



NEWS RELEASE

CHINA ENERSAVE TO BUILD THIRD BIOMASS POWER PLANT IN CHINA

- *Group capitalising on early mover advantage to expand footprint in biomass power sector*
- *Group aims to own and operate around 20 power plants in China over next 4 to 5 years*

Singapore, 29 August 2006 – China EnerSave Limited (“China EnerSave” or “The Group”), one of the earliest entrants into the biomass power sector in China, is planning to build its third biomass power plant in Changyi county, Shandong province in China at an estimated cost of RMB250 million (S\$50 million).

Said Mr Simon Koo, the Group’s Chief Executive Officer, “As one of the earliest entrants to China’s biomass power industry, we are set to take advantage of limited competition to quickly expand our footprint while the industry is still in its infancy. The total investment commitments of S\$150 million in respect of our first three biomass plants, shows how serious we are in our goal of becoming a major player in this new growth segment of China’s power industry.”

With China’s insatiable demand for power for industrial, commercial and residential needs, the government has been emphasizing the use of renewable energy as an alternative source of fuel for the country’s power plants. To spur development in this area, the Renewable Energy Law was passed in January 2006. This outlined favourable policies for power plants using renewable energy, such as requiring grid companies to fully purchase power generated with renewable energy, significantly higher electricity tariffs as well as financing and tax advantages.

China EnerSave has been quick to seize the growth opportunities offered by China’s biomass power sector. Already, the Group has unveiled plans for two biomass power plants in Sichuan province. Its first plant in LongChang county is currently in the

prequalification process of main contractors and equipment suppliers for construction, while construction of its second biomass plant in Dujiangyan county is expected to commence in the fourth quarter of 2006.

Third plant to tap increasing demand for electricity

Changyi county, which is largely an agricultural community in the northeast coastal region of Shandong Province, has witnessed rapid growth in industrial activity over recent years.

China EnerSave plans to tap the expected growth in demand for electricity from industrial users as its power plant will be located in an industrial park in Changyi. When completed, the plant will have a power generating capacity of 24MW with steam option, and an annual requirement of about 200,000 tonnes of biomass materials, such as agricultural residues like cotton and corn stalks. The Group's feasibility studies show that there is an abundant supply of biomass available with approximately 600,000 tonnes of agricultural waste produced each year within a 35 km radius of the plant.

The Group will be leveraging the experience and competencies gained from its first two biomass projects for the Changyi plant. The Group has also secured a letter of intent from Bank of China to fund 60% of the plant's development cost with the remaining 40% expected to come from internal resources and borrowings.

Like the Group's first two biomass power plants, the Changyi plant will generate a steady stream of recurring revenue, including the sale of electricity to local power grid companies at favorable tariff rates, the sale of by-products generated from the plant as well as the potential sale of carbon credits to industrialized nations under the Kyoto Protocol, which is an agreement that was signed by 37 industrialised countries in 1997 to reduce emissions of 'green-house gas'.

Positioning for growth in China's biomass sector

The Chinese government's move to speed up the establishment of renewable energy power plants is expected to boost the country's demand for biomass power plants. In conjunction with the Renewable Energy Law, China is targeting to have a total installed capacity of 5 GW for biomass power by 2010¹.

¹ Source for target: China Energy Research Institute, Energy Bureau of NDRC, BIREC 2005

To build a leading market position in China, China EnerSave plans to develop more biomass power plants over the next few years. The Group has already signed several MOUs with various local authorities and is presently conducting its requisite feasibility studies.

Said Mr Koo, "Besides developing new biomass plants from scratch, we also plan to seek opportunistic and attractively priced acquisitions of small coal-fired power plants that can be converted into biomass plants. Our aim is to own and operate around 20 power plants in China within the next four to five years."

About China EnerSave Limited

Headquartered in Singapore, China EnerSave's core business is to build, own and operate power plants in Asia and is rapidly expanding its footprint in the renewable energy sector in China.

The Group also has an engineering division that has capabilities covering the full spectrum of design, construction, fabrication, installation, commissioning, operation and requisite management competencies related to the energy industry.

For Media and Investor Relations enquiries, please contact:

Octant Consulting

Mr Herman Phua
herman@octant.com.sg
Mobile 96647582
Office 62202842

or Ms Lisa Heng
lisa@octant.com.sg
90909887