ENERCHINA HOLDINGS LIMITED
威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2008 Interim Results Announcement

Financial Highlights:

For the six months ended 30 June 2008

- Group's turnover from continuing operation decreased by 2.2% to HK$603.8 million
- Group's gross profit from continuing operation decreased by 45.4% to HK$31.7 million
- Net profit attributable to the equity holders of the Company increased by 128.9% to HK$12.3 million
- Earnings per share of HK0.26 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 2008.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30.6.2008 HK$'000 (Unaudited)	Six months ended 30.6.2007 HK$'000 (Unaudited)
Continuing operation			
Turnover	3	**603,776**	617,177
Cost of sales		**(572,035)**	(559,081)
Gross profit		**31,741**	58,096
Other income		**40,447**	18,597
Administrative expenses		**(26,192)**	(24,876)
Other expenses		**(1,172)**	(1,996)
Net (losses) gains on investments held for trading		**(23,283)**	14,937
Share of results of associates		**28,742**	23,927
Finance costs	4	**(38,008)**	(31,225)
Profit before taxation	5	**12,275**	57,460
Taxation	6	**—**	(90)
Profit for the period from continuing operation		**12,275**	57,370
Discontinued operations	7		
Loss for the period from discontinued operations		**—**	(108,571)
Profit (loss) for the period		**12,275**	(51,201)
Attributable to:			
Equity holders of the Company		**12,298**	(42,481)
Minority interests		**(23)**	(8,720)
		12,275	(51,201)
		HK cents	*HK cents*
Earnings (loss) per share	9		
From continuing and discontinued operations			
Basic		**0.26**	(0.89)
Diluted		**N/A**	N/A
From continuing operation			
Basic		**0.26**	1.18
Diluted		**N/A**	1.18

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	**30.6.2008**	31.12.2007
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**1,463,682**	1,417,111
Prepaid lease payments		**44,432**	42,309
Goodwill		**316,580**	316,580
Interest in associates		**2,335,317**	2,227,366
Available-for-sale investments		**1,510**	1,510
		4,161,521	4,004,876
Current assets			
Inventories		**174,412**	169,941
Prepaid lease payments		**1,559**	1,464
Trade and other receivables, deposits and prepayments	10	**296,971**	308,133
Investments held for trading		**109,148**	50,439
Pledged bank deposits		**22,476**	—
Bank balances and cash		**216,561**	466,441
		821,127	996,418
Current liabilities			
Trade, notes and other payables	11	**310,182**	354,186
Taxation payable		**8,922**	8,922
Borrowings - amount due within one year		**540,826**	586,760
		859,930	949,868
Net current (liabilities) assets		**(38,803)**	46,550
Total assets less current liabilities		**4,122,718**	4,051,426
Non-current liabilities			
Borrowings - amount due after one year		**231,093**	307,409
Net assets		**3,891,625**	3,744,017

CONDENSED CONSOLIDATED BALANCE SHEET — continued
AT 30 JUNE 2008

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**47,931**	47,931
Reserves	**3,843,132**	3,695,536
Equity attributable to equity holders of the Company	**3,891,063**	3,743,467
Minority interests	**562**	550
Total equity	**3,891,625**	3,744,017

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 on 28 February 2007 (see note 7).

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 2008, the Group had net current liabilities of approximately HK$39 million and reported a net decrease in cash and cash equivalents of approximately HK$261 million for the six months then ended. The Group's current liabilities as at 30 June 2008 included its interest-bearing bank loans of HK$541 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 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

2. PRINCIPAL ACCOUNTING POLICIES — continued

The adoption of these new Interpretations has 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.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 13	Customer loyalty programmes[3]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[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 July 2008.

[4] Effective for annual periods beginning on or after 1 October 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 the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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 7).

Segment information about these businesses is presented below:

Business segments

Six months ended 30 June 2008

	Electricity supplies	Total
	HK$'000	*HK$'000*
TURNOVER	603,776	603,776
RESULT		
Segment result	15,464	15,464
Other income		40,017
Corporate expenses		(11,087)
Net losses on investments held for trading		(23,283)
Finance costs		(38,008)
Gain on deemed disposal arising from dilution of interest in associates		430
Share of results of associates		28,742
Profit before taxation		12,275
Taxation		—
Profit for the period		12,275

3. **SEGMENT INFORMATION — continued**

Business segments — continued

Six months ended 30 June 2007

	Continuing operation		Discontinued operations	
	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	(5,015)	42,989
Other income		33,534	1,804	35,338
Corporate expenses		(14,935)	(31)	(14,966)
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 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	(30,908)	26,552
Taxation		(90)	(462)	(552)
Profit (loss) for the period		57,370	(31,370)	26,000
Loss on disposal and deemed disposal of subsidiaries		—	(77,201)	(77,201)
		57,370	(108,571)	(51,201)

4. FINANCE COSTS

	Continuing operation Six months ended 30.6.2008	Continuing operation Six months ended 30.6.2007	Discontinued operations Six months ended 30.6.2008	Discontinued operations Six months ended 30.6.2007	Consolidated Six months ended 30.6.2008	Consolidated Six months ended 30.6.2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**38,008**	31,225	**—**	1,459	**38,008**	32,684
Interest on convertible bonds	**—**	—	**—**	2,453	**—**	2,453
Interest on guaranteed senior notes	**—**	—	**—**	20,515	**—**	20,515
	38,008	31,225	**—**	24,427	**38,008**	55,652
Bank charges	**—**	—	**—**	182	**—**	182
	38,008	31,225	**—**	24,609	**38,008**	55,834

5. PROFIT BEFORE TAXATION

	Continuing operation Six months ended 30.6.2008	Continuing operation Six months ended 30.6.2007	Discontinued operations Six months ended 30.6.2008	Discontinued operations Six months ended 30.6.2007	Consolidated Six months ended 30.6.2008	Consolidated Six months ended 30.6.2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation has been arrived at after charging:						
Loss on deemed disposal arising from dilution of interest in associates	**—**	1,845	**—**	—	**—**	1,845
Depreciation of property, plant and equipment	**50,827**	50,473	**—**	17,299	**50,827**	67,772
Release of prepaid lease payments	**606**	836	**—**	—	**606**	836
and after crediting:						
Interest income on bank deposits	**3,333**	6,755	**—**	1,042	**3,333**	7,797
Dividend income						
- listed	**196**	—	**—**	—	**196**	—
- unlisted	**6,909**	—	**—**	149	**6,909**	149
	7,105	—	**—**	149	**7,105**	149
Insurance recovery of damages and losses incurred in prior years as a result of breakdown of plant and machinery	**28,873**	4,181	**—**	—	**28,873**	4,181

6. TAXATION

	Continuing operation Six months ended **30.6.2008**	 30.6.2007	Discontinued operations Six months ended **30.6.2008**	 30.6.2007	Consolidated Six months ended **30.6.2008**	 30.6.2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
PRC Enterprise Income Tax	**—**	90	**—**	462	**—**	552

No provision of Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the relevant entities had no assessable profit in both periods.

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 at 9% (six months ended 30 June 2007: 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 New Law and Implementation Regulations introduced the unification of the income tax at 25% from 1 January 2008 with certain transitional arrangement. The tax rate applicable for all People's Republic of China ("PRC") subsidiaries is 18% (six months ended 30 June 2007: ranging from 15% to 33%) for the current interim period. The enactment of the New Law is not expected to have any significant financial effect on the amounts accrued in the condensed consolidated balance sheet in respect of taxation payable and deferred taxation.

At the balance sheet date, no deferred tax liabilities have been recognized in respect of the temporary differences associated with undistributed earnings of subsidiaries. No deferred tax liabilities has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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 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.

The loss for that period from the discontinued operations was analysed as follows:

	1.1.2007 to 28.2.2007
	HK$'000
Loss of gas fuel business operation for that period	(31,370)
Loss on disposal and deemed disposal of subsidiaries	(77,201)
	(108,571)

7. DISCONTINUED OPERATIONS — continued

The results of the gas fuel business were as follow:

	Notes	1.1.2007 to 28.2.2007 HK$'000
Turnover	3	421,459
Cost of sales		(370,458)
Gross profit		51,001
Other income		1,804
Distribution and selling expenses		(16,682)
Administrative expenses		(39,334)
Other expenses		(31)
Finance costs	4	(24,609)
Share of results of associates		3,155
Loss on deemed disposal arising from dilution of interest in subsidiaries		(6,212)
Loss before taxation	5	(30,908)
Taxation	6	(462)
Loss for the period from discontinued operations		(31,370)
Loss on disposal and deemed disposal of subsidiaries		(77,201)
		(108,571)
Attributable to:		
Equity holders of the Company		(99,200)
Minority interests		(9,371)
		(108,571)

8. DIVIDENDS

The directors have resolved not to declare an interim dividend in respect of six months ended 30 June 2008 and 2007.

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic earnings (loss) for the period attributable to equity holders of the Company	**12,298**	(42,481)

	Six months ended	
	30.6.2008	30.6.2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**4,793,103,776**	4,792,934,807
Effect of dilutive share options		16,103,800
Weighted average number of ordinary shares for the purpose of diluted earnings per share		4,809,038,607

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the six months ended 30 June 2008.

No diluted loss per share had been presented for the prior interim period on the assumption that the exercise of the share options 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:

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Earnings (loss) for the period attributable to equity holders of the Company	**12,298**	(42,481)
Less: Loss for the period from discontinued operations	**—**	99,200
Earnings for the purposes of basic and diluted earnings per share from continuing operation	**12,298**	56,719

9. **EARNINGS (LOSS) PER SHARE — continued**

The denominators used are the same as those detailed above.

No diluted earning per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the six months ended 30 June 2008.

From discontinued operations

Basic loss per share from discontinued operations for the period ended 30 June 2007 was HK2.07 cents per share based on the loss for that period from the discontinued operations of HK$99 million and the denominators detailed above. No diluted loss per share has been presented for that period 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**

Included in trade and other receivables, deposits and prepayments are trade receivables totalling HK$170,951,000 (31.12.2007: HK$210,111,000) all of which are aged less than 90 days.

Included in other receivables, deposits and prepayments as at 30 June 2008 is a receivable of HK$77,976,000 (2007: HK$77,976,000) representing an advance to an investee of the Group. The amount is unsecured, interest-free and expected to be settled within one year.

11. **TRADE, NOTES AND OTHER PAYABLES**

Included in trade, notes and other payables are trade and notes payables of HK$253,980,000 (31.12.2007: HK$259,853,000), the aged analysis of which is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Aged:		
0 - 90 days	**250,053**	256,055
91 - 180 days	**432**	3,750
181 - 360 days	**3,447**	—
Over 360 days	**48**	48
	253,980	259,853

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in electricity generation and the sale of electricity, and through Towngas China Company Limited (Stock code: 1083, "Towngas China"), the sales and distribution of 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.

For the six months ended 30 June 2008, the Group recorded a turnover of HK$603.8 million, representing a decrease of 2.2% as compared to the same period last year. Gross profit from continuing operation decreased to HK$31.7 million for the six months ended 30 June 2008, a decrease of 45.4% as compared to the same period last year. This was mainly due to the soaring fuel cost for the period.

The Group's unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2008 amounted to HK$12.3 million, a 128.9% improvement as compared to last year's loss of HK$42.5 million. This is mainly due to the net effect of (i) the rise in cost of the Group driven by heavy oil price; (ii) the receipt from insurance compensation due to the machinery breakdown increased by HK$24.7 million to HK$28.9 million; (iii) the loss of change in fair value of investments held for trading amounted to HK$23.3 million, as compared to a gain of HK$14.9 million in the corresponding period last year; and (iv) the loss from discontinued operations of HK$108.6 million in last period.

Overview of Electricity Generation Business

During the year, the Group's on-grid electricity generation amounted to 885.8 million kWh, representing a decrease of 10.7% as compared to 991.9 million kWh over the corresponding period last year. This was mainly caused by the fluctuating heavy oil price and deferred subsidies during the period. Hence, the overall electricity generation was minimized in June 2008. As a result, after the exchange translation difference of Renminbi and Hong Kong dollars, the turnover of on-grid electricity decreased by 2.2% to HK$603.8 million.

Direct operating expenses attributable to electricity supplies increased by 2.3% to HK$572.0 million. During the period, the Group incurred a total fuel cost, after offsetting the subsidies, amounting to HK$496.5 million. The Group was granted an amount of HK$303.5 million as subsidies, in compensation for the high fuel cost, by the Shenzhen Government for the period from December 2007 to May 2008. The subsidy is to ensure the power plant to maintain its operation 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 period decreased to 5.3% as compared to 9.4% in the same period last year.

After the completion of modifying the two 180 MW power generator units with dual-fuel firing capabilities and constructing of the natural gas pipeline connecting our power plant with the Guangdong Liquefied Natural Gas Terminal, these provide greater flexibility for the Group to select the most economical source of fuel.

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

The Group's investment in gas fuel business through Towngas China achieved a breakthrough after the disposal. For the six months ended 30 June 2008, Towngas China recorded a turnover of HK$2,119 million, an increase of 51.3% over the previous year. Operating profit before returns on investments grew by 44.4% to HK$90 million. The increases were mainly due to increases in the number of operating subsidiaries during the past 12 months and the natural growth of individual subsidiaries. Towngas China recorded an EBITDA of HK$310 million, an increase of 25.0% over the corresponding period last year. Profit attributable to shareholders jumped to HK$101 million representing an increase of 100.1% over the same period last year.

The jump in profit attributable to shareholders was mainly due to the significant increase in contributions from associated companies of HK$35 million to HK$85 million, together with an increase of 25.2% to HK$38 million from the six jointly controlled entities acquired from The Hong Kong and China Gas Company Limited ("HKCG"), where only four months of results were accounted for in the first half of 2007.

During the period, Towngas China successfully acquired (i) a wholly owned subsidiary in Huangshan city of Anhui Province in May 2008, in which it owns a 30 years' exclusive operating rights in city piped-gas business; and (ii) 100% equity interest city piped-gas project in the Jinhai Economic Zone in Shenyang of Liaaoning Province in July 2008. The projects are expected to create synergies with Towngas China's other piped gas projects in the future.

On 28 April 2008, the ratings agency Moody's Investor Service upgraded the Towngas China's senior unsecured bond rating to Baa3 and also assigned a Baa3 issuer rating to Towngas China. The outlook for the ratings is stable. The upgrades reflect Towngas China's stronger financial and operational outlook.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$894.2 million as at 31 December 2007 to HK$771.9 million as at 30 June 2008. The bank borrowings as at 30 June 2008 were bank loan used to finance the expansion of the power plant in Shenzhen. The Group's total net interest-bearing debt to equity was 14.3% as at 30 June 2008.

Total assets pledged in securing these loans have a net book value of HK$805.1 million as at 30 June 2008. All the bank borrowings of the Group are mainly 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$216.6 million as at 30 June 2008 and are mostly denominated in Renminbi, Hong Kong dollars and United States dollars.

Capital Commitments

As at 30 June 2008, the Group had capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK$8.5 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.

Electricity Generation Business

In view of the current national power shortage situation, it is estimated that power consumption in Guangdong Province will continue to rise and the supply shortage gap will continue to widen.

In view of the fluctuated international crude oil prices, the natural gas has gradually become a major economical energy source in China, especially after the Second West-East Natural Gas Pipeline project. The application of natural gas is expected to boost up. We foresee the next five years would be the second development for China's natural gas. It will also be an evolution for the Group's natural gas business after the successful modifying two 180 MW power generator units with dual-fuel firing capabilities in last year.

The Company will kick off the conversion by converting the remaining 235MW installed capacity generating unit into a gas-fired plant in an appropriate stage. 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

With vast territories, huge population and unceasing urbanization, demand for natural gas is growing rapidly. Towngas China expects that China's natural gas market will provide exceptional potential for their business profitability and expansion.

In addition to the city piped gas business, Towngas China's compressed natural gas refilling business has been expanding rapidly as well. With the increasing number of cars on the mainland, and the government's growing support for environmental protection, we are highly optimistic with regard to the growth and profitability of this business.

Towngas China has established extensive business ties in numerous cities throughout the country. In Sichuan and provinces in the Northeast region, Towngas China continues to maintain and promote cooperation with the local governments, while also actively exploring the possibility of collaboration with private enterprises. Several projects with extensive market potential are expected to enter into advanced negotiation stages in the latter part of the year.

In view of the continued growth in China's economy and the unrelenting demand for energy and natural resources, we are confident and optimistic that Towngas China will continuously bring priceless contributions for the shareholders of Enerchina.

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 2008 (2007: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 196 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2008.

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 2008, 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 2008 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
Enerchina Holdings Limited
Chen Wei
Chief Executive Officer

Hong Kong, 18 September 2008

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