forward, the Board will continue to pursue investment opportunities with good strategic value in order to enhance the shareholders' value of the Company.

Electricity Generation Business

According to statistics, the PRC's electricity generation continued to grow in the first half of 2010. Power output of national-scale power plants amounted to 1970.6 billion kWh, up 19.3% year-on-year. During the first half, electricity produced by coal-fired power plants rose 21.9%, and its share of total electricity generation increased by 1.39 percentage points, compared with the same period last year. Nuclear power generation remained stable during the period, while wind power generation continued to grow rapidly. Electricity supplied by Guangdong Power Grid Corporation amounted to 175.8 billion kWh in January-June 2010, up 53.6% over the same period last year.

Shenzhen Power Supply Bureau supplied 28.839 billion kWh of electricity in the first half, up 17.52% year-on-year. Of the amount, industrial electricity consumption grew by 21.12% which was significantly higher than the growth of other sectors. As the peak summer season arrives, demand for electricity is expected to rise further. According to the forecasts of the provincial Economic and Information Commission and Guangdong Power Grid Corporation, limitations in network capacity will affect the overall supply, so much so that a shortage in the supply of electricity is highly likely.

We foresee the next five years would be the second development of China's natural gas. It will also be an evolution for the Group's natural gas business after the successful modifying two 180MW power generator units with dual-fuel firing capabilities in previous year. The Group will complete as planned the conversion of the remaining generating unit, which had an installed capacity of 235MW, into a gas-fired plant. The Group believes that with the improvement in productivity, efficiency, gross profit margin and maintenance cost saving following its natural gas conversion plan, the Group will become more competitive in the industry.

High-voltage Porcelain Products — Henan ADD

As the PRC's economy is developing rapidly, it is expected that the country's energy and power market will continue to maintain a strong growth. High-voltage porcelain, as an indispensable and very important insulation material, is expected to grow by 15% to 20% in the next five to ten years. The Group believes that Henan ADD, with the gradual completion of its technological enhancement programme and the phasing in of high-tech equipment, will see a strong increase in corporate strength, market share and profitability.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2010 (2009: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group employed approximately 154 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2010.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2010, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

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

The interim results of the Group for the six months ended 30 June 2010 had not been audited, but had been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu and the Audit Committee.

APPRECIATION

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

By Order of the Board
Enerchina Holdings Limited
Chen Wei
Chief Executive Officer

Hong Kong, 24 August 2010

OTHER INFORMATION

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

At 30 June 2010, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Capacity	Interest in Shares			Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company as at 30.6.2010
		Personal interest	Family interest	Corporate interest				
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	2,629,140,978 (Note)	8,784,336	2,637,925,314	36.69%
Tang Yui Man Francis	Beneficial owner	20,840,625	—	—	20,840,625	45,933,360	66,773,985	0.93%
Xiang Ya Bo	Beneficial owner	—	—	—	—	45,933,360	45,933,360	0.64%
Xin Luo Lin	Beneficial owner	9,999,000	—	—	9,999,000	7,387,336	17,386,336	0.24%

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 Yaping together with his associates hold a total of 44.28% of the existing issued share capital of Sinolink as at 30 June 2010 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			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation as at 30.6.2010
			Personal interest	Corporate interest	Family interest				
Ou Yaping	Towngas China	Interest in controlled corporation	—	445,487,245 (Note)	—	445,487,245	—	445,487,245	22.69%
Chen Wei	Towngas China	Beneficial owner	5,218,000	—	—	5,218,000	3,015,000	8,233,000	0.42%
Tang Yui Man Francis	Towngas China	Beneficial owner	—	—	—	—	3,015,000	3,015,000	0.15%

Note: The 445,487,245 shares in Towngas China Company Limited (“Towngas China”) represent the aggregate of (i) 259,046,568 shares of Towngas China held by Kenson Investment Limited (“Kenson”) and 186,440,677 shares of Towngas China held by Supreme All Investments Limited (“Supreme All”), which are wholly-owned subsidiaries of the Company. Mr. Ou Yaping through his wholly-owned company, Asia Pacific holds 35.57% interests in the Company as at 30 June 2010, and is therefore deemed to be interested in all these 445,487,245 shares in Towngas China under the SFO.

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

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

(a) Interest in options to subscribe for Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Share, details of which as at 30 June 2010 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of shares subject to outstanding options as at 1.1.2010	Granted/Exercise during the period	Number of shares subject to outstanding options as at 30.6.2010	Percentage of the issued share capital of the Company as at 30.6.2010
Chen Wei	13.11.2007	01.01.2010 - 12.11.2017	0.322	20,955,000	—	20,955,000	0.29%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	20,955,000	—	20,955,000	0.29%
Lu Yungang	09.06.2004	09.06.2005 - 08.06.2014	0.315	3,196,336	—	3,196,336	0.04%
	13.11.2007	01.01.2010 - 12.11.2017	0.322	2,095,500	—	2,095,500	0.03%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	2,095,500	—	2,095,500	0.03%
Ou Yaping	09.06.2004	09.06.2004 - 08.06.2014	0.315	3,196,336	—	3,196,336	0.04%
	13.11.2007	01.01.2010 - 12.11.2017	0.322	2,794,000	—	2,794,000	0.04%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	2,794,000	—	2,794,000	0.04%
Tang Yui Man Francis	09.06.2004	09.06.2004 - 08.06.2014	0.315	31,963,360	—	31,963,360	0.44%
	13.11.2007	01.01.2010 - 12.11.2017	0.322	6,985,000	—	6,985,000	0.10%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	6,985,000	—	6,985,000	0.10%
Xiang Ya Bo	09.06.2004	09.06.2004 - 08.06.2014	0.315	31,963,360	—	31,963,360	0.44%
	13.11.2007	01.01.2010 - 12.11.2017	0.322	6,985,000	—	6,985,000	0.10%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	6,985,000	—	6,985,000	0.10%
Xin Luo Lin	09.06.2004	09.06.2004 - 08.06.2014	0.315	3,196,336	—	3,196,336	0.04%
	13.11.2007	01.01.2010 - 12.11.2017	0.322	2,095,500	—	2,095,500	0.03%
	13.11.2007	01.01.2011 - 12.11.2017	0.322	2,095,500	—	2,095,500	0.03%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no options was granted to or exercised by the Directors of the Company and no options held by the Directors was cancelled or lapsed under the share option scheme.
3. These options represent personal interest held by the Directors as beneficial owners.

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

Name of Directors	Name of associated corporation	Date of grant	Exercise period	Exercise Price HK\$	Number	Number	Approximate
					of shares subject to outstanding options as at 1.1.2010	of shares subject to outstanding options as at 30.6.2010	percentage of the issued share capital of associated corporation as at 30.6.2010
Chen Wei	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%
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 of Towngas China is from the date of the grant until the commencement of the exercise period.
2. These options of Towngas China represent personal interest held by the Directors as beneficial owners.

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

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

Disclosure of information regarding directors

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

1. Mr. Xin Luo Lin was appointed as a non-executive director of Asian Capital Holdings Limited, a listed public company on the Stock Exchange, on 18 June 2010.
2. Dr. Xiang Bing resigned as an independent non-executive director of E Fund Management Co., Ltd, a listed public company on the Shenzhen Stock Exchange, on 29 June 2010.

Share Option Scheme of the Company

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

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

Option type	Date of grant	Exercise period	Exercise price <i>HK\$</i>
2004 Option	09.06.2004	09.06.2004 - 08.06.2014	0.315
	09.06.2004	09.06.2005 - 08.06.2014	0.315
	09.06.2004	09.06.2006 - 08.06.2014	0.315
	09.06.2004	09.12.2006 - 08.06.2014	0.315
2005 Option	08.12.2005	08.12.2005 - 07.12.2015	0.594
2007 Option	13.11.2007	01.01.2010 - 12.11.2017	0.322
	13.11.2007	01.01.2011 - 12.11.2017	0.322

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

	Option types	Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2010
<i>Category 1: Directors</i>						
Chen Wei	2007 Option	41,910,000	—	—	—	41,910,000
Lu Yungang	2004 Option	3,196,336	—	—	—	3,196,336
	2007 Option	4,191,000	—	—	—	4,191,000
Ou Yaping	2004 Option	3,196,336	—	—	—	3,196,336
	2007 Option	5,588,000	—	—	—	5,588,000
Tang Yui Man Francis	2004 Option	31,963,360	—	—	—	31,963,360
	2007 Option	13,970,000	—	—	—	13,970,000
Xiang Ya Bo	2004 Option	31,963,360	—	—	—	31,963,360
	2007 Option	13,970,000	—	—	—	13,970,000
Xin Luo Lin	2004 Option	3,196,336	—	—	—	3,196,336
	2007 Option	4,191,000	—	—	—	4,191,000
Total for directors		<u>157,335,728</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>157,335,728</u>
<i>Category 2: Employees</i>						
	2004 Option	9,709,153	—	—	—	9,709,153
	2007 Option	51,689,000	—	—	—	51,689,000
Total for employees		<u>61,398,153</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>61,398,153</u>
<i>Category 3: Other</i>						
Sun Qiang Chang retired as director on 1 June 2010	2005 Option	20,955,000	—	—	—	20,955,000
Total for Other		<u>20,955,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,955,000</u>
All categories		<u><u>239,688,881</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>239,688,881</u></u>

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no options were granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme.

Substantial Shareholders

At 30 June 2010, 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/ Nature of Interests	Aggregate interest	Approximate percentage of the issued share capital as at 30.6.2010
Asia Pacific	Beneficial owner and interest of controlled corporations/ Beneficial interest and Corporate interest	2,617,180,764 (Note 1)	36.40%
Pope Asset Management, LLC	Investment Manager/ other interest	386,697,961	5.38%
Keywise Capital Management (HK) Limited	Investment Manager/ other interest	307,880,710 (Note 2)	4.28%
Keywise Greater China Opportunities Master Fund	Beneficial owner/ Beneficial interest	307,880,710 (Note 2)	4.28%

Notes:

- 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 Yaping together with his associates hold a total of 44.28% of the existing issued share capital of Sinolink as at 30 June 2010 and is therefore deemed to be interested in all these 2,617,180,764 Shares under the SFO.
- 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 30 June 2010, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF ENERCHINA HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 34, which comprises the condensed consolidated statement of financial position of Enerchina Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30.6.2010 <i>HK\$ '000</i> <i>(Unaudited)</i>	30.6.2009 <i>HK\$ '000</i> <i>(Unaudited)</i>
Turnover	3	210,529	301,276
Cost of sales		(235,702)	(322,078)
Gross loss		(25,173)	(20,802)
Other income	4	5,682	21,536
Other gains and losses	5	(62,639)	37,549
Administrative expenses		(21,670)	(23,165)
Other expenses		(62)	(1,389)
Share of results of an associate		58,240	36,065
Loss on deemed and partial disposal of an associate	12	(108,057)	—
Finance costs	6	(27,806)	(30,005)
(Loss) profit for the period	7	(181,485)	19,789
Other comprehensive income (expense)			
Share of other comprehensive income (expense) of an associate		18,403	(2,854)
Exchange differences arising on translation to presentation currency		4,657	—
Exchange differences released upon deregistration of a subsidiary		(420)	—
Other comprehensive income (expense) for the period		22,640	(2,854)
Total comprehensive (expense) income for the period		(158,845)	16,935
(Loss) profit for the period attributable to:			
Owners of the Company		(181,473)	19,807
Non-controlling interests		(12)	(18)
		(181,485)	19,789
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(158,707)	16,953
Non-controlling interests		(138)	(18)
		(158,845)	16,935
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	10		
Basic		(2.52)	0.31
Diluted		(2.52)	0.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30.6.2010 <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2009 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	11	1,375,345	1,390,625
Prepaid lease payments		42,607	42,791
Interest in an associate	12	2,084,884	2,426,581
Available-for-sale investments		78,000	78,000
		<u>3,580,836</u>	<u>3,937,997</u>
Current assets			
Inventories		108,880	92,901
Prepaid lease payments		1,251	1,238
Trade and other receivables, deposits and prepayments	13	182,103	152,136
Investments held for trading	14	225,214	148,834
Pledged bank deposits		124,622	47,673
Bank balances and cash		372,355	192,020
		<u>1,014,425</u>	<u>634,802</u>
Current liabilities			
Trade, notes and other payables	15	593,594	441,418
Taxation payable		8,922	8,922
Borrowings - amount due within one year	16	536,433	466,915
		<u>1,138,949</u>	<u>917,255</u>
Net current liabilities		<u>(124,524)</u>	<u>(282,453)</u>
Total assets less current liabilities		<u>3,456,312</u>	<u>3,655,544</u>
Non-current liabilities			
Borrowings - amount due after one year	16	102,064	143,121
Net assets		<u>3,354,248</u>	<u>3,512,423</u>
Capital and reserves			
Share capital		71,897	71,897
Reserves		3,282,351	3,440,052
Equity attributable to owners of the Company		3,354,248	3,511,949
Non-controlling interests		—	474
Total equity		<u>3,354,248</u>	<u>3,512,423</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2009 (audited)	47,931	2,994,875	314,682	81,525	3,637	544	7,592	22,393	3,473,179	516	3,473,695
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 (audited)	71,897	3,041,421	316,585	81,525	3,637	544	11,286	(14,946)	3,511,949	474	3,512,423

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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2010 (audited)	71,897	3,041,421	316,585	81,525	3,637	544	11,286	(14,946)	3,511,949	474	3,512,423
Share of other comprehensive income of an associate	–	–	18,403	–	–	–	–	–	18,403	–	18,403
Exchange differences arising on translation to presentation currency	–	–	4,657	–	–	–	–	–	4,657	–	4,657
Exchange differences released upon deregistration of a subsidiary	–	–	(294)	–	–	–	–	–	(294)	(126)	(420)
Loss for the period	–	–	–	–	–	–	–	(181,473)	(181,473)	(12)	(181,485)
Total comprehensive income (expense) for the period	–	–	22,766	–	–	–	–	(181,473)	(158,707)	(138)	(158,845)
Exchange reserve realised on deemed and partial disposal of an associate	–	–	(19,661)	–	–	–	–	19,661	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,006	–	1,006	–	1,006
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	(336)	(336)
At 30 June 2010 (unaudited)	71,897	3,041,421	319,690	81,525	3,637	544	12,292	(176,758)	3,354,248	–	3,354,248
At 1 January 2009 (audited)	47,931	2,994,875	314,682	81,525	3,637	544	7,592	22,393	3,473,179	516	3,473,695
Share of other comprehensive expense of an associate	–	–	(2,854)	–	–	–	–	–	(2,854)	–	(2,854)
Profit for the period	–	–	–	–	–	–	–	19,807	19,807	(18)	19,789
Total comprehensive (expense) income for the period	–	–	(2,854)	–	–	–	–	19,807	16,953	(18)	16,935
Recognition of equity-settled share-based payments	–	–	–	–	–	–	2,317	–	2,317	–	2,317
Share option lapsed	–	–	–	–	–	–	(618)	618	–	–	–
At 30 June 2009 (unaudited)	47,931	2,994,875	311,828	81,525	3,637	544	9,291	42,818	3,492,449	498	3,492,947

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended	
	30.6.2010 <i>HK\$'000</i> <i>(Unaudited)</i>	30.6.2009 <i>HK\$'000</i> <i>(Unaudited)</i>
Net cash used in operating activities	<u>(67,918)</u>	<u>(49,586)</u>
Net cash from (used in) investing activities		
Gross proceeds from partial disposal of an associate	306,000	—
Pledged bank deposits made	(76,019)	(29,241)
Purchase of convertible note	(10,000)	(34,700)
Dividend received from an associate	8,909	5,305
Expenses on partial disposal of an associate	(4,626)	—
Purchase of property, plant and equipment	(656)	(4,343)
Other investing cash flows	4,091	2,254
	<u>227,699</u>	<u>(60,725)</u>
Net cash from financing activities		
Repayments of bank loans	(402,148)	(541,830)
New bank loans raised	424,312	617,913
	<u>22,164</u>	<u>76,083</u>
Net increase (decrease) in cash and cash equivalents	181,945	(34,228)
Cash and cash equivalents at beginning of the period	192,020	160,155
Effect of foreign exchange rate changes	(1,610)	—
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>372,355</u>	<u>125,927</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

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

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the supply of electricity.

As at 30 June 2010, the Group had net current liabilities of approximately HK\$125 million and reported a loss for the period of approximately HK\$181 million. 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

HKFRS 3 (Revised 2008) "Business Combinations"

The Group applies Hong Kong Financial Reporting Standard 3 ("HKFRS 3") (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relations to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by the acquisition of a subsidiary in July 2010 (see note 20(i)) and future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 "Leases"

As part of the improvements to Hong Kong Financial Reporting Standards ("HKFRSs") issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and the Group presented the prepayment as leasehold land in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement that leasehold land must be classified as operating leases. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no reclassification was necessary.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC)*- INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. SEGMENT INFORMATION

Business segments

The Group determines its operating segments and measurement of segment profit based on the internal reports to Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment. The Group is primarily engaged in the supply of electricity and it is determined that the Group has only one operating segment. The Group's segment loss for the period represents the Group's results from supply of electricity, without allocation of other income, central administrative expenses, share of results of an associate, loss on deemed and partial disposal of an associate, other gains or losses on fair value changes of held for trading investments and finance costs.

	Six months ended 30.6.2010		Six months ended 30.6.2009	
	Electricity supplies HK\$ '000	Total HK\$ '000	Electricity supplies HK\$ '000	Total HK\$ '000
Turnover	<u>210,529</u>	<u>210,529</u>	<u>301,276</u>	<u>301,276</u>
Segment result	<u>(33,995)</u>	<u>(33,995)</u>	<u>(32,259)</u>	<u>(32,259)</u>
Other income		5,682		21,536
Other gains and losses		(62,639)		37,549
Central administrative expenses		(12,910)		(13,097)
Finance costs		(27,806)		(30,005)
Share of results of an associate		58,240		36,065
Loss on deemed and partial disposal of an associate		(108,057)		—
(Loss) profit for the period		<u>(181,485)</u>		<u>19,789</u>

4. OTHER INCOME

Other income mainly comprised of:

	Six months ended	
	30.6.2010 HK\$'000	30.6.2009 HK\$'000
Interest income on:		
– bank deposits	653	650
– others	537	231
	1,190	881
Dividend income		
– listed	316	218
– unlisted	1,742	1,155
	2,058	1,373
Bad debts recovered (note)	—	19,175
	—	19,175

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2010 HK\$'000	30.6.2009 HK\$'000
Net (losses) gains on fair value changes of held for trading investments	(73,428)	37,549
Gain on convertible note classified as held for trading	10,789	—
	(62,639)	37,549
	(62,639)	37,549

6. FINANCE COSTS

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	27,806	30,005

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	30,028	39,070
Release of prepaid lease payments	622	619

8. TAXATION

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

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC"), certain of the Group's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the interim period is at 11% (six months ended 30 June 2009: 10%). 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 period's purchase of PRC produced plant and equipment for production use. The portion of the Tax Benefit that is not utilised in the current period can be carried forward for future application for a period of not more than seven years.

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

9. DIVIDENDS

The directors have resolved not to declare an interim dividend in respect of six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings for the period attributable to owners of the Company	(181,473)	19,807
	<u><u> </u></u>	<u><u> </u></u>
	Six months ended	
	30.6.2010	30.6.2009
Number of shares		
Weighted average number of ordinary shares	<u><u>7,189,655,664</u></u>	<u><u>6,470,690,098</u></u>

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 earnings per share for the six months ended 30 June 2009 has been adjusted to reflect the bonus element in 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 periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group spent approximately HK\$656,000 (six months ended 30 June 2009: HK\$4,343,000) on acquisition of property, plant and equipment.

12. INTEREST IN AN ASSOCIATE

During the six months ended 30 June 2010, the Group entered into a placing agreement with a placing agent to dispose of 85,000,000 shares in Towngas China Company Limited (the "Associate") at a price of HK\$3.60 per share. In addition, the Group's shareholding in the Associate was diluted as a result of the exercise of share options by the shareholders of the Associate. Accordingly, the Group's interest in the Associate was decreased from 27.09% as at 31 December 2009 to 22.69% as at 30 June 2010, resulting in loss on deemed and partial disposal of the Associate of HK\$108,057,000.

In the opinion of the directors, no indication of significant impairment was identified since 31 December 2009 by reference to the improved earnings of the Associate during the current interim period. Accordingly, no impairment of its interest in an associate was considered necessary as at 30 June 2010.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables totalling HK\$107,545,000 (31.12.2009: HK\$65,947,000) all of which are aged less than 90 days.

14. INVESTMENTS HELD FOR TRADING AND CONVERTIBLE NOTE CLASSIFIED AS HELD FOR TRADING

During the six months ended 30 June 2010, an unlisted convertible note with principal amount of HK\$10,000,000 was issued at par by a company listed on the Stock Exchange (the “CN Issuer”, unrelated to the Group).

The convertible note bears interest at a contractual interest rate of 3% per annum and is due for redemption on the second anniversary from the date of issue of the convertible note (“Maturity Date”). The Group can convert the outstanding principal amount of the convertible note in whole or in part into ordinary shares of the CN Issuer at any time from the date of issue until a date which is seven days prior to the Maturity Date. The conversion price is HK\$0.38 per conversion share, subject to adjustments. The conversion shares to be issued upon the exercise of the conversion rights attaching to the convertible note will rank pari passu in all respects with all other shares in issue on the conversion date. The CN Issuer shall redeem the convertible note at 100% of the principal amount outstanding on the Maturity Date and may at any time elect to repurchase in whole or in part at a price to be agreed between the CN Issuer and the Group.

At the issue date, the convertible note comprised of a debt component of HK\$8,683,000 and embedded derivatives being the conversion option taking into account the CN Issuer’s redemption option of HK\$8,063,000 and a gain of approximately HK\$6,746,000 is recognised in the condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2010, the Group has converted the convertible note into shares of the CN Issuer, resulting in a gain on fair value change of approximately HK\$4,043,000, which is recognised in the condensed consolidated statement of comprehensive income.

In addition, the Group subscribed a listed debt instrument at par value with fair value of approximately HK\$77,075,000 (the “Notes”) during the period. The Notes is listed on the Singapore Exchange Securities Trading Limited and will be due in 2015. A fair value gain of approximately HK\$672,000 is recognised in the condensed consolidated statement of comprehensive income during the period. Subsequent to 30 June 2010, the Notes was disposed of at a consideration of HK\$79,097,000.

Other than the fair value changes as discussed above, the net losses on fair value changes of held for trading investments were mainly resulting from the equity securities listed in the Stock Exchange.

15. TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables are trade and notes payables of HK\$545,815,000 (31.12.2009: HK\$392,812,000), the aged analysis of which is as follows:

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Aged:		
0 - 90 days	538,753	387,949
91 - 180 days	7,062	3,723
181 - 360 days	—	—
Over 360 days	—	1,140
	<u>545,815</u>	<u>392,812</u>

16. BORROWINGS

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Bank loans		
-secured	443,543	439,775
-unsecured	194,954	170,261
	<u>638,497</u>	<u>610,036</u>

The maturity of the above borrowing is as follows:

On demand or within one year	536,433	466,915
More than one year but not more than two years	102,064	71,044
More than two years but not more than three years	—	72,077
	<u>638,497</u>	<u>610,036</u>
Less: Amount due within one year shown under current liabilities	<u>(536,433)</u>	<u>(466,915)</u>
Amount due after one year	<u>102,064</u>	<u>143,121</u>

At 30 June 2010, property, plant and equipment, bank deposits and inventories with aggregate carrying amounts of HK\$810,094,000 (31.12.2009: HK\$811,008,000), HK\$124,622,000 (31.12.2009: HK\$47,673,000) and HK\$108,880,000 (31.12.2009: HK\$92,901,000) respectively were pledged to banks to secure general banking facilities granted to the Group.

17. GOVERNMENT SUBSIDIES

During the period, government subsidies of HK\$86,820,000 (six months ended 30 June 2009: HK\$11,912,000) were granted by the Treasury of Shenzhen Trade and Industrial Council in compensation for the high fuel cost and to ensure the Group can maintain the profitability for its power plant in times of rising crude oil cost. The government subsidies are recognised in the condensed consolidated statement of comprehensive income and are 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.

18. RELATED PARTY TRANSACTION

During the six months ended 30 June 2010, the Group paid office expenses of approximately HK\$1,689,000 (six months ended 30 June 2009: HK\$1,689,000) to Sinolink Worldwide Holdings Limited, a company with common non-controlling shareholder and directors of the Company. The office expense is determined with reference to actual costs incurred.

19. CAPITAL COMMITMENTS

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	3,217	4,895
– acquisition of a subsidiary (see note 20(i))	104,625	—
	107,842	4,895

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (i) Subsequent to the reporting period, the Group completed its acquisition of 100% of Deluxe International Investment Limited (the “Target”). The major subsidiary of the Target is engaged in the production of high-voltage porcelain products. The Target was acquired with the objective to broaden the Group’s market share in the local and international markets in the energy and power industry and contribute to the Group’s development. The transaction was completed on 28 July 2010 and the acquisition cost of HK\$104,625,000 (US\$13,500,000) was satisfied in cash. Details of the acquisition are set out in the Group’s announcement dated 30 June 2010. As at the date of this report, management of the Group is still in the midst of determining the financial effect of the transaction.
- (ii) During the six months ended 30 June 2010, the Associate entered into a conditional sales and purchase agreement with Hong Kong & China Gas (China) Limited (“HK&CG (China)”) pursuant to which the Associate agreed to acquire from HK&CG (China) the entire issued share capital of Towngas (BVI) Holdings Limited (“Towngas BVI”) (the “Acquisition”). Towngas BVI indirectly held equity interests varying from 40% to 100% in six PRC entities which operated piped gas assets and related business in the PRC. As consideration for the Acquisition, the Associate agreed to allot and issue 485,000,000 ordinary shares of the Associate of HK\$0.1 each (each credited as fully paid), to HK&CG (China).

The Group’s interest in the Associate was diluted to 18% upon the completion of the Acquisition on 15 July 2010 (the “Completion Date”) and ceased to have significant influence over the Associate. Accordingly, the Group’s retained investment is classified as available-for-sale investment measured at fair value by reference to the quoted market price at the Completion Date. As at the date of this report, management of the Group is still in the midst of determining the financial effect of the transaction.