Enerchina
Holdings Limited
威華達控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 622

2011
Annual Report

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Lam Ping Cheung
Xiang Bing
Xin Luo Lin

AUTHORISED REPRESENTATIVES

Tang Yui Man Francis
Xiang Ya Bo

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lo Tai On

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

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

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

HONG KONG BRANCH SHARE TRANSFER OFFICE

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

LEGAL ADVISORS

(As to Hong Kong law)
Cleary Gottlieb Steen & Hamilton (Hong Kong)
Deacons
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
China CITIC Bank Corporation Limited
China Merchants Bank
Hang Seng Bank Limited
UBS AG

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Enerchina Holdings Limited ("Enerchina" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2011, the Group's continuing operation recorded turnover of approximately HK$47.7 million and gross loss of approximately HK$1.2 million. Profit attributable to owners of the Company amounted to HK$647.4 million, compared to a loss attributable to owners of the Company of HK$683.2 million for the year ended 31 December 2010. The turnaround from loss to profit was mainly attributable to a gain of HK$763.1 million recorded on the disposal of the Group's electricity generation business during the year, whereas an one-off loss of approximately HK$847.6 million was recognized in 2010 as a result of the Group's disposal and deemed disposal of partial interests in an associate.

OVERVIEW

2011 marked a year of extreme complexity in the PRC's economic development. Overall, the Chinese economy was at a stage of transition, moving from a conventional growth model towards a new approach to development. Economic growth is increasingly dependent on household consumption and business investment. Household spending and corporate restructuring and upgrading activities are becoming the decisive factors driving consumption and investment growth.

OUTLOOK

The PRC economy is facing a number of challenges and risks in 2012, which range from inflation, housing and local debt issues, to the RMB exchange rate contention. These stem from long-term, complex structural problems, the resolving of which requires the Chinese government to find a way of gradual reform that conforms with the country's realities. Taking the domestic and international scenes as a whole, we believe the PRC is still at an important stage of strategic development with ample opportunities. The economic fundamentals remain strong providing favourable conditions for further expansion.

Confronting the complex and changing environment in the domestic and international economies, the Group will strive to engage new talents in its management team to enhance competitiveness and management expertise with concerted effort in order to seize the opportunities ahead.

Moreover, the Group will carefully study the relevant policies of the state and utilize its strong cash position to capture favourable investment and merger and acquisition opportunities and to diversify its operations so as to generate stable and satisfactory long-term returns for the shareholders.

APPRECIATION

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

OU Yaping
Chairman

Hong Kong, 27 March 2012

BUSINESS REVIEW

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

Henan ADD is principally engaged in the production and sales of porcelain insulators which represent the Group's principal activities in the electricity and power generation business. During the year ended 31 December 2011, turnover and gross loss recorded by the continuing business of production and sales of electrical and energy-related products amounted to approximately HK$47.7 million and HK$1.2 million respectively. For the period from the end of July 2010 (when the Group completed the acquisition of Henan ADD) to 31 December 2010, turnover and gross loss recorded by Henan ADD amounted to approximately HK$16.3 million and HK$1.6 million respectively. The gross loss was attributable to overcapacity and intensive competition.

As a production enterprise for high voltage porcelain products, Henan ADD will continue to examine ways and means to broaden its market share in the local and international markets in the energy and power industry. This is expected to contribute to the Group's development and enable the Group to establish a strong and competitive foundation within the industry. Moreover, Henan ADD plans to further strengthen its core high-tech team and research and development capacity in order to accelerate the introduction and launch of new products and enhance its overall competitiveness.

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

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

On 23 February 2011, Fuhuade received approval notice from the Market Supervision Administration of Shenzhen Municipality on the change of registration and obtained a new business license. As at 31 December 2011, the Group has received RMB680 million (equivalent to approximately HK$817.3 million) from CNOOC Gas, representing 66% of the total consideration amount for the transfer. Moreover, the Group has received an amount of approximately US$19.6 million (equivalent to approximately HK$151.8 million) being the shareholder's loan and accrued interest owed by Fuhuade to Sinolink Electric. Payment for the balance of the total consideration amount is being arranged.

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

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

As at 31 December 2011, the Group beneficially owned 195,487,245 shares in Towngas China, representing approximately 7.95% of the issued share capital of Towngas China. Towngas China is a company incorporated in the Cayman's Islands with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is principally engaged in the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

On 25 July 2011, the Company dispatched a circular to shareholders to seek a mandate to dispose the remaining shares it holds in Towngas China. The mandate was granted by shareholders at a special general meeting on 15 August 2011 to directors to effect disposal(s) from time to time for a period of 12 months from 15 August 2011 of all remaining Towngas China shares subject to the following two conditions:

1) the selling price per remaining Towngas China share shall represent no more than 20% discount to the average closing price of Towngas China shares in the five trading days immediately prior to the date of the relevant sale and purchase agreement; and

2) the minimum selling price per Towngas China share shall not be less than HK$3.00.

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

Subscription of shares in Cordoba Homes Limited ("Cordoba")

On 25 January 2011, Ideal Principles Limited ("Ideal Principles"), a wholly-owned subsidiary of the Company, and Cordoba entered into an agreement pursuant to which Cordoba agreed to issue and Ideal Principles agreed to subscribe for 500,000,000 shares of Cordoba at the subscription price of HK$300,000,000. As at 31 December 2011, Ideal Principles owned approximately 13.14% of the issued share capital of Cordoba.

Cordoba is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business), and investment holding.

The subscription has enabled the Company to enter into the property investment market by leveraging on the expertise of Cordoba Group and to seek for investment opportunities through Cordoba Group's business and operation, which the Directors believe will benefit the Group in the longer term.

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

On 6 July 2011, the Company through Kenson Investment Limited ("Kenson"), a wholly-owned subsidiary of the Company, entered into a placing commitment letter to subscribe up to 500,000,000 shares of Mascotte at the price of HK$0.40 per Mascotte share with a total consideration up to HK$200,000,000. The placing was completed on 14 July 2011, on which date the Group holds approximately 11.1% of the then total issued share capital of Mascotte. The shares of Mascotte were accounted for as the Group's investment held for trading.

Mascotte is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange. The Mascotte group is principally engaged in the trading of investments, loan financing, manufacture and sales of accessories for photographic, electrical and multimedia products, property investment, and manufacture and sales of solar grade polysilicon.

EVENT AFTER THE REPORTING PERIOD

In February and March 2012, Kenson disposed all of the 500,000,000 shares in Mascotte. Net proceeds from the disposal amounted to HK$40 million. As at 31 December 2011, the carrying amount of these shares in Mascotte was HK$115.0 million.

FINANCIAL POSITION

As a result of the Group's cessation of the electricity generation business, the Group's total borrowings decreased from HK$941.2 million as at 31 December 2010 to HK$38.8 million as at 31 December 2011. Gearing ratio as at 31 December 2011, calculated on the basis of total borrowing over shareholders' equity, was 1% compared to 33% as at 31 December 2010.

Total assets pledged in securing the loan and other general banking facilities have a net book value of HK$86.7 million as at 31 December 2011. The bank borrowing of the Group is at floating rates and denominated in RMB. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in RMB. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the 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$1,281.4 million and HK$49.3 million, respectively, as at 31 December 2011 and are mostly denominated in RMB, HKD and USD.

Capital Commitments

As at 31 December 2011, the Group had capital commitments in respect of the acquisition of property, plant and equipment but not provided in the financial statements amounting to HK$4.8 million.

PROSPECTS

Consumption remains robust in the PRC. This coupled with the launch of affordable housing as well as the huge infrastructure development projects under the 12th Five-Year Plan will ensure a plausible growth in investment. We believe a great amount of investment and development opportunities still exist in the PRC market, and we will strive to identify assets or projects with good potential for investment or acquisition.

Moving forward, the Board will continue to pursue investment opportunities with good strategic value in order to enhance the shareholders' value of the Company.

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 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group employed approximately 493 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.

EXECUTIVE DIRECTORS

Mr. Ou Yaping, aged 50, was appointed as an executive director and the chairman of the Company respectively in May 2002 and June 2005. Mr. Ou resigned as an executive director and the Chairman and a member of remuneration committee of the Company on 27 March 2012. Mr. Ou is the substantial shareholder of the Company. He is also the chairman and an executive director of Sinolink Worldwide Holdings Limited ("Sinolink"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ou also serves as the chairman of the board of Rockbund Art Museum and a trustee for The Nature Conservancy's Asia Pacific and China Program. He was previously a director of China Merchants Bank and had held offices in a number of trading companies and investment companies. Mr. Ou 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 of Beijing Institute of Technology. Mr. Ou is a brother of Mr. Xiang Ya Bo, an executive director of the Company. He is also the director and shareholder 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". He was an executive director of Towngas China Company Limited, a company listed on the Stock Exchange during 2000-2011. Save as disclosed above, Mr. Ou has not held any directorship in other listed public companies in the past three years.

Mr. Chen Wei, aged 50, has been appointed as the chief executive officer and an executive director of the Company since May 2007. He ceased to act as the chief executive officer and was appointed as the Chairman of the Company and a member of remuneration committee of the Company in March 2012. 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 26 years of experience in engineering, business administration, market development and management. Mr. Chen is responsible for the overall business development, management and strategic planning of the Group. He was an executive director of Towngas China Company Limited, a listed company on the Stock Exchange, during 2001-2009. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

DIRECTORS AND OFFICERS

Mr. Sam Nickolas David Hing Cheong, aged 30, has been appointed as an executive director, the chief executive officer and a member of the nomination committee of the Company since March 2012. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a Solicitor of the Senior Courts of England and Wales, and is also a Barrister and Solicitor of the High Court of New Zealand and is a member of the Law Society of New Zealand. He was formerly an executive director of Radford Capital Investment Limited, a company listed on the Stock Exchange from 30 June 2011 to 15 March 2012, and prior to that appointment was a lawyer at Ogier, a leading international offshore law firm, where he specialized in corporate advisory matters, mergers and acquisitions, and the formation and representation of investment funds. Prior to joining Ogier, Mr. Sam practiced commercial law in New Zealand, and before that worked as an Advisor within the Regulatory Group of Land Information New Zealand, a government department in New Zealand. Save as disclosed above, Mr. Sam has not held any directorship in other listed public companies in the past three years.

Mr. Xiang Ya Bo, aged 55, has been appointed as an executive director of the Company since May 2002 and a member of remuneration committee of the Company. Mr. Xiang is also an executive director of Sinolink, a company listed on the Stock Exchange. He is a brother of Mr. Ou Yaping, the former chairman of the Board, a former executive director and a substantial shareholder of the Company. He graduated with an engineering degree. Mr. Xiang has over 26 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Mr. Xiang is responsible for the overall business development and management. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

Mr. Tang Yui Man Francis, aged 49, has been appointed as an executive director of the Company since May 2002. Mr. Tang is also the chief executive officer and an executive director of Sinolink, a company listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. He is responsible for corporate and financial planning, strategic development and management of the Company. He was an alternate director to Mr. Ou Yaping of Towngas China Company Limited, a company listed on the Stock Exchange during 2007-2011. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ping Cheung, aged 60, has been appointed as an independent non-executive director and a member of the audit and remuneration committees and the chairman of the nomination committee of the Company since March 2012. Mr. Lam is a renowned solicitor in Hong Kong. He graduated from the Chinese University of Hong Kong in 1977 and holds a bachelor degree in social science. In 1980, he went to the United Kingdom to pursue his legal studies. He was qualified as a solicitor in Hong Kong in 1985. Mr. Lam was the founder and partner of Messrs. Lam & Co. (formerly known as Messrs. Andrew Lam & Co), a law firm in Hong Kong. Mr. Lam is also currently an independent non-executive director of Golden Resources Development International Limited, a company listed on the Stock Exchange. Mr. Lam was the chairman and an executive director of Seamless Green China (Holdings) Limited, a company listed on the GEM board of the Stock Exchange during 2010-2011. Save as disclosed above, Mr. Lam has not held any directorship in any other listed public companies in the last three years.

Mr. Lu Yungang, aged 49, was appointed as an independent non-executive director of the Company from May 2004 to 27 March 2012 and a member of audit committee and remuneration committee of the Company to 27 March 2012. 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 was a research analyst at a number of leading investment banks. Mr. Lu has over 16 years of experience in investment research and management. He is also an independent non-executive director of AsiaInfo Holdings, Inc. and China Techfaith Wireless Communication Technology Ltd., which are listed public companies on the Nasdaq, and of China Cord Blood Corporation effective from 30 June 2009, which is a listed public company on the New York Stock Exchange. Mr. Lu was an independent non-executive director of Spreadtrum Communications, Inc., a listed company on the Nasdaq, during 2007-2009, and of Kasen International Holdings Limited, a listed company on the Stock Exchange, during 2005-2009. Save as disclosed above, Mr. Lu has not held any directorship in other listed public companies in the past three years.

Dr. Xiang Bing, aged 50, has been appointed as an independent non-executive director of the Company since December 2008. He is also a member of audit committee, nomination committee and remuneration committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. Dr. Xiang is currently the founding dean and a professor of the Cheung Kong Graduate School of Business（長江商學院）. He is an independent non-executive director and a member of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, Longfor Properties Co., Ltd. and HC International, Inc.; an independent non-executive director and a member of audit committee, nomination committee and remuneration committee of Sinolink; an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Peak Sport Products Co., Limited, all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd. and an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, both are listed on the New York Stock Exchange and an independent non-executive director and a member of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq. He is an independent non-executive director and a member of audit committee and Strategic committee and the chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd., a company listed on the Shenzhen Stock Exchange. He was a director of Jutal Offshore Oil Services Limited, a company listed on the Stock Exchange, a director of Shenzhen Terca Technology Co., Ltd.（深圳市特爾佳科技股份有限公司）, TCL Corporation（TCL集團股份有限公司）, Shaanxi Qinchuan Machine Development Co., Ltd.（陝西秦川機械發展股份有限公司）and Guangdong Midea Electric Appliances Co. Ltd.（廣東美的電器股份有限公司）, all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd.（武漢健民藥業集團股份有限公司）, a company listed on the Shanghai Stock Exchange. Dr. Xiang resigned as an independent non-executive director of E Fund Management Co., Ltd, a company listed on the Shenzhen Stock Exchange, on 29 June 2010 and he resigned as an independent non-executive director and the chairman of remuneration committee of Little Sheep Group Limited, a company listed on the Stock Exchange, on 1 February 2012. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

Mr. Xin Luo Lin, aged 63, has been appointed as an independent non-executive director of the Company since April 2001 and the chairman of audit committee and remuneration committee and a member of nomination 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 an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Sinolink, an independent non-executive director, a member of audit committee and member of remuneration committee of Central China Real Estate Limited, a non-executive director of Asian Capital Holdings Limited, a non-executive director of Sino-Tech International Holdings Limited and a non-executive director of China Environmental Technology Holdings Limited, all are listed companies on the Stock Exchange. Mr. Xin is a director of Mori Denki Mfg. Co., Ltd., a listed company on the Tokyo Stock Exchange and a director and the Vice Chairman of Oriental Technologies Investment Limited, a listed company on the Australian Stock Exchange. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

MANAGING DIRECTOR OF INVESTMENT DEPARTMENT

Mr. Alexander Ji, aged 36, joined the Company in February 2008 and was appointed Managing Director of Investment Department of the Company shortly after. He holds a Bachelor of Science Degree in economics and international area studies from University of California, Los Angeles. He has over 10 years of experience in financial planning, investment analysis, project evaluation and strategic planning, as well as project management and investment.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

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 2011 are set out in the consolidated statement of comprehensive income on pages 36 to 37.

No interim dividend (2010: 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 2011 (2010: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 23 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 40.

The Company's reserves available for distribution to shareholders at 31 December 2011 amounted to HK$169,137,000 (2010: HK$196,572,000).

DIRECTORS

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

Executive Directors:

Ou Yaping *(Chairman)*	(resigned on 27 March 2012)
Chen Wei *(Chairman)*	(appointed as Chairman on 27 March 2012)
Sam Nickolas David Hing Cheong *(Chief Executive Officer)*	(appointed on 27 March 2012)
Tang Yui Man Francis	
Xiang Ya Bo	

Independent Non-executive Directors:

Lam Ping Cheung	(appointed on 27 March 2012)
Lu Yungang	(resigned on 27 March 2012)
Xiang Bing	
Xin Luo Lin	

In accordance with clause 86(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Sam Nickolas David Hing Cheong and Mr. Lam Ping Cheung, being newly appointed Directors, shall hold office until the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

In accordance with clause 87(2) of the Bye-laws, Mr. Xin Luo Lin, Mr. Chen Wei and Dr. Xiang Bing shall retire by rotation at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

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

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

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

At 31 December 2011, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares

		Interest in Shares						
Name of Directors	Capacity	Personal interest	Family interest	Corporate interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company as at 31.12.2011
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%
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, Mr. Ou is a sole shareholder and director of Asia Pacific; 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 31 December 2011 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 below under the heading "Directors' rights to acquire Shares or debentures of the Company and associated corporation".

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

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Shares, details of which as at 31 December 2011 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price	Number of Shares subject to outstanding options as at 1.1.2011	Granted/ exercise during the year	Number of Shares subject to outstanding options as at 31.12.2011	Percentage of the issued share capital of the Company as at 31.12.2011
			HK$				
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. 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.

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

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

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 directors of its subsidiaries, to subscribe for Shares in the Company for the recognition of their contributions to the Group. The existing 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 exercisable period of share options would be determined by the Board of Directors at its absolute discretion and notified by the Board of Directors to each eligible employees as being the period during which the share options may be exercised, such period to expire not later than 10 years after the date of grant of the share options. The minimum period for which a share option must be held before it can be exercised, would be determined by the Board of Directors.

The total number of shares in respect of which options may be granted under the existing 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. During the term of the existing share option scheme, the Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares in respect of which options may be granted under the existing 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 shareholder.

A nominal consideration of HK$1 is payable on the grant of an option. Option granted must be taken within 28 days of 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 2011, a total of 188,581,961 Shares (representing approximately 2.623% 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 existing share option scheme and a total of 718,965,566 Shares, refreshed at the annual general meeting on 1 June 2010 (representing approximately 10% of the existing issued share capital of the Company) at that date may be issued upon exercise of all options which may be granted under the existing share option scheme.

Details of specific categories options under the existing share option scheme are as follows:

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

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

	Option types	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
Category 1: Directors						
Chen Wei	2007 Option	41,910,000	–	–	–	41,910,000
Lu Yungang	2004 Option	3,196,336	–	–	–	3,196,336
	2007 Option	4,191,000	–	–	–	4,191,000
Ou Yaping	2004 Option	3,196,336	–	–	–	3,196,336
	2007 Option	5,588,000	–	–	–	5,588,000
Tang Yui Man Francis	2004 Option	31,963,360	–	–	–	31,963,360
	2007 Option	13,970,000	–	–	–	13,970,000
Xiang Ya Bo	2004 Option	31,963,360	–	–	–	31,963,360
	2007 Option	13,970,000	–	–	–	13,970,000
Xin Luo Lin	2004 Option	3,196,336	–	–	–	3,196,336
	2007 Option	4,191,000	–	–	–	4,191,000
Total for directors		157,335,728	–	–	–	157,335,728
Category 2: Employees						
	2004 Option	7,613,651	–	–	(7,101,418)	512,233
	2007 Option	46,101,000	–	–	(15,367,000)	30,734,000
Total for employees		53,714,651	–	–	(22,468,418)	31,246,233
All categories		211,050,379	–	–	(22,468,418)	188,581,961

Notes:

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

2. During the year, no options were granted, exercised or cancelled under the share option scheme of the Company.

3. During the year, 22,468,418 options were lapsed under the share option scheme of the Company.

   Under the terms of the existing share option scheme, the Company by resolution in general meeting or the Board may at any time terminate the operation of the existing share option scheme and in such event no further options will be offered thereunder but in all other respects the provisions of the existing share option scheme shall remain in full force and effect. As the existing share option scheme will soon expire, it is proposed by the Directors that at the forthcoming annual general meeting of the Company, an ordinary resolution will be proposed to terminate the operation of the existing share option scheme and to approve and adopt the new share option scheme in accordance with the Listing Rules (the "New Share Option Scheme"). A summary of the terms of the New Share Option Scheme is set out in the circular of the Company dated 17 April 2012.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

(a) Connected transactions

During the year, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules 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 A 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 A"). The annual cap amount for each of the financial years ended 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. As the aforementioned Master Agreement expired on 31 March 2011, the Company entered into a new agreement with Sinolink in respect of the aforementioned continuing connected transactions as from 1 April 2011 to 31 March 2014 (the "Master Agreement B"). The annual cap amount for each of the financial years ended/ending 31 December 2011, 2012, 2013 and 2014 are HK$6,000,000, HK$8,000,000, HK$8,000,000 and HK$2,000,000 respectively. The total amount of the transactions for the year ended 31 December 2011 was HK$3,019,000.

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

Accordingly, the Master Agreement B 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 B calculated on an annual basis are more than 0.1% and less than 5% for both Sinolink and the Company, in accordance with Rule 14A.34 of the Listing Rules, the Master Agreement 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 under Chapter 14A of the Listing Rules. The Company had accordingly published an announcement in respect of the Continuing Connected Transactions dated 31 March 2011.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board of Directors. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules. The Company's auditor was engaged to report on the Group's above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

Related Party Transactions

Details of the related party transactions are set out in note 33 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company as at 31 December 2011:

Long positions in Shares

Name of shareholders	Capacity/ Nature of interest	Aggregate interest	Approximate percentage of the issued share capital as at 31.12.2011
Asia Pacific	Beneficial owner and interest of controlled corporations/ Beneficial interest and Corporate interest	2,617,180,764 (Note)	36.40%
Pope Asset Management, LLC	Investment Manager/ Other interest	641,879,207	8.93%

Note:

2,617,180,764 Shares represent the aggregate of (i) 2,557,105,618 Shares held by Asia Pacific directly, Mr. Ou is the sole shareholder and director of Asia Pacific; and (ii) 60,075,146 Shares are held by Sinolink. Mr. Ou through together with his associates hold a total of 44.28% of the existing issued share capital of Sinolink as at 31 December 2011 and is therefore deemed to be interested in all these 2,617,180,764 Shares under the SFO.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other interests or short positions in the Shares and underlying Shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 90% of the Group's turnover. Sales to the largest customer accounted for 38% of the Group's turnover.

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

At no time during the year, did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in the largest customers or any of the five largest suppliers of the Group for the year ended 31 December 2011.

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 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the 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 26 to 33 of this Annual Report.

AUDIT COMMITTEE

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

The annual results of the Group for the year ended 31 December 2011 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 pages 30 to 31.

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 2011.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

CHEN Wei
Director

Hong Kong, 27 March 2012

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 2011.

BOARD OF DIRECTORS

Composition

During the year 2011 and up to 26 March 2012, the Board comprised 7 members (each member of the Board, a "Director"). Mr. Ou Yaping acted as the Chairman of the Board, whereas Mr. Chen Wei acted as Chief Executive Officer of the Company. Other Executive Directors were Mr. Tang Yui Man Francis and Mr. Xiang Ya Bo. The Company had three Independent Non-executive Directors, Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin, all Independent Non-executive Directors have appropriate professional accounting experience and expertise.

On 27 March 2012, Mr. Ou Yaping resigned as an Executive Director and Chairman of the Board and Mr. Lu Yungang resigned as an Independent Non-executive Director, Mr. Chen Wei ceased to act as the Chief Executive Officer and was appointed as the Chairman of the Board; Mr. Sam Nickolas David Hing Cheong was appointed as an Executive Director and Chief Executive Officer and Mr. Lam Ping Cheung was appointed as an Independent Non-executive Director. Except the above changes, there is no change to the composition of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director is disclosed in pages 9 to 13 of this Annual Report.

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

Except for the family relationship between Mr. Xiang Ya Bo and Mr. Ou Yaping as disclosed in biographical details on page 9 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 Independent Non-executive Director is for a period of 1 year, from 1 January 2012 to 31 December 2012, 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 control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

Matters specifically decided by the Board and those reserved for the management 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 2011, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly interval and 12 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. Details of individual attendance of Directors are set out below:–

	No. of regular Board meetings attended	**No. of other Board meetings attended**
Executive Directors		
Ou Yaping *(Chairman)*	4	11
Chen Wei *(Chief Executive Officer)*	3	4
Xiang Ya Bo	4	5
Tang Yui Man Francis	4	12
Independent Non-executive Directors		
Lu Yungang	3	0
Xiang Bing	2	0
Xin Luo Lin	4	0

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Chen Wei (or Mr. Ou Yaping, the ex-chairman), remains separate from that of the Chief Executive Officer, Mr. Sam Nickolas David Hing Cheong (or Mr. Chen Wei ,the ex-chief executive officer). Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

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

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

During the year 2011 and up to 26 March 2012, the Remuneration Committee comprised 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 was chaired by Mr. Xin Luo Lin.

On 27 March 2012, Mr. Ou Yaping and Mr. Lu Yungang resigned as members of Remuneration Committee; and Mr. Chen Wei and Mr. Lam Ping Cheung were appointed as members of Remuneration Committee. Except the above changes, there is no change to the membership of the Remuneration Committee.

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 2011, the Remuneration Committee:

- reviewed the remuneration policy for 2011/2012;
- reviewed the remuneration of executive directors and independent non-executive directors and management year-end bonus; and
- reviewed and approved the services agreements of Executive Directors.

The Remuneration Committee held 1 meeting during 2011 with individual attendance as follows:

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

Audit Committee

During the year 2011 and up to 26 March 2012, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin and was chaired by Mr. Xin Luo Lin.

On 27 March 2012, Mr. Lu Yungang resigned as a member of Audit Committee and Mr. Lam Ping Cheung was appointed as member of Audit Committee. Except the above change, there is no change to the membership of Audit Committee.

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

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

During 2011, the Audit Committee:

– reviewed financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011;

– reviewed of the effectiveness of the internal control system;

– reviewed of the external auditor's audit findings; and

– reviewed and approved remuneration of auditor for 2010 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	2
Xin Luo Lin *(Chairman of the Audit Committee)*	3

Nomination of Directors

During the year 2011 and up to 26 March 2012, 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 nominee's qualification, ability and potential contributions to the Company.

There was no change in the composition of the board of Directors of the Company during the year 2011.

On 27 March 2012, a Nomination Committee was formed in accordance with the amended Appendix 14 of the Listing Rules and comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, Mr. Lam Ping Cheung, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Lam Ping Cheung.

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 2011, all Directors have complied with the required standard set out in the Model Code.

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to 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 2011. Deloitte also reviewed the 2011 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2011 amounted to HK$1,050,000. Non-audit services fees charged by Deloitte were as follows:

Description of professional services rendered in connection with:–

	Fee
	HK$'000
– Reviews of the interim financial report of the Company for the six months ended 30 June 2011	400
– Reviews of the financial information in very substantial disposal transactions	1,480
– Other services	65
	1,945

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, 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 2011 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemized on the agenda, including re-election of retiring Directors. The Chairman of the Board and certain members of all Committees or their duly appointed delegates attended the 2011 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 profit and cash flows of the Group for the year. The statement of the Auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 34 to 35.

Deloitte.
德勤

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

We have audited the consolidated financial statements of Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 95 which comprise the consolidated statement of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Continuing operation			
Turnover		**47,684**	16,260
Cost of sales		**(48,918)**	(17,892)
Gross loss		**(1,234)**	(1,632)
Other income and gains	6	**33,186**	7,475
Selling and distribution expenses		**(4,833)**	(2,085)
Administrative expenses		**(52,714)**	(56,952)
Other expenses		**(637)**	(78)
Net (losses) gains on investments held for trading		**(69,420)**	227,679
Gain on convertible note classified as held for trading		**–**	10,789
Share of results of an associate		**–**	58,240
Loss on disposal and deemed disposal of an associate	19	**–**	(847,568)
Gain on bargain purchase of a subsidiary	27	**–**	17,346
Finance costs	7	**(6,304)**	(1,687)
Loss for the year from continuing operation	8	**(101,956)**	(588,473)
Discontinued operation			
Profit (loss) for the year from discontinued operation	9	**749,353**	(94,720)
Profit (loss) for the year		**647,397**	(683,193)
Other comprehensive income			
Share of other comprehensive income of an associate		**–**	18,403
Exchange differences arising on translation to presentation currency		**30,146**	14,504
Exchange differences realised upon deregistration of a subsidiary		**–**	(420)
Other comprehensive income for the year		**30,146**	32,487
Total comprehensive income (expense) for the year		**677,543**	(650,706)
Profit (loss) for the year attributable to:			
Owners of the Company		**647,397**	(683,181)
Non-controlling interests		**–**	(12)
		647,397	(683,193)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000 (restated)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**677,543**	(650,568)
Non-controlling interests		**–**	(138)
		677,543	(650,706)
		HK cents	HK cents
Basic and diluted earnings (loss) per share	13		
From continuing and discontinued operations		**9.00**	(9.50)
From continuing operation		**(1.42)**	(8.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**84,446**	1,472,350
Prepaid lease payments	15	**17,979**	60,583
Available-for-sale investments	16	**583,000**	278,000
		685,425	1,810,933
Current assets			
Inventories	17	**40,536**	114,258
Prepaid lease payments	15	**478**	1,738
Trade and other receivables, deposits and prepayments	18	**548,048**	197,429
Taxation recoverable		**676**	–
Investments held for trading	19	**1,165,870**	958,350
Pledged bank deposits	20	**49,322**	55,298
Bank balances and cash	20	**1,281,371**	1,006,945
		3,086,301	2,334,018
Current liabilities			
Trade and other payables	21	**191,706**	331,425
Taxation payable		**242**	8,922
Borrowings – amount due within one year	22	**38,841**	866,592
		230,789	1,206,939
Net current assets		**2,855,512**	1,127,079
Total assets less current liabilities		**3,540,937**	2,938,012
Non-current liability			
Borrowings – amount due after one year	22	**–**	74,618
Net assets		**3,540,937**	2,863,394

	NOTE	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	23	**71,897**	71,897
Reserves		**3,469,040**	2,791,497
Total equity		**3,540,937**	2,863,394

The consolidated financial statements on pages 36 to 95 were approved and authorised for issue by the Board of Directors on 27 March 2012 and are signed on its behalf by:

Chen Wei
DIRECTOR

Tang Yui Man Francis
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Capital reserve** HK$'000	**General reserves** HK$'000 (Note)	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**(Accumulated losses) retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2010	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	–	–	14,504	–	–	–	–	–	14,504	–	14,504
Exchange differences released upon deregistration of a subsidiary	–	–	(294)	–	–	–	–	–	(294)	(126)	(420)
Loss for the year	–	–	–	–	–	–	–	(683,181)	(683,181)	(12)	(683,193)
Total comprehensive income (expense) for the year	–	–	32,613	–	–	–	–	(683,181)	(650,568)	(138)	(650,706)
Exchange reserve realised on disposal of an associate	–	–	(166,836)	–	–	–	–	166,836	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	2,013	–	2,013	–	2,013
Share options lapsed	–	–	–	–	–	–	(2,818)	2,818	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	(336)	(336)
At 31 December 2010	71,897	3,041,421	182,362	81,525	3,637	544	10,481	(528,473)	2,863,394	–	2,863,394
Exchange differences arising on translation to presentation currency	–	–	30,146	–	–	–	–	–	30,146	–	30,146
Profit for the year	–	–	–	–	–	–	–	647,397	647,397	–	647,397
Total comprehensive income for the year	–	–	30,146	–	–	–	–	647,397	677,543	–	677,543
Exchange reserve realised on disposal of a subsidiary	–	–	(185,549)	–	–	–	–	185,549	–	–	–
Share options lapsed	–	–	–	–	–	–	(1,771)	1,771	–	–	–
Disposal of a subsidiary	–	–	–	(81,525)	(3,637)	–	–	85,162	–	–	–
At 31 December 2011	**71,897**	**3,041,421**	**26,959**	**–**	**–**	**544**	**8,710**	**391,406**	**3,540,937**	**–**	**3,540,937**

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

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit (loss) for the year	**647,397**	(683,193)
Adjustments for:		
Share of results of an associate	**–**	(58,240)
Depreciation of property, plant and equipment	**13,837**	59,902
Release of prepaid lease payments	**671**	1,438
Share-based payment expenses	**–**	2,013
Interest expenses	**14,960**	49,918
Interest income	**(12,301)**	(5,367)
Reversal of write-down for inventories	**(2,148)**	–
(Gain) loss on disposal of property, plant and equipment	**(649)**	265
Net losses (gains) on investments held for trading	**69,420**	(227,679)
Write-off on loans to Shenzhen Fuhuade	**3,529**	–
Gain on convertible note classified as held for trading	**–**	(10,789)
Dividend income	**(13,413)**	(3,588)
Gain on bargain purchase of a subsidiary	**–**	(17,346)
Gain on disposal of subsidiaries	**(763,076)**	–
Loss on disposal and deemed disposal of an associate	**–**	847,568
Operating cash flows before movements in working capital	**(41,773)**	(45,098)
Decrease in inventories	**3,259**	23,478
(Increase) decrease in investments held for trading	**(276,940)**	786,346
Decrease (increase) in trade and other receivables, deposits and prepayments	**12,276**	(20,139)
Decrease in trade and other payables	**(53,600)**	(172,794)
Cash (used in) generated from operations	**(356,778)**	571,793
Interest paid on bank borrowings	**(14,960)**	(49,918)
Income tax paid	**(676)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(372,414)**	521,875

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of a subsidiary	28	**786,741**	–
Repayment of loans to Shenzhen Fuhuade	28	**151,811**	–
Pledged bank deposits released		**35,086**	–
Pledged bank deposits made		**(49,322)**	(6,482)
Dividend received from available-for-sale investments and investments held for trading		**13,413**	3,588
Interest received		**9,528**	3,345
Proceeds from disposal of property, plant and equipment		**1,941**	2,228
Purchase of available-for-sale investments		**(305,000)**	(200,000)
Purchase of property, plant and equipment		**(25,911)**	(10,335)
Gross proceeds from disposal of an associate		**–**	306,000
Dividend received from an associate		**–**	8,910
Deregistration of a subsidiary		**–**	1,079
Purchase of convertible note receivable		**–**	(10,000)
Acquisition of a subsidiary	27	**–**	(71,256)
Expense on disposal of an associate		**–**	(4,626)
Purchase of prepaid lease payments		**–**	(353)
NET CASH FROM INVESTING ACTIVITIES		**618,287**	22,098
FINANCING ACTIVITIES			
New bank loans raised		**141,572**	1,014,693
Repayment of bank loans		**(113,926)**	(745,645)
Repayment of advances from Shenzhen Fuhuade		**(17,074)**	–
NET CASH FROM FINANCING ACTIVITIES		**10,572**	269,048
NET INCREASE IN CASH AND CASH EQUIVALENTS		**256,445**	813,021
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,006,945**	192,020
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**17,981**	1,904
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,281,371**	1,006,945

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 investment holdings and manufacturing and sales of electrical and energy-related products. It was also engaged in the supply of electricity which was classified as a discontinued operation in current year (see note 9). Accordingly, the comparatives in the consolidated statement of comprehensive income and certain explanatory notes have been re-presented to present the results of the supply of electricity operation as discontinued operation.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's available-for-sale investments which are measured at cost at the end of the reporting period in accordance with HKAS 39. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and their application is unlikely to have material impact on amounts reported in the consolidated financial statements.

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

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard may affect the measurement of available-for-sale investments reported in the consolidated financial statements and will result in more extensive disclosures in the consolidated financial statements.

For other new and revised standards, amendments or interpretations, the directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 in full on consolidation.

Loss of control of a subsidiary

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

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

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

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, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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 (the higher of value in use and fair value less cost to sell) 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 weighted average method.

Financial instruments

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

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

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a 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 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recovery of amounts previously written off are credited to profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss 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 instruments

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.

Other financial liabilities

Other financial liabilities including trade 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)*

Financial guarantee contracts

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

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

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 associated with 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.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group entities 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).

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

Retirement benefit costs

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

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

Impairment of property, plant and equipment and prepaid lease payments

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

Based on an analysis of recoverable amounts of property, plant and equipment and prepaid lease payments determined based on their fair value less costs to sell, the directors consider no impairment loss is necessary as at the end of reporting period. Where the actual selling prices less costs to sell are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of property, plant and equipment and prepaid lease payments are HK$84,446,000 (2010: HK$1,472,350,000) and HK$18,457,000 (2010: HK$62,321,000), respectively.

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

As disclosed in notes 9 and 28, the Group disposed of its 100% equity interest in 中海油深圳電力有限公司 (formerly known as 深圳福華德電力有限公司, Shenzhen Fuhuade Electric Power Co., Ltd.) ("Shenzhen Fuhuade") and the disposal was completed on 22 February 2011, on which date Shenzhen Fuhuade ceased to be a subsidiary of the Company.

The consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) after deducting estimated other tax expenses of HK$98,000,000 such as withholding tax arising on the disposal was subject to adjustment in accordance with the results of supplemental audit on the financial information of Shenzhen Fuhuade for the period from 1 January 2010 to the date of the disposal (the "Supplemental Audit"). Up to 31 December 2011, the Supplemental Audit was not yet completed, no adjustment is assumed by the management in determining the consideration and other tax expenses arising from the disposal, certain consideration and other tax expenses were receivable and payable at the end of the reporting period respectively.

Where the actual consideration of the disposal is less than expected, a material impairment loss on consideration receivable and a material adjustment on other taxes payable may result. As at 31 December 2011, the carrying amount of consideration receivable and other taxes payable are HK$440,989,000 (2010: nil) and HK$100,538,000 (2010: nil), respectively.

5. SEGMENT INFORMATION

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's continuing operation comprises manufacture and sales of electrical and energy-related products and it is determined that the Group has only one operating segment in its continuing operation, accordingly no segment information was disclosed.

During the current year, the Group disposed of the whole operation in electricity supplies, upon which disposal this operating segment was discontinued, as described in more detail in note 9. The corresponding information for the year ended 31 December 2010 has been re-presented accordingly.

Geographical segments

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

Information about major customer

Revenue from customers contributing over 10% of the total sales of the Group of the corresponding years is as follows:

	2011 **HK$'000**	2010 HK$'000
Customer A	**18,062**	7,521
Customer B	**16,493**	1,634
Customer C	**2,929**	2,943

6. OTHER INCOME AND GAINS

Other income and gains mainly comprised of:

	2011 **HK$'000**	2010 HK$'000
Interest income on:		
– bank deposits	**8,929**	1,247
– others	**3,372**	1,858
	12,301	3,105
Dividend income:		
– listed	**11,227**	1,429
– unlisted	**2,186**	2,159
	13,413	3,588
Exchange gain, net	**5,749**	173
Gain on disposal of property, plant and equipment	**649**	–
Others	**1,074**	609
	33,186	7,475

7. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**6,304**	1,687

8. LOSS FOR THE YEAR FROM CONTINUING OPERATION

	2011 HK$'000	2010 HK$'000
Loss for the year from continuing operation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,050**	1,690
Depreciation of property, plant and equipment	**5,299**	2,402
Loss on disposal of property, plant and equipment	**–**	45
Release of prepaid lease payments	**478**	186
Minimum lease payments under operating leases in respect of rented premises	**2,458**	2,856
Reversal of write-down for inventories	**(2,148)**	–
Staff costs (including directors' remuneration):		
Retirement benefit scheme contributions	**2,098**	816
Share-based payments	**–**	2,013
Salaries and other benefits	**28,084**	17,235
Total staff costs	**30,182**	20,064
Share of tax of an associate (included in share of results of an associate)	**–**	12,813

9. DISCONTINUED OPERATION

On 19 December 2010, the Group entered into a conditional equity transfer agreement (the "Agreement") with 中海石油氣電集團有限責任公司 (CNOOC Gas & Power Group) (the "Purchaser") to dispose of its 100% equity interest in Shenzhen Fuhuade which was engaged in electricity supply in the PRC. The disposal was completed on 22 February 2011, on which date Shenzhen Fuhuade ceased to be a subsidiary of the Company, accordingly the Group's electricity supply operation is treated as a discontinued operation.

9. DISCONTINUED OPERATION *(Continued)*

The profit (loss) from the discontinued operation and the results of the electricity supply operation which have been included in the consolidated statement of comprehensive income for the current and prior years is analysed as follows:

	2011 HK$'000	2010 HK$'000
Turnover	62,632	385,478
Cost of sales	(73,285)	(422,957)
Gross loss	(10,653)	(37,479)
Other income	8,091	8,010
Administrative expenses	(2,435)	(16,778)
Other expenses	(70)	(242)
Finance costs	(8,656)	(48,231)
Loss of electricity supply operation for the year	(13,723)	(94,720)
Gain on disposal of electricity supply operation	763,076	–
Profit (loss) for the year from the discontinued operation	749,353	(94,720)
Profit (loss) for the year from discontinued operation includes the following:		
Consumption tax on fuel oil (included in cost of sales)	–	49,402
Depreciation of property, plant and equipment	8,538	57,500
Loss on disposal of property, plant and equipment	–	220
Release of prepaid lease payments	193	1,252
Minimum lease payments under operating leases in respect of rented premises	–	125
Staff costs:		
Retirement benefit scheme contributions	107	698
Salaries and other benefits	988	13,093
Total staff costs	1,095	13,791
Interest income	–	2,262

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

	2011 HK$'000	2010 HK$'000
Net cash used in operating activities	(13,777)	(139,188)
Net cash (used in) from investing activities	(19,536)	12,401
Net cash from financing activities	22,743	216,380
Net cash (outflows) inflows	(10,570)	89,593

The carrying amounts of the assets and liabilities of Shenzhen Fuhuade at the date of disposal are disclosed in note 28.

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 from its continuing operation.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is entitled to exemption from PRC enterprise income tax for the first two years commencing from 1 January 2007 and thereafter, the PRC subsidiary would be entitled to a 50% relief from PRC enterprise income tax for the following three years and was taxed at 12.5% (2010: 12.5%) for the year ended 31 December 2011.

No PRC Enterprise Income Tax has been provided as the Group has no taxable profit for both years from its continuing operation.

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

	2011	2010
	HK$'000	HK$'000
Loss for the year from continuing operation	**(101,956)**	(588,473)
Tax credit at applicable income tax rate of 12.5% (2010: 12.5%)	**(12,745)**	(73,559)
Tax effect of expenses not deductible for tax purpose	**21,909**	112,136
Tax effect of income not taxable for tax purpose	**(11,104)**	(32,716)
Tax effect of share of results of associates	**–**	(7,280)
Tax effect of tax losses not recognised	**1,940**	1,419
Taxation for the year	**–**	–

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of HK$52,443,000 (2010: HK$460,150,000) available to offset the future assessable profit due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of HK$15,520,000 and HK$12,806,000 that will expire by 2016 and 2015, respectively (2010: HK$423,227,000 that will expire by 2015). Other losses may be carried forward indefinitely.

The estimated tax losses in 2010 included HK$423,227,000 related to a subsidiary disposed of as set out in note 28.

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

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the seven directors (2010: eight directors) were as follows:

	Year ended 31 December 2011							
	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 (Note (a))	–	–	–	–	250	250	250	750
Other emoluments								
– salaries and other benefits (Note (b))	390	1,560	1,800	307	–	–	–	4,057
– contributions to retirement benefit schemes	12	178	12	9	–	–	–	211
– performance and discretionary bonus (Note (c))	500	2,000	800	–	–	–	–	3,300
– share-based payments	–	–	–	–	–	–	–	–
Total emoluments	902	3,738	2,612	316	250	250	250	8,318

	Year ended 31 December 2010								
	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 (Note (a))	–	–	–	–	–	250	250	250	750
Other emoluments									
– salaries and other benefits (Note (b))	–	390	2,002	1,800	1,736	–	–	–	5,928
– contributions to retirement benefit schemes	–	12	150	12	30	–	–	–	204
– performance and discretionary bonus (Note (c))	–	–	1,000	500	–	–	–	–	1,500
– share-based payments	–	127	316	316	949	95	95	–	1,898
Total emoluments	–	529	3,468	2,628	2,715	345	345	250	10,280

Notes:

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

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

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

The five highest paid individuals of the Group included three directors (2010: three directors) of the Company. Details of their emoluments are included above.

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

The emoluments of the remaining two (2010: two) highest paid individuals for the year are set out as follows:

	2011 **HK$'000**	2010 HK$'000
Employees		
Salaries and other benefits	**1,927**	1,903
Contributions to retirement benefit scheme contributions	**41**	41
	1,968	1,944

Their emoluments are within the following band:

	2011 **Number of employees**	2010 Number of employee
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

12. DIVIDENDS

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

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: Nil).

13. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011	2010
	HK$'000	HK$'000
Earnings		
Earnings (loss) for the purposes of basic and diluted earnings (loss) for the year attributable to owners of the Company	**647,397**	(683,181)

The denominators used are the same as those detailed for both basic and diluted loss per share from continuing operation.

From continuing operation

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

	2011	2010
	HK$'000	HK$'000
Loss figures are calculated as follow:		
Profit (loss) for the year attributable to owners of the Company	**647,397**	(683,181)
Less: (Profit) loss for the year from the discontinued operation	**(749,353)**	94,720
Loss for the purposes of calculating basic and diluted loss per share from the continuing operation	**(101,956)**	(588,461)

	2011	2010
Number of shares		
Number of ordinary shares in issue during the year	**7,189,655,664**	7,189,655,664

The computation of diluted loss per share from continuing operation 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. EARNINGS (LOSS) PER SHARE *(Continued)*

From discontinued operation

Basic and diluted earnings per share from the discontinued operation is HK10.42 cents per share (2010: loss per share of HK 1.32 cents per share), based on the profit for the year from the discontinued operation of HK$749 million (2010: loss for the year of HK$95 million) and the denominators detailed above for both basic and diluted loss per share from continuing operation.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2010	104,740	648	5,687	1,727,873	6,510	31,207	1,876,665
Currency realignment	5,491	–	163	60,423	146	1,100	67,323
Acquired on acquisition of a subsidiary	28,318	–	2,043	20,593	335	35,180	86,469
Additions	–	–	260	9,061	–	1,014	10,335
Transfers	–	–	–	954	–	(954)	–
Disposals	–	–	(129)	(16,882)	(2,345)	–	(19,356)
At 31 December 2010	138,549	648	8,024	1,802,022	4,646	67,547	2,021,436
Currency realignment	4,682	–	199	15,709	572	1,951	23,113
Additions	–	–	8	3,897	–	22,006	25,911
Transfers	21,159	–	–	11,501	–	(32,660)	–
Disposal of a subsidiary	(108,920)	–	(3,824)	(1,790,352)	(975)	(55,728)	(1,959,799)
Disposals	(1,074)	–	–	(100)	(1,672)	–	(2,846)
At 31 December 2011	54,396	648	4,407	42,677	2,571	3,116	107,815
DEPRECIATION							
At 1 January 2010	38,912	648	3,433	437,802	5,245	–	486,040
Currency realignment	1,841	–	84	17,975	107	–	20,007
Provided for the year	8,073	–	685	50,550	594	–	59,902
Eliminated on disposals	–	–	(90)	(14,596)	(2,177)	–	(16,863)
At 31 December 2010	48,826	648	4,112	491,731	3,769	–	549,086
Currency realignment	701	–	95	4,975	93	–	5,864
Provided for the year	2,579	–	643	9,940	675	–	13,837
Disposal of a subsidiary	(46,333)	–	(1,909)	(494,648)	(974)	–	(543,864)
Eliminated on disposals	(87)	–	–	(95)	(1,372)	–	(1,554)
At 31 December 2011	5,686	648	2,941	11,903	2,191	–	23,369
CARRYING VALUES							
At 31 December 2011	48,710	–	1,466	30,774	380	3,116	84,446
At 31 December 2010	89,723	–	3,912	1,310,291	877	67,547	1,472,350

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

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

Buildings	Over the lease term of the land 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 situated on land held under medium term leases in the PRC.

Due to the Group's economic performance were worse than previously expected, the directors conducted an impairment assessment of the Group's leasehold land and buildings in the PRC and plant and machinery, which are used in the Group's continuing operation in manufacture and sales of electrical and energy-related products in 2011. The recoverable amounts of the relevant assets have been determined on the basis of their fair values less costs to sell. The fair values of the relevant assets at the end of the reporting period were based on the valuation performed by an independent professional valuer. As the recoverable amounts exceeded the carrying amounts of the relevant assets at 31 December 2011, no impairment loss was recognised accordingly.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2011 **HK$'000**	2010 HK$'000
Leasehold land outside Hong Kong with medium-term leases	**18,457**	62,321
Analysed for reporting purposes:		
Non-current portion	**17,979**	60,583
Current portion	**478**	1,738
	18,457	62,321

Details of the impairment assessment of prepaid lease payments are set out in note 14.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2011 **HK$'000**	2010 HK$'000
Unlisted shares in overseas, at cost	**578,000**	278,000
Unlisted shares in Hong Kong, at cost	**5,000**	–
	583,000	278,000

On 25 January 2011, Ideal Principles Limited ("Ideal Principles"), a wholly owned subsidiary of the Company, entered into a share subscription agreement (the "Cordoba Agreement") with Cordoba Homes Limited ("Cordoba"), an unlisted private company incorporated in the British Virgin Islands. Pursuant to the Cordoba Agreement, Cordoba agreed to issue and Ideal Principles agreed to subscribe for shares at a subscription price of HK$300,000,000. The principal activities of Cordoba and its subsidiaries are principally engaged in property investment, near to cash investments (such as investment in securities trading and money lending business) and investment holding.

In addition to the Group's investment in Cordoba, investments in unlisted equity securities issued by private entities incorporated overseas and in Hong Kong are held for an identified long term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

For the Group's available-for-sale investments, the management reviews the investee's financial position at the end of the reporting period, observable data such as net asset value per share and transactions of the investee's share and consequently considers no objective evidence of impairment was identified at 31 December 2011 and 2010. Accordingly, the directors consider no impairment should be recognised.

17. INVENTORIES

	2011 **HK$'000**	2010 HK$'000
Raw materials	**3,990**	80,572
Work in progress	**19,918**	20,200
Finished goods	**16,628**	13,486
	40,536	114,258

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**32,635**	105,079
Consideration receivable for disposal of a subsidiary (note 28)	**440,989**	–
Other receivables, deposits and prepayments	**74,424**	92,350
	548,048	197,429

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

	2011 HK$'000	2010 HK$'000
Within 90 days	**14,717**	96,282
91 – 180 days	**17,672**	3,236
181 – 360 days	**246**	118
Over 360 days	**–**	5,443
	32,635	105,079

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$17,918,000 (2010: HK$8,797,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default. The Group does not hold any collateral over these balances.

The aged analysis of trade debtors which are past due but not impaired is as follows:

	2011 HK$'000	2010 HK$'000
91 – 180 days	**17,672**	3,236
181 – 360 days	**246**	118
Over 360 days	**–**	5,443
	17,918	8,797

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Included in trade debtors were debts discounted with recourse amounting to HK$1,850,000 (2010: HK$5,252,000) at 31 December 2011. The Group would need to repay the financial institutions if there are credit losses on the receivables before the end of discounting period, accordingly, the Group continued to recognise the full carrying amount of those debtors and had recognised the cash received as a secured borrowing *(see note 22)*.

Except for the concentration of credit risk from electricity supply to government department in Shenzhen, the PRC at 31 December 2010 and CNOOC Gas & Power Group in respect of the consideration receivable for disposal of a subsidiary at 31 December 2011, the concentration of credit risk is limited due to the customer base being large and unrelated. The Group does not hold any collateral over the consideration receivable for disposal of a subsidiary, the management believe that CNOOC Gas & Power Group is a reputable PRC stated-owned company with its shares listed on the main board of the Stock Exchange and does not expect material credit risk from the balance accordingly.

19. INVESTMENTS HELD FOR TRADING

	2011 **HK$'000**	2010 HK$'000
Investments held for trading, at fair value		
Listed shares in Hong Kong	**1,165,475**	955,394
Listed shares in elsewhere	**395**	573
Unlisted managed investment funds	**–**	2,383
	1,165,870	958,350

Included in the listed shares in Hong Kong is an amount of HK$821,046,000 (2010: HK$729,167,000) equity interest in Towngas China Company Limited ("Towngas China"), a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange. The Group's interest in Towngas China is 7.95% as of 31 December 2011 (2010: 7.98%). The principal activities of Towngas China and its subsidiaries are the provision of piped city-gas, construction of gas pipelines, the operation of city gas pipeline networks, the operation of gas fuel automobile refilling stations, and the sale of household gas appliances.

19. INVESTMENTS HELD FOR TRADING *(Continued)*

In April 2010, the Group entered into a placing agreement with a placing agent to dispose of 85,000,000 shares in Towngas China at a price of HK$3.60 per share. In addition, Towngas China entered into an agreement in March 2010 with Hong Kong & China Gas Limited's subsidiary (the "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. The Acquisition was completed on 15 July 2010.

The Group's interest in Towngas China was decreased from 27.09% as at 31 December 2009 to 18.19% as at 15 July 2010. As a result, the Group had lost significant influence in Towngas China and the investment of approximately HK$1,345,372,000 had been classified as investments held for trading. A loss on disposal and deemed disposal of Towngas China of HK$847,568,000 resulted from the disposal.

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group's deposits amounting to HK$49,322,000 (2010: HK$55,298,000) 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 3.3% (2010: 0.30%) per annum.

Bank balances carry interest at prevailing market rate ranging from 0.01% to 3.1% (2010: 0.01% to 0.36%) per annum.

21. TRADE AND OTHER PAYABLES

	2011 **HK$'000**	2010 HK$'000
Trade payables	**63,692**	110,312
Advances received (note)	**–**	146,228
Other taxes arising from disposal of subsidiary (note 28)	**100,538**	–
Other payables and accrued charges	**27,476**	74,885
	191,706	331,425

Note: Amount represented advance from an independent third party unrelated to the Group (the "Entity"). Pursuant to the agreement which the Group entered into with the Entity in 2010, the Entity agreed to advance an amount not exceeding RMB200 million to the Group for the trading of fuel consumables and resell in the PRC. The Group would identify trading opportunity and share the profit or loss based on mutually agreed terms. During the year ended 31 December 2010, an amount of RMB124 million (equivalent to approximately HK$146,228,000) was advanced to the Group. During the year ended 31 December 2011, HK$57,600,000 was repaid by the Group, while the remaining balance has been disposed of upon the disposal of subsidiary as disclosed in note 28.

21. TRADE AND OTHER PAYABLES *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Within 90 days	**6,307**	99,884
91 – 180 days	**54,840**	5,828
181 – 360 days	**986**	836
Over 360 days	**1,559**	3,764
	63,692	110,312

22. BORROWINGS

	2011 **HK$'000**	2010 HK$'000
Borrowings comprise the following:		
Bank loans – secured	**38,841**	418,438
Bank loans – unsecured	**–**	522,772
	38,841	941,210
The maturity of the above borrowings is as follows:		
Within one year	**38,841**	866,592
More than one year but not more than two years	**–**	74,618
	38,841	941,210
Less: Amount due within one year shown under current liabilities	**(38,841)**	(866,592)
Amount due after one year	**–**	74,618

22. BORROWINGS *(Continued)*

The bank loans mainly comprise of:

	Maturity date	Effective interest rate	Carrying amount 2011 HK$'000	2010 HK$'000
Floating rate bank borrowings:				
Unsecured RMB bank loan of RMB299,000,000 at 6-month PRC bank interest rate plus certain spread	7 December 2011, 12 June 2011, 12 May 2011 27 January 2011 and 13 March 2011	4.86% to 5.83%	**–**	351,351
Secured RMB bank loans of RMB30,000,000 (2010: RMB256,091,000) at 6-month PRC bank interest rate plus certain spread	8 March 2011 24 February 2011, 20 May 2011, 12 March 2012 and 23 November 2012	4.43% to 7.32%	**36,991**	300,929
Fixed rate bank borrowings:				
Unsecured RMB bank loan of RMB141,410,000	25 November 2011, 29 June 2011 and 24 February 2011	5.4%	**–**	166,169
Other secured RMB bank loan of RMB100,000,000	13 March 2011 and 29 June 2011	5.1% to 5.4%	**–**	117,509
Loans related to bills discounted with recourse	26 November 2011, 26 February 2011, 20 March 2011, 29 April 2011 and 24 February 2012 to 28 March 2012	3.3% to 5.2%	**1,850**	5,252
Total bank loans			**38,841**	941,210

The floating rate bank loans carry interest at 6-month PRC bank interest rate plus certain spread (2010: 6-month PRC bank interest rate plus certain spread).

22. BORROWINGS *(Continued)*

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 2011, property, plant and equipment with an aggregate carrying amount of HK$19,345,000 (2010: HK$759,062,000), prepaid lease payments of HK$18,062,000 (2010: HK$18,022,000), bank deposits of HK$49,322,000 (2010: HK$55,298,000) and inventories of HK$nil (2010: HK$74,335,000), were pledged to banks for the secured bank loans and other general banking facilities granted to the Group.

23. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2010 and 31 December 2010	7,500,000,000	75,000
Increase on 27 May 2011	4,500,000,000	45,000
At 31 December 2011	12,000,000,000	120,000
Issued and fully paid:		
At 31 December 2010 and 31 December 2011	7,189,655,664	71,897

Pursuant to an ordinary resolution by shareholders on 27 May 2011, the authorised share capital of the Company increased from HK$75,000,000 divided into 7,500,000,000 shares of par value HK$0.01 each to HK$120,000,000 divided into 12,000,000,000 shares by the creation of an additional 4,500,000,000 shares each ranking pari passu with the existing shares of the Company.

24. 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 2011 and 2010:

	Number of the share options			
Option scheme	**Outstanding at 1.1.2011**	**Forfeited during the year**	**Outstanding at 31.12.2011**	**Exercisable at the end of the year**
2002 Scheme	**211,050,379**	**(22,468,418)**	**188,581,961**	**188,581,961**
Weighted average exercise price	**HK$0.32**	**HK$0.32**	**HK$0.32**	**HK$0.32**

	Number of the share options			
Option scheme	**Outstanding at 1.1.2010**	**Forfeited during the year**	**Outstanding at 31.12.2010**	**Exercisable at the end of the year**
2002 Scheme	239,688,881	(28,638,502)	211,050,379	146,089,879
Weighted average exercise price	HK$0.34	HK$0.52	HK$0.32	HK$0.32

Had all the outstanding vested share options been fully exercised on 31 December 2011, the Company would have received cash proceeds of HK$60,346,000 (2010: HK$46,748,000).

24. SHARE OPTION SCHEMES *(Continued)*

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
	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.

25. 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 22 (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors 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.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
FVTPL		
Held for trading	**1,165,870**	958,350
Loans and receivables (including cash and cash equivalents)	**1,869,644**	1,204,033
Available-for-sale investments	**583,000**	278,000
Financial liabilities		
Amortised cost	**230,547**	1,234,561

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 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.

Foreign currency risk

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

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

	Assets		Liabilities	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
United States Dollar ("USD")	**200,403**	1,003	**–**	–
RMB	**440,989**	–	**100,538**	–

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

26. 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% (2010: 10%) in the relevant functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2010: 10%) change in foreign currency rates.

The sensitivity analysis includes trade and other receivables, bank balances, and trade and other payables where the denomination of the balances is in a currency other than the currency of the respective group entities. A positive number below indicates an increase in profit (2010: decrease in loss) for the year where the respective functional currencies weaken 10% (2010: 10%) against the relevant foreign currencies. For a 10% (2010: 10%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the profit/ loss for the year and the balances below would be negative.

	2011	2010
	HK$'000	HK$'000
Increase in profit (2010: decrease in loss) for the year	**54,085**	91

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 22) and variable-rate bank balances and deposits. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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

26. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate 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 (2010: 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 (2010: 70 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase/decrease by HK$9,043,000 (2010: loss for the year: decrease/increase by HK$2,664,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing and bank balances.

Other price risk

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

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% (2010: 15%) higher/lower, profit for the year ended 31 December 2011 would increase/decrease by HK$146,026,000 (2010: loss for the year: decrease/increase by HK$143,752,000) 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.

26. 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 consider that the Group's credit risk is significantly reduced.

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

Except for the concentration of credit risk from electricity supply to government department in Shenzhen, the PRC at 31 December 2010 and CNOOC Gas & Power Group in respect of the consideration receivable for disposal of a subsidiary at 31 December 2011, the concentration of credit risk is limited due to the customer base being large and unrelated. The Group does not hold any collateral over the consideration receivable for disposal of a subsidiary, the management believe that CNOOC Gas & Power Group is a reputable PRC stated-owned company with its shares listed on the main board of the Stock Exchange and does not expect material credit risk from the balance accordingly.

Liquidity risk

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

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

26. 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 HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade payables	–	8,063	49,943	5,686	–	63,692	63,692
Other payables	–	128,014	–	–	–	128,014	128,014
Bank loans							
– variable rate	7.32	–	–	39,669	–	39,669	36,991
– fixed rate	4.8 and 5.2	–	1,850	–	–	1,850	1,850
		136,077	51,793	45,355	–	233,225	230,547

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade payables	–	65,445	38,067	6,800	–	110,312	110,312
Other payables	–	180,666	–	2,373	–	183,039	183,039
Bank loans							
– variable rate	4.39	–	170,333	422,249	79,476	672,058	652,280
– fixed rate	5.4 and 4.43	–	111,011	184,664	–	295,675	288,930
		246,111	319,411	616,086	79,476	1,261,084	1,234,561

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.

26. FINANCIAL INSTRUMENTS *(Continued)*

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).

26. FINANCIAL INSTRUMENTS *(Continued)*

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

	2011			
	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	**1,165,870**	**–**	**–**	**1,165,870**

	2010			
	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	955,967	–	–	955,967
– unlisted managed investment funds	–	–	2,383	2,383
Total	955,967	–	2,383	958,350

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 2010	7,347
Disposals	(4,964)
At 31 December 2010	2,383
Disposals	(2,383)
At 31 December 2011	**–**

27. ACQUISITION OF A SUBSIDIARY

On 28 July 2010, the Group acquired 100% of the issued share capital of Deluxe International Investment Limited ("Deluxe") for consideration of approximately HK$104,935,000, which included an amount of HK$18,762,000 for settlement of the convertible bonds issued by Deluxe. This acquisition had been accounted for using the acquisition method. The amount of gain on bargain purchase arising as a result of the acquisition was HK$17,346,000. Deluxe was engaged in the manufacture and sales of electrical and energy-related products. Deluxe was acquired so as to broaden the Group's market share in the local and international markets in the energy and power industry and contributed to the Group's development.

Consideration transferred

	HK$'000
Cash and total consideration	104,935

Assets acquired and liabilities recognised at the date of acquisition are as follow

	HK$'000
Property, plant and equipment	86,469
Prepaid lease payments	17,859
Inventories	42,062
Trade and other receivables	23,376
Bank balances and cash	33,679
Trade and other payable	(51,787)
Borrowings	(29,377)
	122,281

The fair value of trade and other receivables at the date of acquisition amounted to HK$23,376,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$34,269,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$10,893,000.

27. ACQUISITION OF A SUBSIDIARY *(Continued)*

Gain on bargain purchase arising on acquisition

	HK$'000
Consideration transferred	104,935
Less: Net assets acquired	(122,281)
Gain on bargain purchase	17,346

The directors are of the opinion that the gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to the seller to withdraw from the investment within a relatively short period of time.

Net cash outflow on acquisition of Deluxe

	HK$'000
Cash and total consideration paid	104,935
Less: Cash and cash equivalent balances acquired	(33,679)
	71,256

Included in the loss for the year ended 31 December 2010 was loss of HK$12,943,000 attributable to the additional business generated by Deluxe. Turnover for the year ended 31 December 2010 includes HK$16,259,000 generated from Deluxe.

If the acquisition had been completed on 1 January 2010, total Group revenue for the year ended 31 December 2010 would have been HK$419 million, and loss for the year ended 31 December 2010 attributable to owners of the Company would have been HK$711 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Deluxe been acquired at the beginning of the current year, the directors had:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

28. DISPOSAL OF A SUBSIDIARY

As disclosed in note 9, on 22 February 2011, the Group discontinued its electricity supply operation at the time of disposal of its subsidiary, Shenzhen Fuhuade (the "Disposal"). The net assets of Shenzhen Fuhuade at the date of the Disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,415,935
Prepaid lease payments	44,328
Inventories	72,611
Trade and other receivables, deposits and prepayments	78,094
Amount due from the Group (Note (a))	17,074
Pledged bank deposits	20,212
Bank balances and cash	30,567
Trade and other payables	(191,906)
Amount due to the Group (Note (b))	(152,567)
Taxation payable	(8,684)
Borrowings – amount due within one year	(864,929)
Borrowings – amount due after one year	(74,645)
	386,090
Gain on disposal	763,076
Total consideration after deducting estimated other tax expenses in relation to the Disposal	1,149,166
Satisfied by:	
Cash received during the year	817,308
Cash consideration receivable	429,858
	1,247,166
Net cash inflow arising on the Disposal:	
Total cash consideration received	817,308
Bank balances and cash disposed of	(30,567)
	786,741

28. DISPOSAL OF A SUBSIDIARY *(Continued)*

Notes:

(a) The Group settled HK$17,074,000 to Shenzhen Fuhuade in September 2011 in respect of its current account due to Shenzhen Fuhuade which is presented in the financing activities cash flow.

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

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

The consideration after deducting estimated other tax expenses such as withholding tax arising on the Disposal was subject to adjustment in accordance with the results of the Supplemental Audit. Up to 31 December 2011, the Supplemental Audit was not yet completed, accordingly, the gain arising on the Disposal of HK$763,076,000 is determined by consideration of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000), assuming no adjustment will arise upon completion of the Supplemental Audit, which in the opinion of the directors of the Company represent the most likely outcome at the end of the reporting period, and deducting the net assets of Shenzhen Fuhuade disposed of, and other tax expenses in relation to the Disposal of HK$98,000,000.

28. DISPOSAL OF A SUBSIDIARY *(Continued)*

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

Cash consideration receivable of HK$429,858,000 and other taxes payable of HK$98,000,000 arising from the Disposal at the date of the Disposal, which were denominated in RMB, were retranslated at the rate prevailing at the end of the reporting period, exchange difference arising on such retranslation of HK$8,593,000 was recognised in profit or loss during the year ended 31 December 2011. Accordingly, the carrying amounts of cash consideration receivable and other taxes payable arising from the Disposal amounted to HK$440,989,000 (note 18) and HK$100,538,000 (note 21), respectively, as at 31 December 2011.

The impact of Shenzhen Fuhuade on the Group's results in the current and prior periods is disclosed in note 9.

29. 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:

	2011 **HK$'000**	2010 HK$'000
Within one year	**2,984**	2,304
In the second to fifth year inclusive	**3,625**	5,110
Over five years	**–**	16,683
	6,609	24,097

Leases are negotiated for terms up to 3 years (2010: 20 years) and rentals are fixed over the respective leases.

30. GOVERNMENT SUBSIDIES

During the year ended 31 December 2010, government subsidies of HK$121,805,000 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 from discontinued operation were recognised in consolidated statement of comprehensive income and were deducted from the related cost of sales from discontinued operation for financial reporting purpose. There were no other specific conditions attached to the subsidies and, therefore, the Group recognised the subsidies upon receipt during the year ended 31 December 2010.

No such government subsidy was received during the year ended 31 December 2011.

31. CAPITAL COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**4,849**	14,126

32. 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 2011, the total expenses recognised in the consolidated statement of comprehensive income are HK$354,000 (2010: HK$343,000).

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 11 to 12 percent (2010: 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 2011, the total expense recognised in the consolidated statement of comprehensive income are HK$1,851,000 (2010: HK$1,171,000).

33. RELATED PARTY TRANSACTIONS

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

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

34. CONTINGENT LIABILITIES

As at 31 December 2011, a financial guarantee of HK$20,000,000 (2010: nil) has been provided to a bank in respect of a banking facility granted to an investee incorporated in Hong Kong held by the Group. At the end of the reporting period, HK$19,650,000 (2010: nil) of the bank facility has been utilised. In the opinion of the directors, because the banking facility is secured by assets owned by the investee, which market value can substantially cover the utilised bank facility amount, the fair value of the financial guarantees is insignificant on initial recognition and no provision has been made at the end of reporting period as the default risk is considered low.

35. EVENT AFTER THE REPORTING PERIOD

On 6 July 2011, the Group entered into a placing commitment letter with Chung Nam Securities Limited, pursuant to which the Group agreed to subscribe for up to 500,000,000 shares of Mascotte Holdings Limited ("Mascotte"), at the price of HK$0.40 per share of Mascotte with a total consideration up to HK$200,000,000. The placing was completed on 14 July 2011, on which date the Group holds approximately 11.1% of the then total issued share capital of Mascotte, and the shares acquired was accounted for as an investment held for trading of the Group.

Mascotte is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange (stock code: 136). The Mascotte group is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

In February and March 2012, the Group disposed all of the 500,000,000 shares in Mascotte. Net proceeds from the disposal amounted to HK$40 million. As at 31 December 2011, the carrying amount of shares in Mascotte was HK$115 million.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2011 and 2010 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 2011 Directly %	2011 Indirectly %	2010 Directly %	2010 Indirectly %	Principal activities
Ace Energy Holdings Limited	BVI – Limited liability company	US$1	**100**	**–**	100	–	Investment holding
Deluxe International Investment Limited	Hong Kong – Limited liability company	HK$8,000,000	**–**	**100**	–	100	Investment holding
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
Henan ADD Electric Equipment Co., Ltd. 河南愛迪德電力設備有限公司	PRC – Foreign capital enterprise	HK$95,000,000	**–**	**100**	–	100	Manufacturing and selling of electrical and energy-related products
Ideal Principles Limited	BVI – Limited liability company	US$1	**–**	**100**	–	100	Equity investment principally engaging in financial services and property businesses
Kenson Investment Limited	BVI – Limited liability company	US$1	**100**	**–**	100	–	Investment holding
Million Profits Investments 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 2011 Directly %	2011 Indirectly %	2010 Directly %	2010 Indirectly %	Principal activities
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	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
Supreme All Investments Limited	BVI – Limited liability company	US$2	**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.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,735,303	1,016,532	752,297	401,738	**110,316**
(Loss) profit before taxation	(10,731)	(394,564)	(38,321)	(683,193)	**647,397**
Taxation	(462)	–	–	–	**–**
(Loss) profit for the year	(11,193)	(394,564)	(38,321)	(683,193)	**647,397**
Attributable to:					
Owners of the Company	(2,425)	(394,497)	(38,279)	(683,181)	**647,397**
Non-controlling interests	(8,768)	(67)	(42)	(12)	**–**
(Loss) profit for the year	(11,193)	(394,564)	(38,321)	(683,193)	**647,397**

ASSETS AND LIABILITIES

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	5,001,294	4,434,454	4,572,799	4,144,951	**3,771,726**
Total liabilities	(1,257,277)	(960,759)	(1,060,376)	(1,281,557)	**(230,789)**
	3,744,017	3,473,695	3,512,423	2,863,394	**3,540,937**
Equity attributable to owners of the Company	3,743,467	3,473,179	3,511,949	2,863,394	**3,540,937**
Non-controlling interests	550	516	474	–	**–**
	3,744,017	3,473,695	3,512,423	2,863,394	**3,540,937**