

Chairman's Statement

I am pleased to report that Enerchina Holdings Limited ("Enerchina" or the "Company") and its subsidiaries (collectively the "Group") achieved an overall growth in revenue and earnings during the year ended 31 December 2005. The Group was continuing to put a lot of efforts to develop green energy business in order to improve the environment of our living places and to create value to our shareholders.

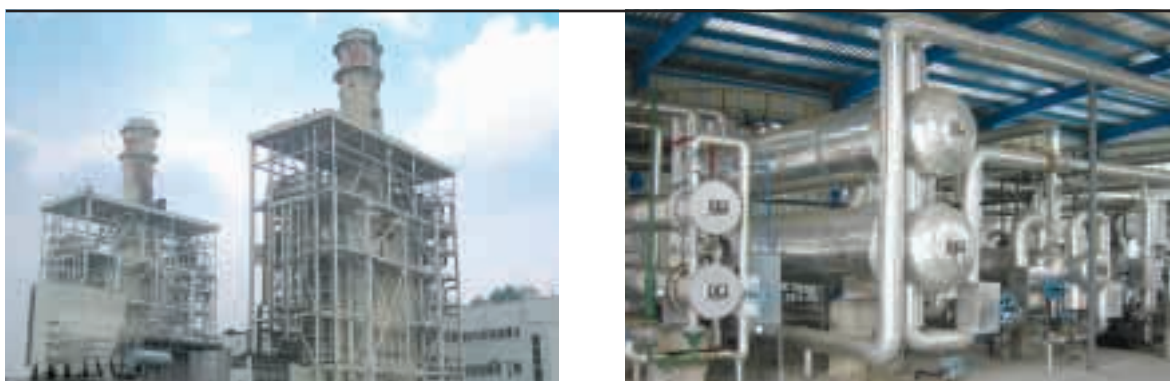
YEAR 2005 FINANCIAL RESULTS

The Group's total revenue grew 229% to HK\$2,820 million, comprising revenue from the power generation business and Panva Gas Holdings Limited ("Panva Gas"). The revenue from the sale of electricity grew 53% to HK\$1,292 million and the Group also benefited from the consolidation of the revenue from Panva Gas for the period from the date of acquisition to 31 December 2005, which the sale of liquefied petroleum gas ("LP Gas") and piped gas amounted to HK\$1,529 million and the income from the completion of construction of gas pipelines amounted to HK\$547 million.

The Group's operating expenses for the year increased by 439% to HK\$221 million as compared to HK\$41 million last year. The substantial increase of the Group's operating expenses was mainly due to an increase of HK\$132 million in administrative and selling expenses as the results of the consolidation of the administrative and selling expenses of Panva Gas.

The Group's audited consolidated profit attributable to shareholders for the year ended 31 December 2005 amounted to HK\$191 million, an 112% increase as compared to last year's profit of HK\$90 million. Earnings per share were increased by 25% year on year to HK4.88 cents.

I am also pleased to announce that the board of directors of the Company (the "Board" or the "Directors") has declared a final dividend of HK\$0.01 (2004: HK\$0.035) per share of the Company (the "Share"), payable on Tuesday, 6 June 2006 to those persons registered as shareholders on Monday, 29 May 2006. The proposed final dividend, together with the interim dividend of HK\$0.01 per Share and a special interim dividend of HK\$0.01 per Share, gives a total dividend of HK\$0.03 (2004: HK\$0.035) per Share for the year. The share register of members will be closed from Thursday, 25 May 2006 to Monday, 29 May 2006, both days inclusive.



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OVERVIEW

In 2005, I saw significant progress made by the Group in achieving our mission, which is to become a major clean energy provider in the PRC. Firstly, the Group's newly installed 180,000 kilowatts power generator unit, which has dual fuel capability, commenced operation in May. This newly installed capacity has brought our power plant to a total installed capacity to 665,000 kilowatts and becomes one of the largest power plants in Shenzhen. In the meantime, with the approval of the government, the Group has carried out modification to liquefied natural gas ("LNG") and pipeline construction works. With such existing installed capacity, I believe that our Group is in a favourable condition to use natural gas as an alternative fuel source in the near future. Secondly, the Group had acquired a majority stake in Panva Gas during the year and becomes its holding company. Panva Gas is principally engaged in the sale and distribution of LP Gas and natural gas in the PRC which I believe Panva Gas will provide a long term and reliable income base for Enerchina. In addition Panva Gas will also provide a favourable condition for our Group to develop coal gasification business with its existing distribution network.

OUTLOOK

The PRC economy in 2005 recorded a growth of more than 9% in gross domestic product and I believe the growth in the PRC economy will remain steady in 2006 as the PRC government recently set out new policies in the 11th Five Year Plan in order to focus on building up a harmonious society while maintaining a sustainable growth. One of the areas is the energy sector which the PRC government is growing concern on the environmental impact from the energy sector. However, I consider these new policies will create a favourable environment for our Group to become a major clean energy provider in the market and especially in the power generation business and the gas fuel business.

APPRECIATION

The Board and I believe that 2006 is still a challenging year for the Group in terms of our power generation business still facing soaring fuel cost and the integration of Panva Gas into the Group. I believe that our people have the ability and skill to counter these challenges and bring long term success for the Group in the future. On behalf of the Board, I would like to take this opportunity to express my appreciation to our staff and management team of the Group for their contribution during the year and also to give me sincere gratitude to all our shareholders for their continual support all these years.

OU Yaping

Chairman

Hong Kong, 24 April 2006

