



Enerchina

Holdings Limited

威華達控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 622

2006

Interim Report





CORPORATE INFORMATION

Board of Directors

Executive Directors

Ou Yaping (*Chairman*)
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

Authorised Representatives

Tang Yui Man Francis
Xiang Ya Bo

Audit Committee

Lu Yungang
Davin A. Mackenzie
Xin Luo Lin (*Chairman*)

Remuneration Committee

Lu Yungang
Davin A. Mackenzie
Ou Yaping
Xiang Ya Bo
Xin Luo Lin (*Chairman*)

Qualified Accountant

Tiong Check Hiong, Jacqueline

Company Secretary

Lo Tai On

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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199 Des Voeux Road Central
Hong Kong
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Stock Code : 622
Website : <http://www.enerchina.com.hk>
[http://www.irasia.com/
listco/hk/enerchina](http://www.irasia.com/listco/hk/enerchina)
<http://www.panva-gas.com>

Auditors

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

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisors

(*As to Hong Kong law*)
Woo, Kwan, Lee & Lo
Norton Rose

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

(*As to the PRC law*)
Haiwen & Partners

Principal Bankers

Bank of China (Hong Kong) Limited
China Construction Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Ltd.
Shenzhen Development Bank Co., Ltd.



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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2006

- Group's turnover increased by 162.5% to HK\$1,971.5 million
- Group's gross profit increased by 125.9% to HK\$304.0 million
- Net loss attributable to the equity holders of the Company amounted to HK\$88.3 million
- Loss per share of HK\$0.018

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the electricity generation and sale of electricity, and through Panva Gas Holdings Limited (Stock Code:1083 or "Panva Gas") the sales and distribution of Liquefied Petroleum Gas ("LP Gas") and piped gas, and gas pipelines construction.

For the six months ended 30 June 2006, the Group recorded a turnover of HK\$1,971.5 million, representing an increase of 162.5% as compared to the same period last year. Gross profit increased to HK\$304.0 million for the six months ended 30 June 2006, an increase of 125.9% as compared to the same period last year. The increase in gross profit was mainly attributable to the continued progress of the Groups' electricity generation business and consolidation of the gas fuel business since June 2005. Net loss attributable to the equity holder of the Company amounted to HK\$88.3 million. The loss is due to the lack of non-operational gain in 2006 as compared to 2005 and the significant mark-to-market loss of swaps from Panva Gas.

Overview on electricity generation business

During the period, the Group's on-grid electricity generation amounted to 1,244.7 million kwh, representing an increase of 21.8% as compared to 1,022.3 million kwh over the last period. As a result, the turnover of on-grid electricity generation increased by 23.5% to HK\$727.6 million. This increase was mainly due to the increase in power generation capacity following the completion of the fourth combined cycle generating units which commenced commercial production in May 2005 and the increased demand for electricity in the Guangdong Province during the period. According to the statistics provided by the State Power Information Network, the total power generation in Guangdong Province was approximately 108.9 billion kwh for the period ended 30 June 2006, representing an increase of more than 5% over the corresponding period last year.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Overview on electricity generation business (Cont'd)

Direct operating expenses attributable to the generation electricity of increased by 30.5% to HK\$638.9 million due to the increase in electricity generated and the escalating fuel cost. During the period, the Group incurred a total fuel cost of HK\$559.2 million.

The staggeringly high world crude oil price had significantly affected the price of heavy oil which put the Group's electricity generation business under enormous pressure. Despite management's efforts in improving productivity, strengthening fuel procurement and inventory control, the gross profit margin of the electricity generation business for the period decreased by 6.4% as compared to the last period.

The Group was granted an amount of HK\$164.0 million in compensation for the high fuel cost by the Shenzhen Government for the period from September 2005 to March 2006 and this amount includes 50% of the compensation agreed for the period from April 2006 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 first quarter 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.

Overview on gas fuel business

The Group's gas fuel business is carried out by its listed subsidiary, Panva Gas.

For the six months ended 30 June 2006, Panva Gas recorded a turnover of HK\$1,243.9 million, an increase of 29.8% over the same period last year. Its gross profit decreased by 4.3% to HK\$215.2 million and loss attributable to shareholders amounted HK\$221.1 million. The loss was partly due to the mark-to-market loss of the interest rate swaps of HK\$181.6 million charged to its bottom line. During the period under review, Panva Gas contributed a net loss attributable to the Group of HK\$133.6 million.

The gas fuel business was further divided into wholesale and retail of LP Gas, the sale of piped gas and the gas pipeline development business. Turnover contribution from each of these activities amounted to HK\$512.6 million, HK\$369.3 million, HK\$184.0 million and HK\$164.2 million, accounting for 41.2%, 29.7%, 14.8% and 13.2%, respectively, of Panva Gas's turnover.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Overview on gas fuel business (Cont'd)

Panva Gas continued to grow through acquiring new projects in the first half of 2006. In addition to acquiring piped gas project in Fuxin, the Group also acquired a new LP Gas project in Hangzhou, leveraging the LP Gas markets volatility and strengthening Panva Gas' market leader position in such business segment.

FINANCIAL POSITION

The Group's total borrowings decreased from HK\$3,285.0 million as at 31 December 2005 to HK\$3,224.1 million as at 30 June 2006.

The total borrowings were mainly comprised of bank and other loans amounting to HK\$1,176.4 million, and convertible bonds and notes amounting to HK\$2,047.7 million. The bank borrowings were mainly used to finance the expansion of the power plant in Shenzhen and the convertible bonds and notes were used for the expansion of the gas business in the PRC. The Group's total net debt to equity as at 30 June 2006 was 50%.

Total assets pledged in securing these loans have a net book value of HK\$802.9 million as at 30 June 2006. 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 other than the interest rate swaps entered into by Panva Gas to hedge the senior notes. 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 and pledged deposits amounted to HK\$1,247.0 million and HK\$180.1 million, respectively, as at 30 June 2006 and are mostly denominated in Renminbi, Hong Kong dollars and United States dollars.

Contingent Liabilities

A supplier filed an arbitration in August 2003 against Shenzhen Fuhuade Electric Power Co., Limited claiming for additional contract price in the amount of HK\$28 million. The arbitration was terminated, however, the supplier filed an appeal to the court. The case is now under trial and the outcome of such cannot be ascertained. No provision for the amount claimed has been made by the Group as at 30 June 2006. Save for the outstanding arbitration, the Group had no material contingent liabilities as at 30 June 2006.



FINANCIAL POSITION *(Cont'd)*

Capital Commitments

As at 30 June 2006, the Group had capital commitments in respect of the acquisition of property, plant and equipment and unpaid capital contribution of investment projects not provided in the financial statements amounting to HK\$17.2 million and HK\$158.7 million, respectively.

OUTLOOK

The Group expects the growth in power consumption in the Guangdong province to continue which will increase our power output in 2006. However, the Group's power generation business will find 2006 a challenging year as heavy oil price, a major component of the power plant's cost, is not expected to come down significantly in the near future. In addition, 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 2006, 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. The expansion plans to increase the power generation capacity, from the Group's existing total installed capacity of 665 MW to 1,400 MW would also be expedited once discussions on the supply of natural gas reach final stages.

Panva Gas will continue to develop new projects with promising returns in large and medium-sized PRC cities while being more prudent and selective in the assessment and decision making process. Panva Gas will also take advantage of the market opportunities in the domestic LP Gas market and strategically expand its LP Gas business portfolio in selected large PRC cities. We believe that given the strong demand in PRC energy market, every source of clean fuel could play an important role, and both the natural gas and LP Gas market will co-exist and grow.

The Group will continue to explore the opportunities to expand in the clean energy sector in the PRC. With the extensive gas distribution network of Panva Gas in the PRC, management believes that it possesses a strong platform for the development of Enerchina's future business in the PRC.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend (2005: HK1 cent per share and a special interim dividend of HK1 cent per share) in respect of the six months ended 30 June 2006.



EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group employed approximately 7,218 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 during the six months ended 30 June 2006.

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 Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2006, 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 2006 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, 26 September 2006

**OTHER INFORMATION****Directors' and Chief Executives' Interests or Short Positions in Shares and underlying Shares**

At 30 June 2006, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required by: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares and underlying Shares

Name of Directors	Capacity	Interest in Shares		Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the Company's issued share capital as at 30.6.2006
		Family interest	Corporate interest				
Lu Yungang	Beneficial owner	—	—	—	2,288,000	2,288,000	0.05%
Davin A. Mackenzie	Beneficial owner	—	—	—	2,288,000	2,288,000	0.05%
Ou Yaping	Beneficial owner, interest in controlled corporations and joint interest	3,237,960	2,882,792,295 (Note)	2,886,030,255	2,288,000	2,888,318,255	59.71%
Sun Qiang Chang	Beneficial owner	—	—	—	15,000,000	15,000,000	0.31%
Tang Yui Man Francis	Beneficial owner	—	—	—	22,880,000	22,880,000	0.47%
Xiang Ya Bo	Beneficial owner	—	—	—	22,880,000	22,880,000	0.47%
Xin Luo Lin	Beneficial owner	—	—	—	2,288,000	2,288,000	0.05%

Note: The 2,882,792,295 Shares represent the aggregate of: (i) the 1,971,690,942 Shares held by Sinolink Worldwide Holdings Limited ("Sinolink") (Mr. Ou Yaping through his wholly-owned company, Asia Pacific Promotion Limited ("Asia Pacific"), hold 48.51% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all shares in which Sinolink is interested); (ii) the 223,990,353 Shares held by Smart Orient Investments Limited ("Smart Orient"), which is a wholly-owned subsidiary of Sinolink; and (iii) 687,111,000 Shares held by Asia Pacific directly. Mr. Ou Yaping is deemed to be interested in these Shares under the SFO.

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".



OTHER INFORMATION (Cont'd)

Directors' and Chief Executives' Interests or Short Positions in Shares and underlying Shares (Cont'd)

(b) Directors' and Chief Executives' interests and short positions in shares and underlying shares of associated corporations

Name of Directors	Name of associated corporations	Capacity	Interest in shares/ (short positions)			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation as at 30.6.2006
			Personal interest	Corporate interest	Family interest				
Davin A. Mackenzie	Sinolink	Beneficial owner	—	—	—	—	2,000,000	2,000,000	0.07%
Ou Yaping	Panva Gas	Beneficial owner and interest in controlled corporations	—	575,806,587 (Note 1)	—	575,806,587	3,600,000	579,406,587	61.33%
			—	(19,230,769) (Note 2)	—	(19,230,769)	—	(19,230,769)	(2.04%)
	Sinolink	Interest in controlled corporations and joint interest	—	1,384,514,000 (Note 3)	6,475,920	1,390,989,920	—	1,390,989,920	48.74%
Tang Yui Man Francis	Asia Pacific	Beneficial owner	2	—	—	2	—	2	100.00%
	Panva Gas	Beneficial owner	3,440,000	—	—	3,440,000	3,960,000	7,400,000	0.78%
	Sinolink	Beneficial owner	5,700,000	—	—	5,700,000	13,300,000	19,000,000	0.67%
Xin Luo Lin	Sinolink	Beneficial owner	—	—	—	—	2,000,000	2,000,000	0.07%

Notes:

- The 575,806,587 shares in Panva Gas represent the aggregate of (i) 401,233,462 shares of Panva Gas held by Kenson Investment Limited ("Kenson") and 169,491,525 shares of Panva Gas held by Supreme All Investments Limited ("Supreme All"). Kenson and Supreme All are wholly-owned subsidiaries of the Company. 45.39% interests of the Company were held by Sinolink and 48.51% interests of Sinolink are held by Asia Pacific; and (ii) 5,081,600 shares of Panva Gas held by Asia Pacific directly. As Asia Pacific is owned by Mr. Ou Yaping, he is deemed under the SFO to be interested in such 575,806,587 shares of Panva Gas.
- Kenson is under an obligation to transfer 19,230,769 shares of Panva Gas to Hutchison International Limited ("Hutchison International") upon full exchange of a HK\$62,500,000 exchangeable redeemable note of Panva Gas (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.
- These shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Ou Yaping, Chairman of the Company and Sinolink.

Details of the Directors' interests in share options granted by the associated corporations are set out under the heading "Directors' rights to acquire Shares".



OTHER INFORMATION (Cont'd)

Directors' Rights to Acquire Shares

(a) *Interest in options to subscribe for Shares*

Pursuant to the Company's share option schemes, the Company has granted to certain Directors of the Company options to subscribe for Shares, details of which as at 30 June 2006 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of Shares subject to outstanding option as at 1.1.2006	Number of Shares subject to outstanding option as at 30.6.2006	Approximate percentage of the issued share capital of the Company
Lu Yungang	09.06.2004	09.06.2005 - 08.06.2014	0.44	2,288,000	2,288,000	0.05%
Davin A. Mackenzie	20.10.2004	20.10.2005 - 19.10.2015	0.50	2,288,000	2,288,000	0.05%
Ou Yaping	09.06.2004	09.06.2004 - 08.06.2014	0.44	2,288,000	2,288,000	0.05%
Sun Qiang Chang	20.12.2005	20.12.2005 - 07.12.2015	0.83	15,000,000	15,000,000	0.31%
Tang Yui Man Francis	09.06.2004	09.06.2004 - 08.06.2014	0.44	22,880,000	22,880,000	0.47%
Xiang Ya Bo	09.06.2004	09.06.2004 - 08.06.2014	0.44	22,880,000	22,880,000	0.47%
Xin Luo Lin	09.06.2004	09.06.2004 - 08.06.2014	0.44	2,288,000	2,288,000	0.05%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no options held by the Directors were exercised, cancelled or lapsed under the share option schemes.
3. These options represent personal interest held by the directors as beneficial owners.





OTHER INFORMATION (Cont'd)

Directors' Rights to Acquire Shares (Cont'd)

(b) Interest in options to subscribe for Shares of associated corporations

Name of Directors	Name of associated corporations	Date of grant	Exercise period	Exercise Price HK\$	Number	Number	Approximate
					of shares subject to outstanding options as at 1.1.2006	of shares subject to outstanding options as at 30.6.2006	percentage of the issued share capital of associated corporations as at 30.6.2006
Davin A. Mackenzie	Sinolink	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	600,000	0.02%
		13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	600,000	0.02%
		13.01.2005	31.12.2006 - 24.05.2012	1.126	800,000	800,000	0.03%
Ou Yaping	Panva Gas	04.04.2001	01.01.2003 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
		04.04.2001	01.01.2004 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
Tang Yui Man Francis	Panva Gas	13.11.2001	13.11.2002 - 13.02.2007	0.940	960,000	960,000	0.10%
		19.11.2004	31.12.2005 - 30.03.2011	3.500	900,000	900,000	0.10%
		19.11.2004	31.12.2006 - 30.03.2011	3.500	900,000	900,000	0.10%
		19.11.2004	31.12.2007 - 30.03.2011	3.500	1,200,000	1,200,000	0.13%
	Sinolink	13.01.2005	31.12.2005 - 24.05.2012	1.126	5,700,000	—	—
		13.01.2005	30.06.2006 - 24.05.2012	1.126	5,700,000	5,700,000	0.20%
		13.01.2005	31.12.2006 - 24.05.2012	1.126	7,600,000	7,600,000	0.27%
Xin Luo Lin	Sinolink	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	600,000	0.02%
		13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	600,000	0.02%
		13.01.2005	31.12.2006 - 24.05.2012	1.126	800,000	800,000	0.03%

Notes:

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

Save as disclosed above, at no time during the period, the Directors, chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (warrants or debentures of the Company, if applicable) or any of its associated corporations required to be disclosed pursuant to the SFO.



OTHER INFORMATION *(Cont'd)*

Arrangements to Purchase Shares or Debentures

Other than the share option schemes of the Group as disclosed herein, at no time the period was the Company, its holdings company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Share Option Schemes of the Group

(A) Share option scheme of the Company

The Company operates a share option scheme, the 2002 Share Option Scheme under which the Board may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for Shares subject to the terms and conditions stipulated in the scheme. The 2002 Share Option Scheme was approved by the shareholders on 24 May 2002 and have a life of 10 years.

Details of specific categories of share options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
2004A Option	09.06.2004	09.06.2004 – 08.06.2014	0.440
	09.06.2004	09.06.2005 – 08.06.2014	0.440
	09.06.2004	09.06.2006 – 08.06.2014	0.440
	09.06.2004	09.12.2006 – 08.06.2014	0.440
2004B Option	20.10.2004	20.10.2005 – 19.10.2015	0.500
2005 Option	20.12.2005	20.12.2005 - 07.12.2015	0.830
2006A Option	24.01.2006	31.01.2007 – 24.05.2012	0.822
	24.01.2006	31.01.2008 – 24.05.2012	0.822
	24.01.2006	30.06.2008 – 24.05.2012	0.822
2006B Option	30.06.2006	30.06.2007 – 24.05.2012	0.460
	30.06.2006	30.06.2008 – 24.05.2012	0.460
	30.06.2006	31.12.2008 – 24.05.2012	0.460



OTHER INFORMATION (Cont'd)

Share Option Schemes of the Group (Cont'd)

(A) Share option scheme of the Company (Cont'd)

The following table discloses movements in the Company's share options during the period:

Option types	Outstanding at 1.1.2006	Granted during the period	Resigned as director during the period	Lapsed during the period	Outstanding at 30.6.2006
<i>Category 1: Directors</i>					
Lu Yungang 2004A Option	2,288,000	—	—	—	2,288,000
Davin A. Mackenzie 2004B Option	2,288,000	—	—	—	2,288,000
Ou Yaping 2004A Option	2,288,000	—	—	—	2,288,000
Sun Qiang Chang 2005 Option	15,000,000	—	—	—	15,000,000
Tang Yui Man Francis 2004A Option	22,880,000	—	—	—	22,880,000
Xiang Ya Bo 2004A Option	22,880,000	—	—	—	22,880,000
Xin Luo Lin 2004A Option	2,288,000	—	—	—	2,288,000
Xu Xinghai 2004A Option	2,000,000	—	(2,000,000)	—	—
Total for Directors	71,912,000	—	(2,000,000)	—	69,912,000
<i>Category 2: Other participant</i>					
Participant 2004A Option	—	—	2,000,000	(2,000,000)	—
<i>Category 3: Employees</i>					
Contracted employees in aggregate	19,066,672	—	—	(3,500,000)	15,566,672
	—	3,000,000	—	(3,000,000)	—
	—	3,000,000	—	—	3,000,000
	19,066,672	6,000,000	—	(6,500,000)	18,566,672
All categories	90,978,672	6,000,000	—	(8,500,000)	88,478,672



OTHER INFORMATION *(Cont'd)*

Share Option Schemes of the Group *(Cont'd)*

(A) Share options of the Company (Cont'd)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The closing price of the Shares immediately before 24 January 2006 and 30 June 2006, the date of grant 2006A options and 2006B options under 2002 Share Option Scheme were HK\$0.81 and HK\$0.46 respectively.
3. During the period, 6,000,000 options were granted, 8,500,000 options were lapsed and no options were cancelled or exercised under the 2002 Share Option Scheme.
4. The fair value of the options granted under 2002 Scheme in the current period measured at the date of grant (24 January 2006 and 30 June 2006) totalled approximately HK\$206,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Expected volatility	:	41% based on historical volatility
Expected dividend yield	:	11.7% based on historical dividends
Expected life	:	5 years from grant date
Risk free interest rate	:	4.43% being the approximate yield of 5-year Exchange Fund Note on the grant date

The Black-Scholes option pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate in the directors opinion the model does not necessarily provide a reliable single measure of the fair value of the share options.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

Based on the closing price of Shares on the date of grant and the above assumptions the computed fair value under the options granted during the period was approximately HK\$0.07 per option share.



OTHER INFORMATION (Cont'd)

Share Option Schemes of the Group (Cont'd)

(B) Share option schemes of Panva Gas

Panva Gas operates three share option schemes, the Panva Pre-GEM Listing Scheme, 2001 Panva GEM Listing Scheme and Panva New Scheme under which the Board may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for shares in Panva Gas subject to the terms and conditions stipulated in these three schemes. The Panva Pre-GEM Listing Scheme and the 2001 Panva GEM Listing Scheme were approved by the shareholder of Panva Gas on 4 April 2001 and ended on 20 April 2001 and 26 April 2005 respectively, and no further options will be offered or granted after that dates. In respect of share options already granted and outstanding, the provisions of the Panva Pre-GEM Listing Scheme and 2001 Panva GEM Listing Scheme shall remain in full force and effect. The Panva New Scheme was approved by the shareholders of Panva Gas on 28 November 2005 and have a life of 10 years until 27 November 2015.

Details of specific categories of share options of Panva Gas are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
<i>Panva Pre-GEM Listing Scheme:</i>			
Panva Pre-GEM Options	04.04.2001	01.01.2003 - 03.04.2011	0.475
	04.04.2001	01.01.2004 - 03.04.2011	0.475
<i>2001 Panva GEM Listing Scheme:</i>			
2001 Panva GEM Options	13.11.2001	13.02.2002 - 13.02.2007	0.940
	13.11.2001	13.05.2002 - 13.02.2007	0.940
	13.11.2001	13.11.2002 - 13.02.2007	0.940
2004 Panva GEM Options	19.11.2004	31.12.2005 - 30.03.2011	3.500
	19.11.2004	31.12.2006 - 30.03.2011	3.500
	19.11.2004	31.12.2007 - 30.03.2011	3.500

**OTHER INFORMATION** (Cont'd)**Share Option Schemes of the Group** (Cont'd)*(B) Share option schemes of Panva Gas (Cont'd)*

Movements of the Panva Pre-GEM Options which have been granted under the Panva Pre-GEM Listing Scheme and 2001 Panva GEM Options and 2004 Panva GEM Options which have been granted under 2001 Panva GEM Listing Scheme during the period are set out below:

	Option types	Outstanding at 1.1.2006	Exercised during the period	Outstanding at 30.6.2006
<i>Category 1: Directors</i>				
Ou Yaping	Panva Pre-GEM Options	3,600,000	—	3,600,000
Tang Yui Man Francis	2001 Panva GEM Options	960,000	—	960,000
	2004 Panva GEM Options	3,000,000	—	3,000,000
Other directors of Panva Gas	Panva Pre-GEM Options	6,020,000	—	6,020,000
	2001 Panva GEM Options	1,920,000	—	1,920,000
	2004 Panva GEM Options	9,400,000	—	9,400,000
Total for Directors		24,900,000	—	24,900,000

	Option type	Outstanding at 1.1.2006	Exercised during the period	Outstanding at 30.6.2006
<i>Category 2: Employees</i>				
Contracted employees in aggregate	Panva Pre-GEM Options	2,350,000	(590,000)	1,760,000
	2001 Panva GEM Options	3,919,000	(1,649,000)	2,270,000
	2004 Panva GEM Options	8,800,000	(180,000)	8,620,000
Total for Employees		15,069,000	(2,419,000)	12,650,000
All categories		39,969,000	(2,419,000)	37,550,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no option was granted, lapsed or cancelled under all share option schemes of Panva Gas.
3. During the period, 2,419,000 options were exercised under the share options schemes of Panva Gas. The weighted average share price of Panva Gas at the date of exercise of the options of Panva Gas was at a range of HK\$4.016 to HK\$4.019.



SUBSTANTIAL SHAREHOLDERS

At 30 June 2006, the register of substantial shareholders (other than the directors or chief executives of the Company as disclosed above) maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in Shares

Name of shareholders	Capacity	Aggregate interest	Approximate percentage of the issued share capital as at 30.6.2006
Asia Pacific	Beneficial owner and interest of controlled corporations	2,882,792,295 (Note 1)	59.59%
Sinolink	Beneficial owner and interest of controlled corporation	2,195,681,295 (Note 2)	45.39%
Smart Orient	Beneficial owner	223,990,353	4.63%
Warburg Pincus & Co.	Interest of controlled corporation	477,524,377 (Note 3)	9.87%
Warburg Pincus Equity Partners, L.P.	Interest of controlled corporation	404,548,779 (Note 3)	8.36%
Warburg Pincus Ventures International, L.P.	Interest of controlled corporation	404,548,779 (Note 3)	8.36%
Atlantic Cay International Limited	Beneficial owner	404,548,779 (Note 3)	8.36%



SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. These Shares represent the aggregate of: (i) Asia Pacific directly held 687,111,000 Shares; and (ii) 2,195,681,295 Shares held by Sinolink and Smart Orient, Asia Pacific is interested in approximately 48.51% in Sinolink and it is deemed to be interested in all the Shares held by Sinolink.
2. These Shares represents the aggregate of: (i) 1,971,690,942 Shares held directly by Sinolink; and (ii) the number of Shares in which Smart Orient is interested as disclosed above.
3. Warburg Pincus & Co. ("WP") is the general partner of the limited partnerships Warburg Pincus Equity Partners, L.P. ("WPE") and Warburg Pincus Ventures International, L.P. ("WPV"), and is deemed to have an interest in all the Shares held by these companies. These Shares represent the aggregate of the Shares held by the funds managed by WP and all the Shares held by Atlantic Cay.

WPE is interested in 50% of the issued share capital of Atlantic Cay and is deemed to be interested in all the Shares held by Atlantic Cay.

WPV is interested in 50% of issued share capital of Atlantic Cay and it is deemed to be interested in all the Shares held by Atlantic Cay.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2006, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.



Deloitte.

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INDEPENDENT INTERIM REVIEW REPORT TO THE BOARD OF DIRECTORS OF ENERCHINA HOLDINGS LIMITED

Introduction

We have been instructed by Enerchina Holdings Limited (the “Company”) to review the interim financial report set out on pages 20 to 38.

Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Hong Kong Standard on Auditing 700 “Engagements to Review Interim Financial Reports” issued by the HKICPA. A review consists principally of making enquiries of the Group’s management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 September 2006



CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended	
		30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Turnover	3	1,971,531	751,093
Cost of sales		(1,667,559)	(616,465)
Gross profit		303,972	134,628
Other income	4	46,536	22,365
Distribution expenses		(40,269)	(3,471)
Administrative expenses		(125,091)	(35,281)
Other expenses		(986)	(2,671)
Discount on acquisition of subsidiaries and additional interest in a subsidiary		12,998	—
Loss on deemed disposal arising from dilution of interests in subsidiaries		(5,914)	—
Gain on disposal of available-for-sale investments		—	110,076
Gain on disposal of investments held for trading		10,088	—
Impairment loss recognised in respect of available-for-sale investments		(967)	—
Share of results of associates		4,225	6,561
Change in fair value of derivative financial instruments		(181,608)	—
Finance costs	6	(160,790)	(19,112)
(Loss) profit before taxation		(137,806)	213,095
Taxation	7	(7,391)	(1,047)
(Loss) profit for the period		(145,197)	212,048
Attributable to:			
Equity holders of the Company		(88,256)	176,227
Minority interests		(56,941)	35,821
		(145,197)	212,048
Dividends paid	8	48,376	80,183
(Loss) earnings per share	9		
- Basic		HK(1.82) cents	HK6.53 cents
- Diluted		—	HK6.41 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30.6.2006 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	3,579,733	3,044,252
Prepaid lease payments		159,917	122,088
Intangible assets		45,521	8,969
Goodwill		1,954,639	1,926,857
Interests in associates	11	649,917	465,734
Available-for-sale investments		171,664	191,291
Long-term receivables		24,459	24,459
Pledged bank deposits	15	180,118	202,916
		6,765,968	5,986,566
Current assets			
Inventories		229,468	191,889
Trade and other receivables, deposits and prepayments	12	1,133,001	1,407,321
Prepaid lease payments		4,974	3,694
Investments held for trading		109,869	154,499
Pledged bank deposits	15	—	40,326
Bank balances and cash		1,246,968	1,337,052
		2,724,280	3,134,781
Current liabilities			
Trade and other payables	13	969,597	634,146
Amounts due to minority shareholders		38,290	31,096
Taxation		81,763	80,819
Derivative financial instruments	14	527,534	332,970
Borrowings - amount due within one year	15	554,504	602,668
		2,171,688	1,681,699
Net current assets		552,592	1,453,082
Total assets less current liabilities		7,318,560	7,439,648
Non-current liabilities			
Borrowings - amount due after one year	15	2,669,632	2,682,278
Deferred taxation		12,266	—
Net assets		4,636,662	4,757,370



CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AT 30 JUNE 2006

		30.6.2006	31.12.2005
		HK\$'000	HK\$'000
	<i>NOTE</i>	(unaudited)	(audited)
Capital and reserves			
Share capital	16	48,376	48,376
Reserves		3,557,624	3,691,858
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		3,606,000	3,740,234
Equity component of share option reserve of a listed subsidiary		10,328	6,090
Minority interests		1,020,334	1,011,046
		<hr/>	<hr/>
Total equity		4,636,662	4,757,370
		<hr/> <hr/>	<hr/> <hr/>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2006

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Equity component of share options reserve of a listed subsidiary	Minority interests HK\$'000	Total HK\$'000
										HK\$'000		
At 1 January 2005	22,909	1,238,151	—	81,525	—	—	683	29,342	1,372,610	—	107,513	1,480,123
Exchange differences arising on translation of overseas operations recognised directly in equity	—	—	41,266	—	—	—	—	—	41,266	—	29,519	70,785
Profit for the year	—	—	—	—	—	—	—	190,958	190,958	—	93,823	284,781
Total recognised income for the year	—	—	41,266	—	—	—	—	190,958	232,224	—	123,342	355,566
Recognition of equity-settled share based payments	—	—	—	—	—	—	927	—	927	6,090	—	7,017
Dividend paid	—	—	—	—	—	—	—	(176,935)	(176,935)	—	—	(176,935)
Issue of shares	25,409	2,286,825	—	—	—	—	—	—	2,312,234	—	—	2,312,234
Issue expenses	—	(3,349)	—	—	—	—	—	—	(3,349)	—	—	(3,349)
Exercise of share options	58	2,877	—	—	—	—	(412)	—	2,523	—	—	2,523
Share options lapsed	—	—	—	—	—	—	(151)	151	—	—	—	—
Reduction of share premium	—	(500,000)	—	—	—	370,544	—	129,456	—	—	—	—
Transfer	—	—	—	—	3,646	—	—	(3,646)	—	—	—	—
Minority interests arising from acquisition	—	—	—	—	—	—	—	—	—	—	981,251	981,251
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,770)	(4,770)
Reduction in minority interests on acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(196,290)	(196,290)
At 31 December 2005	48,376	3,024,504	41,266	81,525	3,646	370,544	1,047	169,326	3,740,234	6,090	1,011,046	4,757,370



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE SIX MONTHS ENDED 30 JUNE 2006

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Equity component of share options reserve of a listed subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	48,376	3,024,504	41,266	81,525	3,646	370,544	1,047	169,326	3,740,234	6,090	1,011,046	4,757,370
Exchange differences arising on translation of overseas operations recognised directly in equity	—	—	(250)	—	—	—	—	—	(250)	—	(49)	(299)
Realised on deemed disposal of interest in subsidiaries	—	—	(79)	—	—	—	—	—	(79)	—	—	(79)
Net expense recognised directly in equity	—	—	(329)	—	—	—	—	—	(329)	—	(49)	(378)
Loss for the period	—	—	—	—	—	—	—	(88,256)	(88,256)	—	(56,941)	(145,197)
Total recognised expense for the period	—	—	(329)	—	—	—	—	(88,256)	(88,585)	—	(56,990)	(145,575)
Recognition of equity-settled share based payments	—	—	—	—	—	—	2,727	—	2,727	4,238	—	6,965
Dividend paid	—	—	—	—	—	—	—	(48,376)	(48,376)	—	—	(48,376)
Share options lapsed	—	—	—	—	—	—	(396)	396	—	—	—	—
Transfer	—	—	—	—	1,264	—	—	(1,264)	—	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	70,658	70,658
Capital injection of minority shareholders	—	—	—	—	—	—	—	—	—	—	5,758	5,758
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(10,109)	(10,109)
Change in minority interests on deemed disposal of interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	4,470	4,470
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(4,499)	(4,499)
At 30 June 2006	48,376	3,024,504	40,937	81,525	4,910	370,544	3,378	31,826	3,606,000	10,328	1,020,334	4,636,662



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Equity component of share options reserve of a listed subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2005	22,909	1,238,151	—	81,525	—	—	683	29,342	1,372,610	—	107,513	1,480,123
Profit for the period and total recognised income for the period	—	—	—	—	—	—	—	176,227	176,227	—	35,821	212,048
Recognition of equity-settled share based payments	—	—	—	—	—	—	339	151	490	—	—	490
Dividend paid	—	—	—	—	—	—	—	(80,183)	(80,183)	—	—	(80,183)
Issue of shares	25,409	2,286,825	—	—	—	—	—	—	2,312,234	—	—	2,312,234
Issue expenses	—	(3,349)	—	—	—	—	—	—	(3,349)	—	—	(3,349)
Reduction of share premium	—	(500,000)	—	—	—	370,544	—	129,456	—	—	—	—
Minority interests arising from acquisition	—	—	—	—	—	—	—	—	—	—	967,488	967,488
At 30 June 2005	48,318	3,021,627	—	81,525	—	370,544	1,022	254,993	3,778,029	—	1,110,822	4,888,851



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTE	Six months ended	
		30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Net cash from operating activities		<u>556,043</u>	<u>28,169</u>
Net cash (used in) from investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	19	(189,722)	1,507,890
Acquisition of property, plant and equipment		(189,707)	(112,453)
Acquisition of an associate		(184,261)	—
Cash paid for acquisition of available-for-sale investments		(4,470)	(15,600)
Decrease (increase) in pledged deposits		63,125	(9,726)
Proceeds from disposal of investments held for trading		61,933	—
Other investing cash flows		32,994	(117,785)
		<u>(410,108)</u>	<u>1,252,326</u>
Net cash used in financing activities			
New bank loans raised		245,441	379,326
Repayments of borrowings		(438,072)	(496,865)
Other financing cash flows		(43,073)	(2,755)
		<u>(235,704)</u>	<u>(120,294)</u>
(Decrease) increase in cash and cash equivalents		(89,769)	1,160,201
Cash and cash equivalents at beginning of the period		1,337,052	971,131
Effect of foreign exchange rate changes		(315)	—
Cash and cash equivalents at end of the period, representing bank balances and cash		<u><u>1,246,968</u></u>	<u><u>2,131,332</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 activities of the Group are of electricity generation, sale and distribution of liquefied petroleum gas and natural gas and construction of gas pipelines ("gas fuel").

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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, as appropriate.

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 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, that are relevant to its operations and either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been made.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards amendment or interpretations will have no material impact on the results and the financial positions of the Group.

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



3. SEGMENT INFORMATION

For management purposes, the Group is organised into two operating divisions - electricity generation and gas fuel business. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business is presented below:

Business segments

Six months ended 30 June 2006

	Electricity generation business <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>727,600</u>	<u>1,243,931</u>	<u>1,971,531</u>
Segment result	<u>77,749</u>	<u>74,896</u>	152,645
Interest income			22,914
Unallocated corporate income, net			5,858
Change in fair value of investments held for trading			2,745
Discount on acquisition of subsidiaries and additional interest in a subsidiary			12,998
Loss on deemed disposal arising from dilution of interests in subsidiaries			(5,914)
Gain on disposal of investments held for trading			10,088
Impairment loss recognised in respect of available-for-sale investments			(967)
Share of results of associates			4,225
Change in fair value of derivative financial instruments			(181,608)
Finance costs			<u>(160,790)</u>
Loss before taxation			(137,806)
Taxation			<u>(7,391)</u>
Loss for the period			<u>(145,197)</u>



3. SEGMENT INFORMATION (Cont'd)

Six months ended 30 June 2005

	Electricity generation business <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	589,101	161,992	751,093
Segment result	87,602	30,945	118,547
Interest income			13,785
Unallocated corporate expenses, net			(22,176)
Change in fair value of investments held for trading			5,414
Gain on disposal of available-for-sale investments			110,076
Share of results of associates			6,561
Finance costs			(19,112)
Profit before taxation			213,095
Taxation			(1,047)
Profit for the period			212,048

4. OTHER INCOME

	Six months ended	
	30.6.2006 <i>HK\$'000</i>	30.6.2005 <i>HK\$'000</i>
Interest income	22,914	13,785
Dividend income	11,084	—
Change in fair value of investments held for trading	2,745	5,414
Others	9,793	3,166
	46,536	22,365

5. DEPRECIATION

During the period, depreciation charge in respect of the Group's property, plant and equipment amounting to HK\$104,276,000 (1.1.2005 to 30.6.2005: HK\$47,524,000).



6. FINANCE COSTS

	Six months ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	35,370	32,059
Interest on bank and other borrowings not wholly repayable within five years	1,384	—
Interest on convertible bonds	11,875	1,108
Interest on senior notes	65,903	11,668
	<hr/>	<hr/>
	114,532	44,835
Net interest expense (income) on interest rate swaps	46,118	(6,649)
	<hr/>	<hr/>
	160,650	38,186
Less: Amounts capitalised	—	(7,014)
	<hr/>	<hr/>
	160,650	31,172
Change in fair value of derivative financial instruments (<i>Note</i>)	—	(12,088)
Bank charges	140	28
	<hr/>	<hr/>
	160,790	19,112
	<hr/>	<hr/>

Note: The amount of change in fair value of derivative financial instruments for the current period is separately disclosed in the condensed consolidated income statement.



7. TAXATION

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax	<u>7,391</u>	<u>1,047</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits for both periods.

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%. PRC Enterprise Income Tax for the period has been provided for after taking these tax incentives into account.

8. DIVIDENDS

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Ordinary shares:		
2005 final, paid - HK1 cent (2004 final, paid of HK3.5 cents) per share	<u>48,376</u>	<u>80,183</u>

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2006 (2005: HK1 cent per share and a special interim dividend of HK1 cent per share).



9. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
(Loss) profit for the period attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	(88,256)	176,227
Effect of dilutive potential shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share		(770)
		<u>175,457</u>
		175,457
	Six months ended	
	30.6.2006	30.6.2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>4,837,583,112</u>	2,698,041,973
Effect of dilutive share options		<u>38,590,839</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share		<u>2,736,632,812</u>

No diluted loss per share has been presented in the current period as the share option granted are anti-dilutive.





10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$189,707,000 (1.1.2005 to 30.6.2005: HK\$112,453,000) on acquisition of property, plant and equipment.

11. INTERESTS IN ASSOCIATES

During the period, the Group subscribed to 48% equity interest in Shangdong Panva Gas Co., Ltd. at a total consideration of HK\$184,261,000 to operate the piped natural gas businesses in the Jiancheng District, the western part of Jinan City, Shangdong province of the PRC.

12. 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\$669,840,000 (31.12.2005: HK\$650,186,000), the aged analysis of which is as follows:

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Aged:		
0 to 90 days	647,422	644,463
91 to 180 days	2,424	696
181 to 360 days	14,164	1,815
Over 360 days	5,830	3,212
	<u>669,840</u>	<u>650,186</u>

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$431,021,000 (31.12.2005: HK\$301,299,000), the aged analysis of which is as follows:

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Aged:		
0 to 90 days	367,922	282,518
91 to 180 days	12,014	9,797
181 to 360 days	30,615	2,785
Over 360 days	20,470	6,199
	<u>431,021</u>	<u>301,299</u>



14. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Fair value hedges - interest rate swaps (<i>Note a</i>)	523,298	327,680
Conversion option under exchangeable note (<i>Note b</i>)	4,236	5,290
	<u>527,534</u>	<u>332,970</u>

Notes:

(a) Fair value hedges - interest rate swaps

Major terms of the interest rate swaps contracts which were entered by the Group to manage its interest cost are set out below:

Notional amount	Maturity	Swaps
US\$200,000,000	22 September 2011	From 8.25% to MAX (USD LIBOR BBA + 3.72%, 12%)
US\$200,000,000	22 September 2011	From (0, 7.12 x Spread rate* + 0.01%) to 8.25%

* Where:

“Spread rate” means the rate (expressed as a percentage per annum) calculated in accordance with the following formula:

US\$ 30 year CMS - US\$ 2 year CMS

“US\$ 30 year CMS” means 30-year US\$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period; and

“US\$ 2 year CMS” means 2-year US\$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period.

The fair value of swaps entered into at 30 June 2006 is estimated at HK\$523,298,000 (31.12.2005: HK\$327,680,000). These amounts are based on market prices quoted from financial institutions for equivalent instruments at the balance sheet date. Loss on changes in the fair value of interest rate swaps during the period ended 30 June 2006 of HK\$181,608,000 (1.1.2005 to 30.6.2005: gain of HK\$12,088,000) have been recognised to the condensed consolidated income statement.

(b) On 30 October 2004, the exchangeable note of HK\$62,500,000 was issued by a subsidiary of the Company. The exchangeable note can be exchanged into shares of Panva Gas, from the date of issue up to the second anniversary of the date of issue on 30 October 2006 at par. The note entitles the holders to convert them into ordinary shares of Panva Gas at the same amount. The fair value of the derivative was calculated using the Black-Scholes pricing model. The derivative is measured at fair value at each balance sheet date.



15. BORROWINGS

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Bank loans - secured	559,695	633,860
Bank loans - unsecured	489,444	535,509
Other loans - secured	11,756	—
Other loans - unsecured	115,569	79,100
Convertible bonds (<i>Note a</i>)	370,292	362,116
Exchangeable note (<i>Note b</i>)	62,289	61,235
Guaranteed senior notes (<i>Note c</i>)	1,615,091	1,613,126
	<u>3,224,136</u>	<u>3,284,946</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	554,504	602,668
More than one year but not exceeding two years	242,833	303,437
More than two years but not exceeding five years	757,919	800,030
More than five years	1,668,880	1,578,811
	<u>3,224,136</u>	3,284,946
Less: Amount due within one year shown under current liabilities	<u>(554,504)</u>	<u>(602,668)</u>
Amount due after one year	<u>2,669,632</u>	<u>2,682,278</u>

Notes:

- (a) The convertible bonds of US\$50,000,000 were issued on 23 April 2003 by Panva Gas Holdings Limited ("Panva Gas"), a subsidiary of the Company with its shares listed on the Stock Exchange. The bonds are convertible into shares of Panva Gas on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion was HK\$3.8043 per share (adjusted to account for the effect of the issue of additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum.
- (b) The exchangeable note with principal of HK\$62,500,000 was issued on 30 October 2004 by a subsidiary of the Company. The exchangeable note can be exchanged into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue on 30 October 2006 at par at the discretion of the note holder. Interest is payable at 2% per annum.



15. BORROWINGS (Cont'd)

(c) The Group issued US\$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2007, Panva Gas may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of Panva Gas's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

The fair value of the Group's bank and other borrowings approximates to the corresponding carrying amounts calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

At 30 June 2006, bank deposits of HK\$180,118,000 (31.12.2005: HK\$243,242,000), and other property, plant and equipment with an aggregate carrying amount of HK\$802,914,000 (31.12.2005: HK\$852,295,000) were pledged to banks to secure general banking facilities granted to the Group.

16. SHARE CAPITAL

	30.6.2006 & 31.12.2005 HK\$'000
Ordinary shares of HK\$0.01 each	
Authorised:	
7,500,000,000 shares of HK\$0.01 each	75,000
	<u> </u>
Issued and fully paid:	
4,837,583,112 shares of HK\$0.01 each	48,376
	<u> </u>

There is no changes in the Company's authorised, issued and fully paid share capital during the current period.

17. RELATED PARTY TRANSACTION

During the period, the Group paid office expenses of HK\$962,000 (1.1.2005 to 30.6.2005: HK\$479,000) to Sinolink Worldwide Holdings Limited, the ultimate holding company of the Company. The office expenses are determined with reference to actual costs incurred.

18. CAPITAL COMMITMENTS

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- acquisition of property, plant and equipment	17,180	—
- unpaid capital contribution of investment projects	158,687	146,533
	<u>175,867</u>	<u>146,533</u>



19. ACQUISITION OF SUBSIDIARIES

On 1 January 2006, the Group acquired 61.67%, 90% and 80% equity interest in Qiqihar Panva Gas Co. Ltd. (“Qiqihar”), Chaoyang Panva Gas Co. Ltd. and Tieling Panva Gas Co. Ltd., respectively at an aggregated consideration of HK\$182,583,000. On 1 March 2006, the Group acquired 100% equity interest in 深圳北科蘭光能源系統技術有限公司 (“Beike Lan Guang Group”) at a consideration of HK\$119,770,000. These transactions have been accounted for by the acquisition method of accounting.

The net assets acquired in the transaction, and the goodwill on acquisition or discount arising, are as follows:

	Acquirees’ carrying amount before combination	Fair value adjustments	Fair value
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Net assets acquired:			
Property, plant and equipment	455,955	—	455,955
Prepaid lease payments	38,554	—	38,554
Intangible assets	—	37,171	37,171
Inventories	13,841	—	13,841
Trade receivables	19,010	—	19,010
Other receivables, deposits and prepayments	73,171	—	73,171
Bank balances and cash	74,022	—	74,022
Trade payables	(35,259)	—	(35,259)
Other payables and accrued charges	(193,828)	—	(193,828)
Borrowings	(120,625)	—	(120,625)
Deferred taxation	—	(12,266)	(12,266)
Net assets acquired	<u>324,841</u>	<u>24,905</u>	349,746
Minority interests			(70,658)
Goodwill arising on acquisition			31,764
Discount on acquisition			(8,499)
			<u>302,353</u>
Satisfied by:			
Cash consideration			263,744
Other payables			19,949
Available-for-sale investments			18,660
			<u>302,353</u>
Net cash outflow arising on acquisition:			
Cash consideration			263,744
Bank balances and cash acquired			(74,022)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			<u>189,722</u>



19. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

The goodwill arising on the acquisition of Beike Lan Guang Group is attributable to the anticipated profitability of sales and distribution of gas fuel and related product of the Group's gas fuel business and the gas pipeline construction operations. The discount on acquisition of HK\$8,499,000 is attributable to the acquisition of 61.67% equity interest in Qiqihar.

The subsidiaries acquired during the period contributed HK\$103,447,000 to the Group's turnover and a profit of HK\$5,328,000 to the Group's loss before taxation for the period between the dates of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total group revenue for the period would have been HK\$1,251,514,000 and loss for the period would have been HK\$193,418,000. The proforma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The fair value of the intangible assets acquired, which relates to the exclusive operating right for city pipeline network, has been determined on a provisional basis, awaiting the receipt of professional valuations.

20. CONTINGENT LIABILITIES

In August 2003, a supplier filed an application of arbitration against Shenzhen Fuhuade Electric Power Co., Limited in respect of a claim for extra contract sum due to the additional work involved during the installation of the new generating units. The extra contract sum claimed, together with interest thereon, amounts to approximately HK\$28,015,000. Although the arbitration was terminated by the court, the supplier filed an appeal against it. In the opinion of the directors, as the appeal is in progress and the outcome of this cannot be ascertained at this moment, no provision for the amount claimed has been made by the Group as at 30 June 2006.

