ENERCHINA HOLDINGS LIMITED

威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2007 Interim Results Announcement

Financial Highlights:

For the six months ended 30 June 2007

- Group's turnover from continuing operation decreased by 15.2% to HK$617.2 million
- Group's gross profit from continuing operation decreased by 34.5% to HK$58.1 million
- Net loss attributable to the equity holders of the Company amounted to HK$42.5 million
- Loss per share of HK0.89 cents

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30.6.2007	30.6.2006
		HK$'000 (Unaudited)	*HK$'000* (Unaudited and re-presented)
Continuing operation			
Turnover	3	617,177	727,600
Cost of sales		(559,081)	(638,873)
Gross profit		58,096	88,727
Other income		33,534	22,592
Administrative expenses		(24,876)	(25,313)
Other expenses		(1,996)	(151)
Finance costs	4	(31,225)	(34,025)
Share of results of associates		23,927	—
Profit before taxation		57,460	51,830
Taxation	5	(90)	(481)
Profit for the period from continuing operation		57,370	51,349
Discontinued operation	6		
Loss for the period from discontinued operation		(108,571)	(196,546)
Loss for the period		(51,201)	(145,197)
Attributable to:			
Equity holders of the Company		(42,481)	(88,256)
Minority interests		(8,720)	(56,941)
		(51,201)	(145,197)
Dividends	7	—	48,376
		HK cents	*HK cents*
(Loss) earnings per share	8		
From continuing and discontinued operations			
— Basic		(0.89)	(1.82)
— Diluted		(0.88)	(1.81)
From continuing operation			
— Basic		1.18	1.06
— Diluted		1.18	1.06

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	30.6.2007	31.12.2006
		HK$'000	HK$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		1,396,128	3,732,306
Prepaid lease payments		40,932	189,730
Intangible assets		—	136,527
Goodwill		316,580	1,914,164
Interest in associates		2,404,369	644,940
Available-for-sale investments		1,486	172,014
		4,159,495	6,789,681
Current assets			
Inventories		164,568	232,599
Prepaid lease payments		1,693	5,605
Trade and other receivables, deposits and prepayments	9	311,361	698,444
Amount due from minority shareholders of a subsidiary		—	4,421
Investments held for trading		19,150	94,954
Pledged bank deposits		—	20,038
Bank balances and cash		373,473	957,395
		870,245	2,013,456
Current liabilities			
Trade, notes and other payables	10	495,354	737,766
Loans from minority shareholders of a subsidiary		—	25,352
Taxation payable		8,922	90,768
Borrowings — amount due within one year		506,708	602,042
		1,010,984	1,455,928
Net current (liabilities) assets		(140,739)	557,528
Total assets less current liabilities		4,018,756	7,347,209
Non-current liabilities			
Borrowings — amount due after one year		390,912	2,501,099
Deferred taxation		—	43,140
		390,912	2,544,239
Net assets		3,627,844	4,802,970

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	47,918	48,299
Reserves	3,579,353	3,640,464
Equity attributable to equity holders of the Company	3,627,271	3,688,763
Equity component of share option reserve of a listed subsidiary	—	14,002
Minority interests	573	1,100,205
Total equity	3,627,844	4,802,970

1. BASIS OF PREPARATION

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

The principal activity of the Group is supply of electricity. The Group was also engaged in sale and distribution of liquefied petroleum gas and natural gas ("Gas Fuel") and construction of gas pipelines, which were discontinued in the current period (see note 6).

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

At 30 June 2007, the Group had net current liabilities of HK$141 million and reported a net decrease in cash and cash equivalents of HK$592 million for the six months then ended. The net decrease is mainly due to the de-consolidation of the gas fuel business since 1 March 2007. The Group's current liabilities as at 30 June 2007 included its interest-bearing bank loans of HK$507 million that are repayable within twelve months from the balance sheet date. The Group has started discussion with the relevant banks for refinancing of such loans and the relevant banks have expressed their intention to provide refinancing of the outstanding loans. The directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate as a going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the Group's condensed consolidated financial statements on a going concern basis.

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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) — INT 10	Interim financial reporting and impairment[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

2. **PRINCIPAL ACCOUNTING POLICIES — continued**

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) — INT 11	HKFRS 2 - Group and treasury share transactions[2]
HK(IFRIC) — INT 12	Service concession arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. **SEGMENT INFOMRATION**

The Group is primarily engaged in the supply of electricity. The Group was also involved in gas fuel business which was discontinued on 28 February 2007 (see note 6).

Segment information about these businesses is presented below:

Business segments

Six months ended 30 June 2007

	Continuing operation		**Discontinued operation**	
	Electricity supplies	**Total**	**Gas fuel business**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	617,177	617,177	421,459	1,038,636
RESULT				
Segment result	48,004	48,004	(5,046)	42,958
Other income		33,534	1,804	35,338
Corporate expenses		(14,935)	—	(14,935)
Finance costs		(31,225)	(24,609)	(55,834)
Loss on deemed disposal arising from dilution of interest in associates		(1,845)	—	(1,845)
Loss on disposal and deemed disposal of subsidiaries		—	(77,201)	(77,201)
Loss on deemed disposal arising from dilution of interest in subsidiaries		—	(6,212)	(6,212)
Share of results of associates		23,927	3,155	27,082
Profit (loss) before taxation		57,460	(108,109)	(50,649)
Taxation		(90)	(462)	(552)
Profit (loss) for the period		57,370	(108,571)	(51,201)

3. **SEGMENT INFOMRATION — continued**

Business segments — continued

Six months ended 30 June 2006

	Continuing operation		Discontinued operation	
	Electricity supplies	Total	Gas fuel business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	727,600	727,600	1,243,931	1,971,531
RESULT				
Segment result	77,749	77,749	100,605	178,354
Other income		22,592	46,495	69,087
Corporate expenses		(14,486)	(26,675)	(41,161)
Loss on deemed disposal arising from dilution of interest in subsidiaries		—	(5,913)	(5,913)
Finance costs		(34,025)	(126,765)	(160,790)
Changes in fair value of derivative financial instruments		—	(181,608)	(181,608)
Share of results of associates		—	4,225	4,225
Profit (loss) before taxation		51,830	(189,636)	(137,806)
Taxation		(481)	(6,910)	(7,391)
Profit (loss) for the period		51,349	(196,546)	(145,197)

4. FINANCE COSTS

	Continuing operation		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	31,225	34,025	1,459	1,345	32,684	35,370
Interest on bank and other borrowings not wholly repayable within five years	—	—	—	1,384	—	1,384
Interest on convertible bonds	—	—	2,453	11,875	2,453	11,875
Interest on guaranteed senior notes	—	—	20,515	65,903	20,515	65,903
	31,225	34,025	24,427	80,507	55,652	114,532
Net interest expense on interest rate swaps	—	—	—	46,118	—	46,118
	31,225	34,025	24,427	126,625	55,652	160,650
Bank charges	—	—	182	140	182	140
	31,225	34,025	24,609	126,765	55,834	160,790

5. TAXATION

	Continuing operation		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current Tax:						
PRC Enterprise Income Tax	90	481	462	6,910	552	7,391

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the relevant entities incurred tax losses in both periods. The tax rate applicable for all People's Republic of China ("PRC") subsidiaries ranges from 15% to 33%.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's subsidiaries are entitled to exemption from Enterprise Income Tax under tax holidays and concessions. Enterprise Income Tax was calculated at rates given under the concessions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. However, for the Company's subsidiaries which are entitled to the preferential tax treatment, the detailed implementation rules regarding the New Tax Law have not been issued and therefore the Group is not in a position to determine whether the Company's subsidiaries will still be entitled to the preferential tax treatment mentioned above.

6. DISCONTINUED OPERATION

On 4 December 2006, Towngas China Company Limited ("Towngas China") (formerly known as "Panva Gas Holdings Limited"), a subsidiary of the Company then, entered into a sale and purchase agreement (the "Agreement") with Hong Kong and China Gas (China) Company Limited ("HK&CG (China)"), a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("HKCG"), and HKCG. Pursuant to the Agreement, Towngas China had conditionally agreed to purchase from HK&CG (China) the entire issued share capital of certain companies which hold, collectively, equity interests varying from 27% to 100% in certain PRC companies engaging in the operation of piped gas assets and related business in the PRC and to purchase and take assignment of the outstanding loans due from these to be acquired companies to HK&CG (China) or its associates as at the completion subject to the terms and conditions of the Agreement (the "Transaction"). In consideration for the Transaction, Towngas China has agreed to allot and issue 772,911,729 ordinary shares of HK$0.10 each in the capital of Towngas China, each credited as fully paid, to HK&CG (China). Upon the completion of the above transactions, the shareholding of the Company in Towngas China was diluted and Towngas China ceased to be a subsidiary and became an associate of the Company with effect from 1 March 2007. Pursuant to an undertaking by the Company to the Stock Exchange that it would place down the shares held by it in Towngas China, to independent third parties, on or before the completion of the above transactions solely for the purpose of maintaining the public float of Towngas China (if necessary). In this connection, the Company disposed of 33,918,400 shares of Towngas China to independent third parties for an aggregate consideration of approximately HK$126,064,000. Immediately after the above transactions, the Company holds 30.54% interests in Towngas China. Certain comparative figures were re-presented so as to reflect the results for the discontinued operation.

The loss for the period from the discontinued operation is analysed as follows:

	1.1.2007 to 28.2.2007	**1.1.2006 to 30.6.2006**
	HK$'000	*HK$'000*
Loss of gas fuel business operations for the period	(25,158)	(190,633)
Loss on disposal and deemed disposal of subsidiaries	(77,201)	—
Loss on deemed disposal arising from dilution of interest in subsidiaries	(6,212)	(5,913)
	(108,571)	(196,546)

The results of the gas fuel business were as follows:

	1.1.2007 to 28.2.2007	1.1.2006 to 30.6.2006
	HK$'000	*HK$'000*
Turnover	421,459	1,243,931
Cost of sales	(370,458)	(1,028,686)
Gross profit	51,001	215,245
Other income	1,804	46,495
Distribution and selling expenses	(16,682)	(40,269)
Administrative expenses	(39,334)	(99,345)
Other expenses	(31)	(1,701)
Finance costs	(24,609)	(126,765)
Changes in fair value of derivative financial instruments	—	(181,608)
Share of results of associates	3,155	4,225
Loss before taxation	(24,696)	(183,723)
Taxation	(462)	(6,910)
Loss for the period	(25,158)	(190,633)
Loss on disposal and deemed disposal of subsidiaries	(77,201)	—
Loss on deemed disposal arising from dilution of interest in subsidiaries	(6,212)	(5,913)
Loss for the period from discontinued operation	(108,571)	(196,546)
Attributable to:		
Equity holders of the Company	(99,200)	(139,719)
Minority interests	(9,371)	(56,827)
	(108,571)	(196,546)

7. DIVIDENDS

	Six months ended 30.6.2007	Six months ended 30.6.2006
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2005 final of HK1.0 cent per share	—	48,376

The directors have resolved not to declare an interim dividend in respect of six months ended 30 June 2007.

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30.6.2007	Six months ended 30.6.2006
	HK$'000	*HK$'000*
Loss for the purpose of basic loss for the period attributable to equity holders of the Company	(42,481)	(88,256)

	Six months ended 30.6.2007	Six months ended 30.6.2006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	4,792,934,807	4,837,583,112
Effect of dilutive share options	16,103,800	25,542,778
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	4,809,038,607	4,863,125,890

From continuing operation

The calculation of basic and diluted earnings per share from continuing operation attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30.6.2007	Six months ended 30.6.2006
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company	(42,481)	(88,256)
Less: Loss for the period from discontinued operation	99,200	139,719
Earnings for the purposes of basic and diluted earnings per share from continuing operation	56,719	51,463

The denominators used are the same as those detailed above for basic and dilutive loss per share.

From discontinued operation

Basic loss per share from discontinued operation is HK2.07 cents per share (2006: HK2.89 cents loss per share) and diluted loss per share for the discontinued operation is HK2.06 cents per share (2006: HK2.87 cents loss per share), based on the loss for the period from discontinued operation of HK$99 million (2006: HK$140 million) and the denominators detailed above for basic and diluted loss per share.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from 0-90 days to its customers.

Included in trade and other receivables, deposits and prepayments are trade receivables totalling HK$258,059,000 (31.12.2006: HK$218,769,000), the aged analysis of which is as follows:

	30.6.2007	**31.12.2006**
	HK$'000	*HK$'000*
Aged:		
0 — 90 days	235,887	152,029
91 — 180 days	22,084	62,970
181 — 360 days	—	3,682
Over 360 days	88	88
	258,059	218,769

10. TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables are trade and notes payables of HK$350,523,000 (31.12.2006: HK$258,019,000), the aged analysis of which is as follows:

	30.6.2007	**31.12.2006**
	HK$'000	*HK$'000*
Aged:		
0 — 90 days	347,713	184,242
91 — 180 days	2,762	33,199
181 — 360 days	—	13,954
Over 360 days	48	26,624
	350,523	258,019

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in electricity generation and the sale of electricity, and through Towngas China Company Limited (stock code: 1083, "Towngas China") (previously known as Panva Gas Holdings Limited), the sale and distribution of Liquefied Petroleum Gas ("LP Gas") and piped gas, and gas pipelines construction. The gas fuel business operation was discontinued on 28 February 2007 upon the completion of the agreement entered into between the Company, Towngas China and Hong Kong & China Gas (China) Limited ("HKCG") announced on 4 December 2006. Details of the transaction is set out in the section headed "Major Associate".

For the six months ended 30 June 2007, the Group recorded a turnover from continuing operation of HK$617.2 million, representing a decrease of 15.2% as compared to the same period last year. Gross profit from continuing operation decreased to HK$58.1 million for the six months ended 30 June 2007, a decrease of 34.5% as compared to the same period last year. The decrease in gross profit was mainly caused by the decrease in the Group's electricity generation and the reduced fuel subsidy amount received from the Shenzhen Government for the period.

Net loss attributable to the equity holders of the Company amounted to HK$42.5 million. The loss is due to (i) the decrease in the Group's electricity generation; (ii) the reduced fuel subsidy amount received from the Shenzhen Government as compared to the same period last year; and (iii) the HK$77.2 million loss on disposal and deemed disposal of Towngas China during the period which is partly offset by the improved operations of the gas fuel business.

Overview on electricity generation business

During the period, the Group's on-grid electricity generation amounted to 991.9 million kwh, representing a decrease of 20.3% as compared to 1,244.7 million kwh over the same period last year. As a result, the turnover of on-grid electricity decreased by 15.2% to HK$617.2 million. This decrease was mainly caused by the repaired power generating unit, which was shut down from July to December 2006, having to undergo test runs in the first quarter of 2007 before operating at capacity. We have commenced the claims procedures with both our insurance provider and the manufacturer to recover the losses incurred for the shut down in 2006. As the final claims are still in discussions and are not finalized yet, we have not included the claims amount in the results for the six month ended 30 June 2007.

Direct operating expenses attributable to electricity supplies decreased by 12.5% to HK$559.1 million due to the decrease in electricity generation and also the decrease in fuel cost per tonne of 7.7%. During the period, the Group incurred a total fuel cost of HK$487.0 million.

The high world crude oil price had significantly affected the price of heavy oil which put the Group's power generation business under enormous pressure. Despite management's efforts in improving productivity, strengthening fuel procurement and inventory control, the gross profit margin of the power generation business for the period decreased by 2.8% as compared to the same period last year.

During the period, the Group was granted and received an amount of HK$81.7 million, in compensation for the high fuel cost, by the Shenzhen Government for the period from November 2006 to May 2007, compared to HK$164 million granted and received over the same period last year for the period from September 2005 to June 2006.

Currently, the Group's power plants are undergoing conversion from using heavy oil to natural gas, a more economical and environmentally friendly fuel source. Management plans to modify the two 180 MW power generator units so that these can use natural gas as an additional energy source, making them unique with dual-fuel firing capabilities by the second half of 2007. When completed, this will provide greater flexibility for the Group to select the most economical source of fuel. The proximity of the Group's power plant to the Guangdong Liquefied Natural Gas Terminal, which was completed in June 2006, ensures that the Group is well positioned for the change from heavy oil to natural gas.

Major Associate

On 4 December 2006, the Company, Towngas China and HKCG announced that the Towngas China has agreed to acquire the entire issued share capital of each of the eight companies held by HKCG (collectively the "Target Companies"), which hold equity interests in ten PRC companies that are engaged in piped gas fuel businesses. Towngas China also agreed that it will take assignment of the outstanding loans due from the Target Companies to HKCG or its associates, being approximately HK$568.1 million, together with all interest accrued thereon, if any. In consideration of the acquisition (which includes taking assignment of the shareholder loans), Towngas China agreed to issue approximately 773 million new shares to HKCG, which represented 43.97% of the enlarged issued share capital of Towngas China. The resolutions related to the agreement were approved at the extraordinary general meeting of both Towngas China and Enerchina and the completion of the agreement took place on 1 March 2007, upon which HKCG became the single largest shareholder of Towngas China and Enerchina's shareholding in Towngas China was reduced from 57.94% to 32.47%.

In order to maintain the public float of Towngas China at the minimum level of 25%, on the same date, Enerchina placed down 33,918,400 shares in Towngas China at the placing price of HK$3.77, raising HK$126.1 million for the Group. The placement further reduced our shareholding in Towngas China to 30.54%.

Upon the integration of Towngas China with HKCG on 1 March 2007, Towngas China become the major associate of the Company.

For the six months ended 30 June 2007, Towngas China recorded a turnover of HK$1,400.3 million, an increase of 12.6% over 2006. The gas fuel business was further divided into the sale of piped gas, gas pipeline construction and sale of LP gas. Turnover contribution from each of these activities amounted to HK$281.1 million, HK$113.4 million, and HK$577.1 million, accounting for 20.1%, 8.1%, and 41.2%, respectively, of Towngas China's turnover. The rapid growth of the piped gas business underlines Towngas China's shift towards a utility business model with the sale of piped gas becoming a significant source of income.

Its gross profit increased by 16.8% to HK$251.5 million and the profit attributable to shareholders amounted to HK$50.5 million. The increase in gross profit was due to increases in the gross profit margins in all segments of the Company's businesses.

Profit attributable to equity holders of Towngas China of approximately HK$50.5 million, represents a significant increase from the loss of HK$221.1 million recorded for the same period last year. The turn around from a loss making position to a profitable one is mainly due to the loss in fair value of derivatives of HK$181.6 million and the net interest expense incurred on the interest rate swaps of HK$46.1 million recorded during the same period last year versus none recorded this year. A significant increase in contribution from associated companies from HK$4.2 million in 2006 to HK$49.9 million in 2007, and the additional contribution of HK$30.3 million in 2007 from the 6 jointly controlled entities acquired from HKCG are all contributing factors for recording a profit in the first half of 2007.

SHARE BUY BACK

From 2 January 2007 to 16 March 2007, the Company repurchased a total of 40,983,000 of its own shares worth approximately HK$26,850,000 in the market, in an effort to further enhance the value in the Company to its shareholders.

If market conditions allow, the Company will consider restarting the share buy back programme.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$3,103.1 million as at 31 December 2006 to HK$897.6 million as at 30 June 2007. The net decrease is mainly due to the de-consolidation of the gas fuel business since 1 March 2007.

The total borrowings were mainly comprised of bank and other loans amounting to HK$897.6 million. The bank borrowings were mainly used to finance the expansion of the power plant in Shenzhen. The Group's net debt to equity as at 30 June 2007 was 14.45%.

Total assets pledged in securing these loans have a net book value of HK$753.6 million as at 30 June 2007. All the bank borrowings of the Group are at floating rates and denominated in both Renminbi and United States dollars. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in Renminbi. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the appreciation of Renminbi to the Group's business and manage the risks of using different financial instruments.

The Group's cash and cash equivalents amounted to HK$373.5 million as at 30 June 2007 and are mostly denominated in Renminbi, Hong Kong dollars and United States dollars.

Capital Commitments

As at 30 June 2007, the Group had capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK$12.2million.

OUTLOOK

The Group expects the growth in power consumption in the Guangdong province to continue in the second half of 2007. Looking ahead, the second half of 2007 still pose a challenging period for the Group's power generation business as the price of heavy oil is still a major determinant in the Group's power sector profitability. The Group considers that heavy oil price may not come down significantly in the near future and under the current electricity supply regime of the PRC, the Group cannot transfer the additional fuel costs to its customers and can only rely on partial compensation from the government for such rising fuel costs.

In view of this, in the second half of 2007, we will continue our efforts in improving productivity and closely monitor the conversion of our power plants from using oil fuel to natural gas. The Group will also continue our discussions in securing the supply of natural gas to coincide with the completion of the conversion of the power plants, which is expected to be completed and will undergo a trial run in using natural gas in the last quarter of 2007.

The expansion plans to increase the power generation capacity, from the Group's existing total installed capacity of 665,000 kilowatts to 1,450,000 kilowatts would also be expedited once discussions on the long term supply of natural gas have reached the final stage.

Looking ahead, Towngas China's integration with HKCG has shown results with improved interim results reported as compared to the same period last year. The main focus will still be on improving the management and cost efficiency of its existing projects by capitalising on operational synergies with HKCG, focusing on the development of piped gas projects with an emphasis in operational and safety management for long-term results and consolidating its existing LP Gas operation while allocating resources to the development of new LP Gas projects on a selective basis.

With the integration of Towngas China into HKCG from 1 March 2007 onwards, the Group will remain as a major strategic investor in Towngas China. We are confident and optimistic about its prospects and if the opportunity arises, will capitalize on its value and enhance returns to our shareholders.

In view of the continued growth in China's economy and the unrelenting demand for energy and natural resources, the Group will continue to pursue opportunities in these businesses. We are currently holding various preliminary discussions on such possible investment opportunities in the energy and related sector.

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 2007 (2006: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed approximately 193 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

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

During the six months ended 30 June 2007, the Company repurchased 40,983,000 shares on the Stock Exchange at an aggregate consideration of HK$26,850,223. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK$409,830 during the period was credited to capital redemption reserve and the relevant aggregate consideration of HK$26,850,223 was paid out from the Company's retained earnings. Details of the shares repurchased are as follows:

Month of repurchases	Number of shares repurchased	Price per share		Aggregate consideration
		Highest	Lowest	Paid
		HK$	*HK$*	*HK$*
January 2007	40,935,000	0.67	0.63	26,823,823
March 2007	48,000	0.55	0.55	26,400
	40,983,000			26,850,223

The reason for the repurchases of shares was for the enhancement of shareholder value in the long term.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2007, 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 Messrs. Lu Yungang, Davin A. Mackenzie and Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim results of the Group for the six months ended 30 June 2007 had not been audited, but had been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Audit Committee.

APPRECIATION

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

By Order of the Board
Tang Yui Man Francis
Executive Director

Hong Kong, 13 September 2007

As at the date of this announcement, the Board comprises:

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

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

Independent non-executive Directors:
Lu Yungang
Davin A. Mackenzie
Xin Luo Lin

* *For identification purpose only*