



Enerchina

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

威 華 達 控 股 有 限 公 司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

Interim Report

2014

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
Facsimile : (852) 2851 0970
Stock Code : 622
Website : <http://www.enerchina.com.hk>

Auditor

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

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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
Norton Rose Fulbright Hong Kong
Woo, Kwan, Lee & Lo

(*As to Bermuda law*)
Conyers Dill & Pearman

Principal Bankers

Bank of China
Bank of China (Hong Kong) Limited
China CITIC Bank Corporation Limited
Hang Seng Bank Limited
The Hong Kong and Shanghai
Banking Corporation Limited
UBS AG

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FINANCIAL HIGHLIGHTS:

For the six months ended 30 June 2014

- Turnover up 36% to HK\$53.5 million
- Profit attributable to owners of the Company up 86% to HK\$327.5 million
- Basic Earnings Per Share up 86% to HK4.55 cents

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in financial services investments and the manufacture and sale of energy-related products.

For the six months ended 30 June 2014, the Group's turnover amounted to approximately HK\$53.5 million, an increase of 36% compared with the same period last year. Profit attributable to owners of the Company increased by 86% to HK\$327.5 million. Basic earnings per share rose 86% to HK4.55 cents. The growth in net profit was mainly attributable to fair value change of financial assets at fair value through profit or loss.

PRINCIPAL OPERATIONS

Enerchine Capital Limited ("Enerchine")

Since completion of the acquisition on 18 March 2013, Enerchine became a wholly-owned subsidiary of the Company and is principally engaged in securities brokerage, investment advisory, corporate finance advisory and asset management activities under the Type 1, 4, 6 and 9 licenses regulated under the Securities and Futures Ordinance. It is also engaged in the proprietary trading of the Group and money lending business following the acquisition.

For the six months ended 30 June 2014, Enerchine contributed approximately HK\$26.4 million and HK\$293.8 million to the Group's turnover and profit, respectively. During the period from 19 March 2013 to 30 June 2013, Enerchine contributed approximately HK\$18.6 million and HK\$12.8 million to the Group's turnover and profit, respectively. The growth in profit was mainly attributable to fair value change of financial assets at fair value through profit or loss.

The Board believes that the outlook of the financial services sector is positive. The Company is expanding Enerchine's professional team and enhancing its capability to cope with the expected increase in business opportunities, and is also actively expanding the service platform and customer base of Enerchine in securities brokerage, corporate finance and investment management to develop new streams of revenue and returns for the Company. It is expected that Enerchine will generate steady income for the Group and enhance our shareholder's value. Furthermore, the Group through Enerchine will become a one-stop integrated financial services provider, offering an extensive range of financial services to its customers, including but not limited to, securities brokerage, investment advisory, corporate finance advisory, money lending and asset management as well as the proprietary trading of the Group.

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

Henan ADD is principally engaged in the production and sale of porcelain insulators. For the six months ended 30 June 2014, turnover generated by this business increased by 31% to approximately HK\$27.0 million. A gross profit of approximately HK\$2.7 million was recorded, compared to HK\$0.5 million in the same period last year. Notwithstanding the increase in the turnover and gross profit in the first half, Henan ADD continues to face strong market competition and uncertainties on the horizon.

As stated in our 2013 annual report, the Company has suspended the proposed expansion plan of Henan ADD in the electrical and energy-related business in light of poor market conditions which depressed the sales and prices of electrical and energy-related products and Henan ADD's revenue. The Board believes the business conditions for these products will remain challenging and competitive in the near term. As such, the Board considers that it is in the best interest of the Company and its shareholders to suspend the proposed expansion plan. The Board is still exploring other options as regard to the operation of Henan ADD.

Disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the "CNOOC Gas" or "Buyer"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK\$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalized and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK\$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board was of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments could not be estimated with reasonable certainty. It was determined that the receivable amount should be fully provided for until such time as the eventual outcome could be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK\$255,185,000, being the amount of consideration receivable amounting to HK\$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK\$103,736,000, in the profit and loss account for the year ended 31 December 2013.

During the period under review, difference of opinions between the two sides remained unresolved in spite of negotiations. As such, legal recourse has been sought. Notwithstanding the provision made against the doubtful consideration receivable, the management of the Company will take all necessary measures to defend the interest of the Group.

FINANCIAL POSITION

The Group's total borrowings decreased from HK\$65.8 million as at 31 December 2013 to HK\$44.1 million as at 30 June 2014. Gearing ratio as at 30 June 2014, calculated on the basis of bank borrowing over shareholders' equity, was 1.0% (31 December 2013: 1.7%).

Total assets pledged in securing general banking facilities have a net book value of HK\$58.0 million as at 30 June 2014. The bank borrowing of the Group is at floating rates and denominated in RMB. The Group's electrical supplies operation is mainly carried out in the PRC and the receipts and payments in relation to the operations are denominated in RMB. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the exchange movement of RMB to the Group's business and manage the risks of using different financial instruments. The Group's financial services business is not exposed to foreign exchange risk as all its transactions are denominated in HK\$.

The Group's cash and cash equivalents and pledged bank deposits amounted to HK\$1,370.7 million and HK\$17.6 million, respectively, as at 30 June 2014 and are mostly denominated in RMB, HK\$ and USD.

Capital commitments

As at 30 June 2014, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK\$4.4 million that have not been provided for in the financial statements.

Contingent liabilities

As at 30 June 2014, a financial guarantee of HK\$20.0 million has been jointly and severally provided to a bank in respect of a banking facility granted to an investee company incorporated in Hong Kong and held by the Group. At the end of the reporting period, HK\$11.2 million of the bank facility has been utilised. In the opinion of the Board, because the banking facility is secured by assets owned by the investee company, whose market value can substantially cover the utilised banking facility amount, the fair value of such financial guarantees is insignificant on initial recognition and no provision has been made at the end of the reporting period as the default risk is considered low.

PROSPECTS

Prudence is expected to remain as the general tone of monetary policy in the second half of 2014 as the PRC seeks to maintain moderate liquidity in the market. With the central government's launch of a series of measures to stabilize growth, some macro data have improved recently providing signs that the economy is steady. The combined effect of steady growth policy is expected to be more pronounced in the second half and bring some rebound to the economy. However, there remain significant internal and external uncertainties facing the Chinese economy which runs the risk of deflation in the absence of a solid pickup in domestic and foreign demand.

Economic trends notwithstanding, we have seen the new government's dedicated effort in upgrading the manufacturing industry, opening the economy and fighting against corruption; all these show the new leaders' determination to build a strong China. We will continue to improve the management of our existing operations and actively seek new investment and development opportunities to enhance the value of the Company for all shareholders.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed approximately 300 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2014, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

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

The interim results of the Group for the six months ended 30 June 2014 had not been audited, but had been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu and the Audit Committee. The Audit Committee also reviewed this interim report.

APPRECIATION

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

By Order of the Board
Enerchina Holdings Limited
Chen Wei
Chairman

Hong Kong, 26 August 2014

OTHER INFORMATION

Directors' Interests or Short Positions in Shares and Underlying Shares

At 30 June 2014, the interests or short positions of the Directors and chief executive of the Company in 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, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity	Interest in shares			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the Company as at 30.6.2014
		Personal interest	Family interest	Corporate interest				
Chen Wei	Beneficial owner	13,162,500	-	-	13,162,500	41,910,000	55,072,500	0.77%
Tang Yui Man Francis	Beneficial owner	20,840,625	-	-	20,840,625	13,970,000	34,810,625	0.48%
Xiang Ya Bo	Beneficial owner	-	-	-	-	13,970,000	13,970,000	0.19%
Xin Luo Lin	Beneficial owner	9,999,000	-	-	9,999,000	4,191,000	14,190,000	0.20%

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".

Save as disclosed above, as at 30 June, 2014, none of the directors and chief executives of the Company had, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

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

Pursuant to the Company's share option scheme adopted in 2002, the Company has granted to certain Directors of the Company options to subscribe for the shares of the Company, details of which as at 30 June 2014 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of shares subject to outstanding options as at 1.1.2014	Granted/ exercise during the period	Number of shares subject to outstanding options as at 30.6.2014	Percentage of the issued share capital of the Company as at 30.6.2014
Chen Wei	13.11.2007	01.01.2010 – 12.11.2017	0.322	20,955,000	-	20,955,000	0.29%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	20,955,000	-	20,955,000	0.29%
Tang Yui Man Francis	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	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	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:

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

Save as disclosed above, at no time during the period, the Directors or chief executives of the Company (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, if applicable) of the Company or any of its associated corporation required to be disclosed pursuant to the SFO.

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

Share Option Schemes of the Company

- (A) The Company operated a share option scheme adopted by shareholders of the Company on 24 May 2002 (the “2002 Share Option Scheme”), under which the Board may, at its discretion, offer any employees of the Group or any directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated in the said scheme. The 2002 Share Option Scheme had a life of 10 years and was terminated at the annual general meeting of the Company held on 17 May 2012.

No further options shall thereafter be offered under the 2002 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

Details of specific categories of options are as follows:

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

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

	Option types	Outstanding at 1.1.2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2014
<i>Category 1: Directors</i>						
Chen Wei	2007 Option	41,910,000	-	-	-	41,910,000
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		141,164,056	-	-	(67,123,056)	74,041,000
<i>Category 2: Employees</i>						
	2004 Option	3,306,233	-	-	(3,306,233)	-
	2007 Option	27,940,000	-	-	-	27,940,000
Total for employees		31,246,233	-	-	(3,306,233)	27,940,000
All categories		172,410,289	-	-	(70,429,289)	101,981,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no options were granted, exercised or cancelled under the 2002 Share Option Scheme.
3. During the period, 70,429,289 options were lapsed under the 2002 Share Option Scheme.

- (B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 (the “2012 Share Option Scheme”), under which the Board may, of its discretion, offer any employees of the Group or any directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The 2012 Share Options Scheme has a life of 10 years and no options were granted since the date of its adoption.

Substantial Shareholders and Other Persons

At 30 June 2014, the register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than the interests disclosed above in respect of Directors) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in shares of the Company

Name of shareholders	Capacity/Nature of interest	Interest in shares	Approximate percentage of the issued share capital of the Company as at 30.6.2014
Ou Yaping	Interest held jointly with another person and interest of controlled corporations/ Family interest and corporate interest	2,629,140,978 (Note)	36.56%
Asia Pacific Promotion Limited (“Asia Pacific”)	Beneficial owner and interest of controlled corporations/ Beneficial interest and Corporate interest	2,617,180,764 (Note)	36.40%

Note:

2,617,180,764 shares of the Company represent the aggregate of (i) 2,557,105,618 shares of the Company held by Asia Pacific directly; and (ii) 60,075,146 shares of the Company are held by Sinolink Worldwide Holdings Limited (“Sinolink”). Mr. Ou Yaping is the sole shareholder and director of Asia Pacific and through Asia Pacific together with his associates hold a total of 45.08% of the issued share capital of Sinolink as at 30 June 2014. Therefore, he is deemed to be interested in all these 2,617,180,764 shares of the Company under the SFO.

Save as disclosed above, as at 30 June 2014, 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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Enerchina Holdings Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Enerchina Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 14 to 40, which comprises the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30.6.2014 HK\$'000 (Unaudited)	30.6.2013 HK\$'000 (Unaudited)
	NOTES		
Turnover	3	53,473	39,224
Other income	4	25,675	14,319
Other gains and losses		(9,314)	13,739
Changes in inventories of finished goods and work in progress		(4,724)	5,885
Raw materials and consumables used		(14,716)	(16,582)
Fair value change of financial assets at fair value through profit or loss		355,168	150,324
Depreciation on property, plant and equipment		(6,310)	(3,100)
Release of prepaid lease payments		(251)	(245)
Employee benefits expenses		(17,488)	(16,310)
Administrative and other expenses		(23,491)	(10,188)
Share of results of an associate		(218)	–
Finance costs	5	(2,656)	(1,466)
Profit before taxation		355,148	175,600
Taxation	6	(27,660)	–
Profit for the period	7	327,488	175,600
Other comprehensive (expense) income for the period:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(578)	10,750
Total comprehensive income for the period		326,910	186,350
Profit for the period attributable to:			
Owners of the Company		327,488	175,600
Non-controlling interests		–	–
		327,488	175,600
Total comprehensive income attributable to:			
Owners of the Company		326,910	186,350
Non-controlling interests		–	–
		326,910	186,350
		HK cents	HK cents
Basic and diluted earnings per share	9	4.55	2.44

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	30.6.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	85,046	71,951
Prepaid lease payments		17,105	17,532
Available-for-sale investments	11	533,967	534,262
Interests in an associate		43,058	43,276
Entrusted loans receivable	12	61,413	–
Intangible assets	13	3,908	3,908
Other deposits		255	255
Deposits paid for acquisition of property, plant and equipment		2,217	21,377
		746,969	692,561
Current assets			
Inventories		20,490	24,936
Prepaid lease payments		499	505
Trade and other receivables, deposits and prepayments	14	491,823	584,904
Taxation recoverable		445	396
Financial assets at fair value through profit or loss	15	1,662,775	963,962
Pledged bank deposits		17,607	789
Bank balances – trust and segregated accounts		13,079	18,523
Bank balances (general accounts) and cash		1,370,667	1,709,265
		3,577,385	3,303,280
Current liabilities			
Trade and other payables	16	72,204	76,833
Taxation payable		8,079	2,639
Borrowings – due within one year	17	44,081	65,802
		124,364	145,274
Net current assets		3,453,021	3,158,006
Total assets less current liabilities		4,199,990	3,850,567
Non-current liabilities			
Deferred taxation		22,513	–
Net assets		4,177,477	3,850,567
Capital and reserves			
Share capital		71,897	71,897
Reserves		4,097,946	3,771,036
Equity attributable to owners of the Company		4,169,843	3,842,933
Non-controlling interests		7,634	7,634
Total equity		4,177,477	3,850,567

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Contribution surplus	Share options reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2014									
(Audited)	71,897	3,041,421	29,034	544	7,547	692,490	3,842,933	7,634	3,850,567
Exchange differences arising on translation to presentation currency	-	-	(578)	-	-	-	(578)	-	(578)
Profit for the period	-	-	-	-	-	327,488	327,488	-	327,488
Total comprehensive income for the period	-	-	(578)	-	-	327,488	326,910	-	326,910
Share options lapsed	-	-	-	-	(3,619)	3,619	-	-	-
At 30 June 2014									
(Unaudited)	71,897	3,041,421	28,456	544	3,928	1,023,597	4,169,843	7,634	4,177,477
At 1 January 2013 (Audited)	71,897	3,041,421	26,866	544	7,547	551,146	3,699,421	-	3,699,421
Exchange differences arising on translation to presentation currency	-	-	10,750	-	-	-	10,750	-	10,750
Profit for the period	-	-	-	-	-	175,600	175,600	-	175,600
Total comprehensive income for the period	-	-	10,750	-	-	175,600	186,350	-	186,350
At 30 June 2013 (Unaudited)	71,897	3,041,421	37,616	544	7,547	726,746	3,885,771	-	3,885,771

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTE	Six months ended	
		30.6.2014 HK\$'000 (Unaudited)	30.6.2013 HK\$'000 (Unaudited)
Net cash (used in) from operating activities		(322,365)	207,826
Net cash from investing activities			
Pledged bank deposits released		789	–
Pledged bank deposits made		(17,607)	(6,100)
Purchase of property, plant and equipment		(53)	(527)
Purchase of available-for-sale investments		–	(21,644)
Dividend received from investments held for trading		4,038	5,698
Interest received		18,535	7,454
Deposits paid for acquisition of property, plant and equipment		–	(11,166)
Refund of deposits paid for proposed acquisition		–	100,000
Acquisition of subsidiaries	18	–	(16,625)
		5,702	57,090
Net cash (used in) from financing activities			
New borrowings raised		6,297	6,924
Repayment of borrowings		(27,576)	–
		(21,279)	6,924
Net (decrease) increase in cash and cash equivalents		(337,942)	271,840
Cash and cash equivalents at beginning of the period		1,709,265	1,243,437
Effect of foreign exchange rate changes		(656)	9,017
Cash and cash equivalents at end of the period, representing bank balances (general accounts) and cash		1,370,667	1,524,294

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

The Group is principally engaged in investment holdings, manufacture and sale of electrical and energy-related products, and financial services, including securities brokerage, investment advisory, corporate finance advisory, money lending, and asset management as well as the proprietary trading.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HKD”) while the functional currency of the Company is Renminbi (“RMB”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In addition, the Group has applied the following accounting policies for the first time during the current interim period as a result of the financial services business undertaken by the Group during the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial assets designated at fair value through profit or loss

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 dividend and interest earned on the financial assets.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Embedded derivatives (Continued)

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

3. TURNOVER AND SEGMENT INFORMATION

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

During the six months ended 30 June 2014, the Group’s reportable and operating segments are as follows:

- (a) manufacture and sale of electrical and energy-related products (“Electrical supplies”)
- (b) the provision of financial services including securities brokerage, investment advisory, corporate finance advisory, money lending, and asset management (“Financial services”)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

For the six months ended 30 June 2014

	Electrical supplies HK\$'000 (Unaudited)	Financial services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Turnover	<u>27,027</u>	<u>26,446</u>	<u>53,473</u>
Segment (loss) profit	<u>(4,652)</u>	<u>9,723</u>	5,071
Unallocated other income			21,377
Net exchange loss			(9,314)
Fair value change of financial assets at fair value through profit or loss			355,168
Share of results of an associate			(218)
Central corporate expenses			<u>(16,936)</u>
Profit before taxation			<u>355,148</u>

3. *TURNOVER AND SEGMENT INFORMATION (Continued)**Segment turnover and results (Continued)*

For the six months ended 30 June 2013

	Electrical supplies HK\$'000 (Unaudited)	Financial services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Turnover	<u>20,671</u>	<u>18,553</u>	<u>39,224</u>
Segment (loss) profit	<u>(5,715)</u>	<u>12,789</u>	7,074
Unallocated other income			12,807
Net exchange gain			13,739
Fair value change of financial assets at fair value through profit or loss			150,324
Central corporate expenses			<u>(8,344)</u>
Profit before taxation			<u>175,600</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of fair value change of financial assets at fair value through profit or loss, interest income (other than interest income generated from the Financial services segment which is included in turnover), net exchange (loss) gain, share of results of an associate, central corporate expenses and taxation. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 30 June 2014

	Electrical supplies HK\$'000 (Unaudited)	Financial services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment assets	138,601	505,570	644,171
Unallocated property, plant and equipment			29,555
Available-for-sale investments			533,967
Entrusted loans receivable			61,413
Deposits paid for acquisition of property, plant and equipment			2,217
Unallocated other receivables, deposits and prepayments			19,144
Financial assets at fair value through profit or loss			1,662,775
Taxation recoverable			445
Bank balances (general accounts) and cash			<u>1,370,667</u>
Consolidated assets			<u><u>4,324,354</u></u>
Segment liabilities	96,054	16,410	112,464
Unallocated other payables			3,821
Taxation payable			8,079
Deferred taxation			<u>22,513</u>
Consolidated liabilities			<u><u>146,877</u></u>

3. *TURNOVER AND SEGMENT INFORMATION (Continued)**Segment assets and liabilities (Continued)*

As at 31 December 2013

	Electrical supplies <i>HK\$'000</i> <i>(Audited)</i>	Financial services <i>HK\$'000</i> <i>(Audited)</i>	Consolidated <i>HK\$'000</i> <i>(Audited)</i>
Segment assets	133,239	608,951	742,190
Unallocated property, plant and equipment			14,008
Deposits paid for acquisition of property, plant and equipment			21,377
Available-for-sale investments			534,262
Unallocated other receivables, deposits and prepayments			10,381
Financial assets at fair value through profit or loss			963,962
Taxation recoverable			396
Bank balances (general accounts) and cash			<u>1,709,265</u>
Consolidated assets			<u><u>3,995,841</u></u>
Segment liabilities	89,150	48,822	137,972
Unallocated other payables			4,663
Taxation payable			<u>2,639</u>
Consolidated liabilities			<u><u>145,274</u></u>

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, deposit paid for acquisition of property, plant and equipment, entrusted loans receivable, available-for-sale investments, certain other receivables, deposits and prepayments, financial assets at fair value through profit or loss, taxation recoverable and bank balances (general accounts) and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables, taxation payable and deferred taxation.

4. OTHER INCOME

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	16,644	5,365
– entrusted loans receivable	19	–
– listed bonds issued by listed companies	1,708	–
– others	164	2,089
	<hr/>	<hr/>
	18,535	7,454
Dividend income from listed investments	4,038	5,698
Others	3,102	1,167
	<hr/>	<hr/>
	25,675	14,319
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	2,656	1,466

6. TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Taxation for the period comprises:		
Hong Kong Profits Tax	5,147	–
Deferred taxation charge	22,513	–
	27,660	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2014. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 as the Group has no assessable profit for the period.

No Enterprise Income Tax of the People's Republic of China (the "PRC") has been provided in these condensed consolidated financial statements as the Group has no taxable profit for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Net exchange loss (gain) (included in other gains and losses)	9,314	(13,739)

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2013: nil).

The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2013: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings	327,488	175,600
	<u><u>327,488</u></u>	<u><u>175,600</u></u>
	Six months ended	
	30.6.2014	30.6.2013
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue during the period for the purpose of basic and diluted earnings per share	7,189,655,664	7,189,655,664
	<u><u>7,189,655,664</u></u>	<u><u>7,189,655,664</u></u>

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK\$19,213,000 (six months ended 30 June 2013: HK\$527,000).

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Unlisted shares in overseas, at cost (note)	505,000	505,000
Unlisted shares in the PRC, at cost (note)	28,967	29,262
	<u>533,967</u>	<u>534,262</u>

Note: Investments in unlisted equity securities issued by private entities 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.

As at 30 June 2014, the Group in total owns approximately 8.60% (31 December 2013: 9.33%) of the issued share capital of HEC Capital Limited with a carrying amount of HK\$500,000,000 (31 December 2013: HK\$500,000,000). The principal activities of HEC Capital Limited and its subsidiaries are engaged in investment holding, property investment, money lending, securities brokerage and other financial services.

The management reviews the investees' latest financial positions, observable data such as net asset value per share and considers no objective evidence of impairment was identified at 30 June 2014 and 31 December 2013. Accordingly, the directors of the Company consider no impairment is necessary during the six months ended 30 June 2014 and the year ended 31 December 2013.

12. ENTRUSTED LOANS RECEIVABLE

The balance represents entrusted loans receivable from several individuals who are independent third parties through a financial institution amounting to RMB48,762,000 (equivalent to HK\$61,413,000) as at 30 June 2014. The entrusted loans receivable is unsecured and repayable in September 2015. Hence, the entrusted loans receivable is classified as non-current assets as at 30 June 2014. The interest rate is determined by the fixed rate at 9.24% per annum, deducting the management fee of 0.5% per annum by the financial institution, insurance charges and other related fee.

As at 30 June 2014, no entrusted loans receivable is past due or impaired.

All the Group's entrusted loans receivable is denominated in RMB, which is the functional currency of the respective group companies.

13. INTANGIBLE ASSETS

The amount represents trading rights that confer eligibility of the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Trade receivables arising from sales of electrical supplies	17,306	14,701
Bills receivables arising from sales of electrical supplies	7,165	14,019
Trade receivables arising from provision of securities brokerage business: – Hong Kong Securities Clearing Company Limited (“HKSCC”)	6,481	–
Trade receivables arising from the business of advisory for corporate finance and investment management	270	400
Trade receivables arising from securities margin clients	137,825	220,439
Deposits with securities brokers	43,069	32,590
Loans to independent third parties (Note)	265,634	289,117
Other receivables, deposits and prepayments	14,073	13,638
	491,823	584,904

Note:

The fixed-rate loans receivables as at 30 June 2014 and 31 December 2013 represent loan advances to independent third parties, which are secured by the pledge of certain collaterals and personal guarantees amounting to HK\$63,840,000 (31 December 2013: Nil) and have contractual loan period between 3 months to 1 year as at 30 June 2014 (31 December 2013: between 3 months to 1 year) under the Group’s money lending operation. The average interest rate for the loans receivable was ranging from 6% to 15% (31 December 2013: 5% to 15%) per annum.

The Group determines the allowance of impaired debts based on the evaluation of collectability and ageing analysis of accounts and on the management’s judgement, including assessment of change of credit quality and the past collection history of each customer. There are no loans receivables which were past due at the end of reporting period and the directors of the Company consider that no impairment was necessary. There is no concentration of credit risk on loans receivable as the exposure spread over a number of customers.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The Group allows an average credit period of 90 days to its trade customers from sales of electrical supplies. The following is an aged analysis of trade receivables from sale of electrical supplies, presented based on the invoice date (which approximate the date of revenue recognition), at the end of the reporting period:

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Within 90 days	13,479	5,559
91 – 180 days	3,827	9,142
	17,306	14,701

The following is an aged analysis of bills receivables from sale of electrical supplies, presented based on the date of issuance of the bills at the end of the reporting period:

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Within 90 days	7,165	14,019

The settlement terms of trade receivable arising from the provision of securities brokerage business from HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of broking business.

As at 30 June 2014, trade receivables arising from securities margin clients are repayable on demand and bear interest ranging from 6% to 24% (31 December 2013: 8% to 24%) per annum. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$825,773,000 (31 December 2013: HK\$1,204,085,000). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customers default on the payment as requested by the Group. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed shares in Hong Kong	1,442,269	942,530
Listed shares in elsewhere	39,085	558
Unlisted investment funds	103,017	–
Convertible bonds	2,930	20,874
Financial assets designated as at fair value through profit or loss:		
Listed bonds issued by listed companies (<i>note</i>)	75,474	–
	<u>1,662,775</u>	<u>963,962</u>

Note: The investments in listed bonds issued by listed companies are designated as at fair value through profit or loss because these bonds contain early redemption options, which are not closely related to the host contract, and HKAS 39 permits the entire combined instruments to be designated as at fair value through profit or loss. These bonds bear interest from 5.35% to 13% per annum and mature from year 2015 to year 2019 respectively.

16. TRADE AND OTHER PAYABLES

	30.06.2014 HK\$'000 (Unaudited)	31.12.2013 <i>HK\$'000</i> <i>(Audited)</i>
Trade and bills payables arising from sales of electrical supplies	21,644	13,433
Trade payables arising from the provision of securities brokerage business with HKSCC	–	333
Trade payables to cash clients	14,925	5,207
Other payables and accrued charges	35,635	57,860
	72,204	76,833

The following is an aged analysis of trade and bills payables arising from sales of electrical supplies, presented based on the invoice date at the end of the reporting period:

	30.6.2014 HK\$'000 (Unaudited)	31.12.2013 <i>HK\$'000</i> <i>(Audited)</i>
Within 90 days	18,220	6,747
91 – 180 days	475	1,416
181 – 360 days	353	3,203
Over 360 days	2,596	2,067
	21,644	13,433

The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

Trade payables to cash clients are repayable on demand. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

17. BORROWINGS

Bank borrowings of HK\$44,081,000 as at 30 June 2014 (31 December 2013: HK\$45,802,000), which are denominated in RMB, carry interest at 6-month PRC bank interest rate plus certain spread and become due within one year after the end of the reporting period. Other borrowings of HK\$20,000,000 as at 31 December 2013, which are denominated in HKD, carry interest at 5% per annum. This borrowing is settled during the current interim period.

At 30 June 2014, property, plant and equipment with an aggregate carrying amount of HK\$22,821,000 (31 December 2013: HK\$23,505,000), prepaid lease payments of HK\$17,604,000 (31 December 2013: HK\$18,037,000) and bank deposits of HK\$17,607,000 (31 December 2013: HK\$789,000) were pledged to banks for the secured bank borrowings granted to the Group.

18. ACQUISITION OF SUBSIDIARIES

On 4 December 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire entire equity interest in Enerchine Capital Limited (“Enerchine”) at a consideration of HK\$62,000,000 (“Acquisition”) which was satisfied by cash. The Acquisition was completed on 18 March 2013. Enerchine is an investment holding company and its subsidiaries are principally engaged in the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services in Hong Kong. Management considered that the Acquisition would enable the Company to further strengthen its focus on the financial services sector through direct investment in and hands-on management and operations of Enerchine.

Acquisition-related costs amounting to approximately HK\$1,313,000 have been excluded from the consideration transferred and have been recognised as an expense in prior period, within the administrative and other expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

18. ACQUISITION OF SUBSIDIARIES (Continued)

Assets acquired and liabilities recognised at the date of Acquisition:

	<i>HK\$'000</i>
Property, plant and equipment	456
Intangible assets	3,908
Other deposits	280
Trade and other receivables, deposits and prepayments (<i>Note</i>)	24,995
Bank balances – trust and segregated accounts	18,741
Bank balances (general accounts) and cash	35,375
Trade and other payables	(21,677)
Taxation payable	(78)
	<hr/>
Net assets acquired	62,000
	<hr/> <hr/>

Note: The fair value of trade and other receivables at the date of acquisition amounted to HK\$22,965,000, which is the same as the gross contractual amounts of trade receivables at the date of Acquisition.

Cash outflow arising on acquisition:

	<i>HK\$'000</i>
Cash consideration paid	(62,000)
Amount paid during the year ended 31 December 2012	10,000
Less: Bank balances (general accounts) and cash acquired	35,375
	<hr/>
	(16,625)
	<hr/> <hr/>

Revenue for interim period ended 30 June 2013 includes HK\$18,553,000 attributable to Enerchine. Included in the profit for the interim period ended 30 June 2013 is HK\$12,789,000 attributable to Enerchine.

Had the Acquisition been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2013 would have been HK\$43,826,000 and the amount of the profit for the interim period would have been HK\$172,351,000. 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 at the beginning of the interim period ended 30 June 2013, nor is it intended to be a projection of the results.

19. RELATED PARTY TRANSACTION

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

During the current interim period, the emoluments of key management personnel were HK\$3,842,000 (six months ended 30 June 2013: HK\$2,927,000).

20. CAPITAL COMMITMENTS

	30.6.2014 HK\$'000 (Unaudited)	31.12.2013 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	4,392	4,361

21. CONTINGENT LIABILITIES

As at 30 June 2014, a financial guarantee of HK\$11,500,000 (31 December 2013: HK\$20,000,000) has been provided by the Group 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 current interim period, HK\$11,181,000 (31 December 2013: HK\$11,208,000) of the banking facility has been utilised. The banking facility is secured by assets owned by the investee, whose market value can substantially cover the utilised banking facility amount. In addition, pursuant to a deed of undertaking for the banking facility among shareholders of the investee, 3 other shareholders of the investee have agreed to bear the amount demanded in the event of the claim by the bank. As a result, the fair value of the financial guarantee is insignificant and no provision has been made at 30 June 2014 and 31 December 2013 as the default risk is considered low.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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); and
- 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).

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30.6.2014 (Unaudited)	31.12.2013 (Audited)		
1) Investment in unlisted convertible bonds classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	Assets – HK\$2,930,000	Assets – HK\$20,874,000	Level 3	Discounted cash flow and Binominal Option Pricing Model Future cash flows are estimated based on convertible bond agreement and discounted at a rate based on prevailing market interest rate Binominal Option Pricing Model's key input: Volatility of 69.19% Risk-free rate of 0.63% Spot price of underlying shares of HK\$0.115 Life of option of 3 years
2) Investments in listed equity securities classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	Listed equity securities in: – Hong Kong HK\$1,442,269,000 – Overseas HK\$39,085,000	Listed equity securities in: – Hong Kong HK\$942,530,000 – Overseas HK\$558,000	Level 1	Quoted bid prices in an active market

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30.6.2014 (Unaudited)	31.12.2013 (Audited)		
3) Investments in listed bonds issued by listed companies classified as financial assets designated as at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$75,474,000	-	Level 2	Derived from quoted prices from inactive market
4) Investments in unlisted investment funds classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$103,107,000	-	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)**Reconciliation of Level 3 fair value measurements of financial assets**

	Investment in convertible instruments <i>HK\$'000</i>
At 1 January 2014 (Audited)	20,874
Disposal	(18,571)
Fair value change recognised in profit or loss	<u>627</u>
At 30 June 2014 (Unaudited)	<u><u>2,930</u></u>

The “fair value change of investments held for trading” line item recognised in profit or loss for the six months ended 30 June 2014 included gain of HK\$627,000 (six months ended 30 June 2013: loss of HK\$3,746,000) relating to fair value changes on investment in convertible instruments classified as investment held for trading at the end of the current interim period.

Valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged independent qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.