ENERCHINA HOLDINGS LIMITED
威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2007 Results Announcement

FINANCIAL HIGHLIGHTS:

For the year ended 31 December 2007

- Group's turnover from continuing operation increased by 13.1% to HK$1,313.8 million
- Group's gross profit from continuing operation decreased by 47.4% to HK$81.3 million
- Net loss attributable to the equity holders of the Company amounted to HK$2.4 million
- Loss per share of HK0.05 cents

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announced the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	2007 HK$'000	2006 HK$'000 (Re-presented)
Continuing operation			
Turnover	3	**1,313,844**	1,161,252
Cost of sales		**(1,232,556)**	(1,006,527)
Gross profit		**81,288**	154,725
Other income		**104,082**	40,204
Administrative expenses		**(62,081)**	(41,851)
Other expenses		**(8,105)**	(376)
Share of results of associates		**48,170**	–
Finance costs	4	**(65,976)**	(68,515)
Profit before taxation	5	**97,378**	84,187
Taxation	6	**–**	(806)
Profit for the year from continuing operation		**97,378**	83,381
Discontinued operations			
Loss for the year from discontinued operations	7	**(108,571)**	(250,826)
Loss for the year		**(11,193)**	(167,445)
Attributable to:			
Equity holders of the Company		**(2,425)**	(79,621)
Minority interests		**(8,768)**	(87,824)
		(11,193)	(167,445)
Dividends	8	**–**	48,376
		HK cents	*HK cents*
(Loss) earnings per share	9		
From continuing and discontinued operations			
– basic		**(0.05)**	(1.65)
– diluted		**N/A**	N/A
From continuing operation			
– basic		**2.02**	1.73
– diluted		**2.01**	1.72

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment		**1,417,111**	3,732,306
Prepaid lease payments		**42,309**	189,730
Intangible assets		**–**	136,527
Goodwill		**316,580**	1,914,164
Interest in associates		**2,227,366**	644,940
Available-for-sale investments		**1,510**	172,014
		4,004,876	6,789,681
Current assets			
Inventories		**169,941**	232,599
Prepaid lease payments		**1,464**	5,605
Trade and other receivables, deposits and prepayments	*10*	**308,133**	698,444
Amounts due from minority shareholders of a subsidiary		**–**	4,421
Investments held for trading		**50,439**	94,954
Pledged bank deposits		**–**	20,038
Bank balances and cash		**466,441**	957,395
		996,418	2,013,456
Current liabilities			
Trade, notes and other payables	*11*	**354,186**	737,766
Loans from minority shareholders of a subsidiary		**–**	25,352
Taxation payable		**8,922**	90,768
Borrowings – amount due within one year		**586,760**	602,042
		949,868	1,455,928
Net current assets		**46,550**	557,528
Total assets less current liabilities		**4,051,426**	7,347,209
Non-current liabilities			
Borrowings – amount due after one year		**307,409**	2,501,099
Deferred taxation		**–**	43,140
		307,409	2,544,239
Net assets		**3,744,017**	4,802,970

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	2007	2006
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**47,931**	48,299
Reserves	**3,695,536**	3,640,464
Equity attributable to equity holders of the Company	**3,743,467**	3,688,763
Equity component of share option reserve of a listed subsidiary	**–**	14,002
Minority interests	**550**	1,100,205
Total equity	**3,744,017**	4,802,970

1. GENERAL

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

The principal activities of the Group are 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 current year *(see note 7)*.

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

In the current year, 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 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment is required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC) – INT 12	Service concession arrangements [4]
HK(IFRIC) – INT 13	Customer loyalty programmes [5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 March 2007*
[4] *Effective for annual periods beginning on or after 1 January 2008*
[5] *Effective for annual periods beginning on or after 1 July 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is primarily engaged in the supply of electricity. The Group was also involved in gas fuel business which included the sale and distribution of Gas Fuel and related products, and gas pipeline construction, and was discontinued on 28 February 2007 *(see note 7)*.

Segment information about these businesses is presented below.

	Continuing operation		Discontinued operations	
	Electricity supplies	Total	Gas fuel business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007				
TURNOVER	**1,313,844**	**1,313,844**	**421,459**	**1,735,303**
RESULT				
Segment result	**58,771**	**58,771**	**(5,015)**	**53,756**
Other income		**88,074**	**1,804**	**89,878**
Corporate expenses		**(41,224)**	**(31)**	**(41,255)**
Finance costs		**(65,976)**	**(24,609)**	**(90,585)**
Gain on partial disposal of associates		**16,008**	**–**	**16,008**
Loss on deemed disposal arising from dilution of interest in associates		**(6,445)**	**–**	**(6,445)**
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		**48,170**	**3,155**	**51,325**
Profit (loss) before taxation		**97,378**	**(108,109)**	**(10,731)**
Taxation		**–**	**(462)**	**(462)**
Profit (loss) for the year		**97,378**	**(108,571)**	**(11,193)**

	Continuing operation		Discontinued operations	
	Electricity supplies	Total	Gas fuel business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006				
TURNOVER	1,161,252	1,161,252	2,642,916	3,804,168
RESULT				
Segment result	130,601	130,601	64,018	194,619
Other income		40,204	58,788	98,992
Discount on acquisition of interest in subsidiaries		–	28,585	28,585
Corporate expenses		(18,103)	(64,602)	(82,705)
Finance costs		(68,515)	(168,557)	(237,072)
Loss on deemed disposal arising from dilution of interest in subsidiaries		–	(19,460)	(19,460)
Share of results of associates		–	(13,664)	(13,664)
Changes in fair value of derivative financial instruments		–	(118,861)	(118,861)
Profit (loss) before taxation		84,187	(233,753)	(149,566)
Taxation		(806)	(17,073)	(17,879)
Profit (loss) for the year		83,381	(250,826)	(167,445)

4. FINANCE COSTS

	Continuing operation		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**65,976**	68,515	**1,459**	3,454	**67,435**	71,969
Interest on bank and other borrowings not wholly repayable within five years	**–**	–	**–**	4,446	**–**	4,446
Interest on convertible bonds	**–**	–	**2,453**	25,097	**2,453**	25,097
Interest on guaranteed senior notes	**–**	–	**20,515**	121,471	**20,515**	121,471
	65,976	68,515	**24,427**	154,468	**90,403**	222,983
Net interest expense on interest rate swaps	**–**	–	**–**	12,874	**–**	12,874
	65,976	68,515	**24,427**	167,342	**90,403**	235,857
Bank charges	**–**	–	**182**	1,215	**182**	1,215
	65,976	68,515	**24,609**	168,557	**90,585**	237,072

5. PROFIT (LOSS) BEFORE TAXATION

	Continuing operation		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:						
Amortisation of intangible assets (included under administrative expenses)	**–**	–	**819**	4,107	**819**	4,107
Depreciation of property, plant and equipment	**106,057**	86,468	**17,299**	104,584	**123,356**	191,052
Release of prepaid lease payments	**1,408**	993	**915**	4,922	**2,323**	5,915
Allowance for doubtful debts	**24,562**	–	**–**	40,000	**24,562**	40,000

6. TAXATION

	Continuing operation		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The tax charge comprises:						
PRC Enterprise Income Tax						
– current year	**–**	413	**462**	17,475	**462**	17,888
– underprovision in prior years	**–**	393	**–**	810	**–**	1,203
	–	806	**462**	18,285	**462**	19,091
Deferred tax credit	**–**	–	**–**	(1,212)	**–**	(1,212)
	–	806	**462**	17,073	**462**	17,879

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the relevant entities incurred tax losses in both years. The tax rate applicable for all PRC subsidiaries ranges from 15% to 33%.

Pursuant to relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period is ranging from 7.5% to 16.5%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The enactment of the New Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation.

7. DISCONTINUED OPERATIONS

On 4 December 2006, Towngas China Company Limited ("Towngas China") (formerly known as "Panva Gas Holdings Limited"), a subsidiary of the Company, 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 operations.

The loss for the period/year from the discontinued operations is analysed as follows:

	1.1.2007 to 28.2.2007	1.1.2006 to 31.12.2006
	HK$'000	*HK$'000*
Loss of gas fuel business operation for the period/year	**(31,370)**	(250,826)
Loss on disposal and deemed disposal of subsidiaries	**(77,201)**	–
	(108,571)	(250,826)

The results of the gas fuel business were as follow:

	Notes	**1.1.2007 to 28.2.2007**	1.1.2006 to 31.12.2006
		HK$'000	*HK$'000*
Turnover	*3*	**421,459**	2,642,916
Cost of sales		**(370,458)**	(2,238,180)
Gross profit		**51,001**	404,736
Other income		**1,804**	87,373
Distribution and selling expenses		**(16,682)**	(85,423)
Administrative expenses		**(39,334)**	(312,193)
Other expenses		**(31)**	(7,704)
Finance costs	*4*	**(24,609)**	(168,557)
Changes in fair value of derivative financial instruments		**–**	(118,861)
Share of results of associates		**3,155**	(13,664)
Loss on deemed disposal arising from dilution of interest in subsidiaries		**(6,212)**	(19,460)
Loss before taxation	*5*	**(30,908)**	(233,753)
Taxation	*6*	**(462)**	(17,073)
Loss for the period/year from discontinued operations		**(31,370)**	(250,826)
Loss on disposal and deemed disposal of subsidiaries		**(77,201)**	–
		(108,571)	(250,826)
Attributable to:			
Equity holders of the Company		**(99,200)**	(163,152)
Minority interests		**(9,371)**	(87,674)
		(108,571)	(250,826)

8. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividend recognised as distribution:		
2005 final of HK1.0 cents per share	**–**	48,376

No dividend was proposed for the year ended 31 December 2007.

9. (LOSS) EARNINGS PER SHARE

The calculation of the (loss) earnings per share is based on the following data:

Number of shares	**2007**	2006
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,792,914,050**	4,837,595,552
Effect of dilutive share options	**10,031,890**	17,501,223
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,802,945,940**	4,855,096,775

From continuing and discontinued operations

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

	2007	2006
	HK$'000	*HK$'000*
Loss for the purpose of basic loss for the year attributable to equity holders of the Company	**(2,425)**	(79,621)

No diluted loss per share has been presented for the year on the assumption that the exercise of the share options granted by the Company would decrease the loss per share.

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:

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	**(2,425)**	(79,621)
Less: Loss for the year from discontinued operations	**99,200**	163,152
Earnings for the purposes of basic and diluted earnings per share from continuing operation	**96,775**	83,531

The denominators used are the same as those detailed above.

From discontinued operations

Basic loss per share from discontinued operations is HK2.07 cents per share (2006: HK3.37 cents loss per share) based on the loss for the year from the discontinued operations of HK$99 million (2006: HK$163 million) and the denominators detailed above. No diluted loss per share has been presented for the year on the assumption that the exercise of the share options granted by the Company would decrease the loss per share.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**210,111**	218,769
Other receivables, deposits and prepayments	**98,022**	479,675
	308,133	698,444

The Group allows an average credit period ranging from 0 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$'000	*HK$'000*
0 to 90 days	**210,111**	152,117
91 to 180 days	**–**	62,970
181 to 360 days	**–**	3,682
	210,111	218,769

11. TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables are trade payables of HK$259,853,000 (2006: HK$258,019,000), the aged analysis of which is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**256,055**	184,242
Between 91 – 180 days	**3,750**	33,199
Between 181 – 360 days	**–**	13,954
Over 360 days	**48**	26,624
	259,853	258,019

The fair value of the Group's trade, notes and other payables at 31 December 2007 approximates to their carrying amount.

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 sales 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 year ended 31 December 2007, the Group recorded a turnover from continuing operation of HK$1,313.8 million, representing an increment of 13.1% as compared to the same period last year. Gross profit from continuing operation decreased to HK$81.3 million for the year ended 31 December 2007, a drop of 47.4% as compared to the same period last year. Profits from continuing operation was increased by HK$14.0 million or 16.8% from the last year's figure of HK$83.4 million to HK$97.4 million. The Group's audited consolidated loss attributable to shareholders for the year ended 31 December 2007 narrowed to HK$2.4 million, a 97.0% improvement as compared to last year's loss of HK$79.6 million. Basic loss per share was improved significantly by 97.0% year on year to HK0.05 cents.

Overview of Electricity Generation Business

During the year, the Group's on-grid electricity generation amounted to 2,086 million kWh, representing a rise of 7.2% as compared to 1,946 million kWh over 2006. Notwithstanding the operation disruption arising from (i) the trial run in the first quarter of 2007 following the major repairs of one of the power generating units shut down in the second half of 2006; and (ii) the natural gas test run in the last quarter of 2007, the turnover increased by 13.1% to HK$1,313.8 million. This was attributable to the strong demand for electricity from the power grid, in particular for the last quarter of 2007.

Direct operating expenses attributable to electricity supplies increased by 22.5% to HK$1,232.6 million due to the escalating fuel cost especially in the second half of 2007 and the persistent appreciation of RMB against USD. During the year, the Group incurred a total fuel cost of HK$1,032.3 million. The Group was granted an amount of HK$300.5 million, in compensation for the high fuel cost, by the Shenzhen Government for the period from November 2006 to November 2007. The subsidy is to ensure the power plant to maintain its profitability in times of rising heavy oil cost.

The staggeringly high world crude oil price had significantly pushed up the price of heavy oil, thus, putting 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 year decreased to 6.2% as compared to the 13.3% in 2006.

Other income, which principally comprised interest income, change in fair value of investments held for trading, gain on partial disposal of associates, and insurance compensation, was increased from HK$40.2 million in 2006 to HK$104.1 million in 2007. This was mainly attributable to the (i) HK$49.8 million receipt from insurance compensation due to the machinery breakdown; and (ii) HK$16.0 million gain on partial disposal of Towngas China.

The HK$20.2 million increase in administrative expense was mainly due to the write off of HK$24.5 million retention monies for the disposal of 41% equity interest in Xin Hua Control Engineering Company Limited ("Xin Hua").

The profits from continuing operations for the year ended 31 December 2007 amounted to HK$97.4 million as compared to the HK$83.4 million for the 2006's. The growth, which was partly offset by the drop in profits from electricity generation business, was mainly results of (i) the share of HK$48.2 million from Towngas China's profits for the period from 1 March 2007 to 31 December 2007; and (ii) the HK$16.0 million gain arising from approximately 3.08% disposal in Towngas China on 28 September 2007.

The modification of the two 180 MW installed capacity power generators making them with dual-fuel firing capabilities was completed in September 2007. The successful test run in the fourth quarter of 2007 ensures Enerchina to equip itself on the use of natural gas, a more economical and environmentally friendly fuel source. The proximity of the Group's power plant to the Guangdong Liquefied Natural Gas Terminal, the second phase of which is scheduled to be completed by the end of 2008, allow the Group to well position the fuel conversion 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 becomes the major associate of the Company.

The Group's investment in gas fuel business through Towngas China achieved a breakthrough after the disposal. During the year, Towngas China focused on the development of the piped gas business while allocating an appropriate amount of resources to the LP Gas business and further rationalized its existing operations. On the piped gas front, Towngas China (i) acquired a 100% equity interest in pineline gas network and natural gas supplier located in Mianyang of Sichuan province in November 2007; (ii) established a wholly owned subsidiary in Gongzhuling of Jilin province in December 2007, in which it owns a 30 years' exclusive operating rights in piped gas business and a 50% equity interest in natural gas resource exploration right; and (iii) set up a 50% joint venture in Qijiang of Chongqing city in December 2007 which owns a 30 years' gas pipeline network operating right in Gunan, Sanjiang and Shijiao. In addition, Towngas China entered a 50% joint venture in Wuhan of Hebei province with Wuhan Gas Thermal Group Limited in December 2007. This joint venture can create synergy with its other LPG companies in gas source procurement and logistics distribution.

For the year ended 31 December 2007, Towngas China recorded turnover of approximately HK$3,195.4 million, an increase of 20.9% over the previous year. Operating profits before returns on investments increased to approximately HK$169.8 million from approximately HK$0.3 million in 2006. The increase in operating profits was attributable to the increase in gross profits margin in all the three segments of Towngas China, namely, sale of piped gas, gas pipeline construction, and sale of LPG. Profits after tax attributable to shareholders of the Company amounted to approximately HK$144.5 million, a significant increase from loss of HK$256.3 million recorded in 2006.

The reason for the turnaround from a loss to profit includes the elimination of the loss in fair value of derivatives of approximately HK$124.2 million and the net interest expense incurred on the interest rate swaps of approximately HK$12.9 million recorded in 2006 as a result of their termination. A significant improvement in contribution from associates from loss of HK$13.7 million in 2006 to profit of HK$105.8 million in 2007, and the additional contribution of approximately HK$51.3 million in 2007 from the six jointly controlled entities acquired from HKCG are also the growth contributing factors in 2007.

On 23 August 2007, the rating agency Standard and Poor's Rating Services ("S&P") raised the long-term corporate credit rating on Towngas China from "BB+" to "BBB-". At the same time, S&P also raised the issue ratings on Towngas China's US$50 million convertible bonds due 2008 and US$200 million notes from "BB+" to "BBB-". The upgrades reflect the stronger financial profile as well as improving operational performance of Towngas China.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$3,103.1 million as at 31 December 2006 to HK$894.2 million as at 31 December 2007. The decrease was mainly due to the de-consolidation of the gas fuel business of Towngas China since 1 March 2007. The bank borrowings as at 31 December 2007 were bank loan used to finance the expansion of the power plant in Shenzhen. The Group's total net interest-bearing debt to equity dropped substantially from 57.6% as at 31 December 2006 to 11.4% as at 31 December 2007.

Total assets pledged in securing these loans have a net book value of HK$761.3 million as at 31 December 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$466.4 million as at 31 December 2007 and are mostly denominated in Renminbi, Hong Kong dollars and United States dollars.

CONTINGENT LIABILITIES

In 2005, the Company disposed of its 41% equity interest in Xin Hua to a third party ("the Buyer"). A portion of the consideration in respect of such disposal or approximately HK$24.5 million was paid into the accounts of an escrow agent (the "Escrow Agent") and shall be released to the Company on 31 March 2007, unless the Escrow Agent shall before such date receive a certificate from the Buyer of its objection to release such amount and request such amount to be released back to the Buyer.

The Company and the Escrow Agent have received such certificate dated 7 March 2007 from the Buyer and a claim against the sellers (including the Company) of US$12.2 million. Under the equity transfer agreement, the maximum liability of the Company shall not exceed 37.3% of the relevant damage or its portion of escrow money of US$3.2 million (equivalent to approximately HK$24.5 million), whichever is lower.

The Company has sent to the Escrow Agent a certificate objecting the transfer of the escrow money to the Buyer, and has sent to the Buyer a notice that the Company is disputing the Buyer's claim. The Company is in the process of gathering further details of the Buyer's claim. During the year ended 31 December 2007, an allowance of US$3.2 million (equivalent to approximately HK$24.5 million) is made in respect of the full amount receivable included in the consolidated financial statements as at 31 December 2007.

CAPITAL COMMITMENTS

As at 31 December 2007, the Group had capital commitments in respect of the acquisition of property, plant and equipment not provided in the consolidated financial statements amounting to HK$5.6 million.

PROSPECTS

In view of the continued growth in China's economy, the Board continues to pursue investment opportunities with good strategic value in the energy and other sectors in order to enhance the shareholders' value of the Company. Preliminary discussions on such proposed investments are being carried out. The market will be informed in accordance with relevant regulations when the discussions reach a mature stage.

Electricity Generation Business

The national power shortage situation in early 2008 caused a number of provinces including Guangdong to ration electricity. It is estimated that power consumption in Guangdong Province will continue to rise and the supply shortage gap will continue to widen. Accordingly the electricity output capacity of the Group will be raised to a higher level in the coming year.

If the Company can secure the long term supply of natural gas, it will kick off the second phase gas conversion by converting the remaining 235MW installed capacity generating unit into a gas-fired plant. The Company believes that the improvement in productivity, efficiency, gross profit margin and maintenance cost saving following the natural gas conversion plan will put itself in a better position in the industry.

Gas Fuel Business through its Major Associate, Towngas China

In 2008, Towngas China as a socially responsible enterprise will continue to work with HKCG to build up the Towngas brand as a renowned and quality brand. This can consolidate its leading position in China's gas fuel sector by providing customers with safety, caring, competent and efficient services while preserving the environment. In addition, Towngas China will continue to develop new gas fuel projects by increasing its stake in the north-east region and Sichuan province as well as seeking breakthrough in other regions of China. Given the enormous potential in the China's market arising form the rapid urbanization and industrialization, Towngas China will also seek to optimize its customer structure by expanding the more profitable industrial and commercial customer base, and to increase its sourcing power from upstream enterprises.

Starting from early 2007, the addition of HKCG's eight projects in the Shandong province and two projects in the Anhui province will create a super-regional footprint across north-east China for Towngas China. We believe that Towngas China will be able to extend its presence across the near contiguous provinces of Heilongjiang, Jilin, Liaoning, Shandong, Jiangsu, Anhui and Guangdong, in addition to Towngas China's significant operations in the Sichuan province. The increased market reach and assets base, synergies and experience and expertise of HKCG is expected to strengthen the business of Towngas China and would brought about priceless contributions to the shareholders of Enerchina.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed approximately 195 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 year, the Company repurchased 40,983,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$26,850,223. All of the shares were subsequently cancelled. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration 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 shareholders' 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 year ended 31 December 2007.

CORPORATE GOVERNANCE

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

During the year, the Company has complied with the code provisions as set out in the Code.

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 year ended 31 December 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, namely, 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 annual results of the Group for the year ended 31 December 2007 had been audited by the Company's auditors, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

By Order of the Board
Ou Yaping
Chairman

Hong Kong, 3 April 2008

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

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

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

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