

INTERIM DIVIDEND

Given the cash need for continual business expansion, the Directors resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped natural gas and compressed natural gas in China.

During the period under review, we adjusted slightly our investment strategy by participating actively into and investment into natural gas projects with population over million of people and the results were promising. Furthermore, the Company raised funds through issue of convertible bonds, introduction of strategic investors to subscribe for the shares of the Company and by bank loans to fulfill the capital requirement of our natural gas projects.

We had accumulated a total of 47 cities and districts piped natural gas projects with exclusive operating rights over 9 provinces and two natural gas long distance pipeline projects by mid-December 2005.

中期股息

鑒於本集團仍需現金繼續拓展業務，董事建議不派發截至二零零五年九月三十日止六個月之中期股息（截至二零零四年九月三十日止六個月：無）。

管理層討論及分析

本集團主要於中國從事投資、經營及管理管道天然氣公共建設工程及買賣及分銷管道天然氣和壓縮天然氣。

於回顧期間，我們稍微調整了投資策略，將投資目標放在人口超過百萬的城市，並取得了滿意的效果。同時，本公司亦通過發行可換股債券、引入策略性投資者認購公司股份及通過銀行貸款以滿足本集團於天然氣項目的資金要求。

截至二零零五年十二月中旬，本集團合共取得 9 個省共 47 個城市及地區的城市管道燃氣專營權項目及 2 個天然氣長輸管道項目。

Business Review

For the six months ended 30 September 2005, turnover of the Group amounted to HK\$262,520,000 (six months ended 30 September 2004: HK\$187,724,000). Profit for the period was HK\$87,281,000 (six months ended 30 September 2004: profit of HK\$90,601,000). Earnings per share were HK3.21 cents (six months ended 30 September 2004: HK3.79 cents).

Construction of Piped Gas Networks

During the period under review, the Group had built gas pipelines of total length of approximately 732.4 km.

As at 30 September 2005, the total number of completed city piped gas reached 24 cities.

The Group's gas pipeline construction fee income amounted to approximately HK\$131,433,000 representing 50.1% of the Group's total turnover for the period under review and a decrease of 6.8% as compared to corresponding period last year.

As at 30 September 2005, the Group completed natural gas connections for 59,156 domestic households, a decrease of 6.0% compared to the same period last year. Accumulated connected domestic households reached 470,220 households during the period under review, representing 10.5% of the total gas connectable domestic households for the Group. Average connection fee paid by the domestic households was RMB2,349 per household.

業務回顧

截至二零零五年九月三十日止六個月本集團營業額為 262,520,000 港元（截至二零零四年九月三十日止六個月：187,724,000 港元）。期內溢利為 87,281,000 港元（截至二零零四年九月三十日止六個月：盈利 90,601,000 港元）。每股盈利為 3.21 港仙（截至二零零四年九月三十日止六個月：3.79 港仙）。

管道燃氣網絡建設

於回顧期內，本集團修建各種管線共約 732.4 公里。

於二零零五年九月三十日，集團已實現天然氣通氣的城市達 24 個。

燃氣管道建設費收入約為 131,433,000 港元，比去年同期減少 6.8%，接駁費收入佔集團年度內總營業額的比例約為 50.1%。

於二零零五年九月三十日，本集團總共為 59,156 個住宅用戶接駁天然氣，比去年同期減少 6.0%。於回顧期內，本集團累計住宅用戶達 470,220 個，佔集團整體可供接駁住宅用戶的 10.5%。平均每個住宅用戶的接駁費為人民幣 2,349 元。

For the industrial and commercial customers, as at 30 September 2005, the Group completed natural gas connections for 10 industrial customers and 32 commercial customers and accumulated connected industrial customers reached 36 users and commercial customers reached 530 users. Average connection fee paid by industrial and commercial users was RMB22.7 per cubic meter per day during the period under review.

Sale of Piped Gas

During the period under review, the Group sold in total 59,391,840 m³ of natural gas of which 8,928,990 m³ natural gas was sold to domestic households, 47,362,430 m³ to industrial customers and 3,100,420 m³ to commercial customers. During the period under review, the Group sold in total 343,600 m³ of other piped gas, mainly the sales of liquefied petroleum gas, of which 240,600 m³ was sold to domestic households and 103,000 m³ to industrial customers. Income from the sales of piped gas recorded a total of HK\$96,107,000, representing 36.6% of the Group's total turnover for the period and an increase of 163.5% compared to the corresponding period last year, of which HK\$94,817,000 belonged to the sales of natural gas and HK\$1,290,000 belonged to the sales of other piped gas.

Average selling price (including tax) was RMB2.12 per cubic meter for domestic customers, RMB1.78 per cubic meter for industrial customers and RMB2.60 per cubic meter for commercial customers during the period under review.

於二零零五年九月三十日，本集團總共為 10 個工業用戶與 32 個商業用戶接駁天然氣，累計有工業用戶達 36 個，商業用戶達 530 個。於本期間平均每個工商業用戶按日供氣量需付接駁費為每立方米人民幣 22.7 元。

管道燃氣銷售

於期間本集團合共銷售 59,391,840 立方米天然氣，其中住宅用戶佔 8,928,990 立方米，工業用戶佔 47,362,430 立方米，商業用戶佔 3,100,420 立方米。於期間本集團合共銷售其他管道燃氣 343,600 立方米，主要為液化石油氣銷售，其中住宅用戶佔 240,600 立方米，工業用戶佔 103,000 立方米。集團管道燃氣銷售收入為 96,107,000 港元，佔本集團年度內營業總額的 36.6%，比去年同期增長 163.5%，其中天然氣銷售收入為 94,817,000 港元，其他管道燃氣銷售收入為 1,290,000 港元。

於回顧期內，天然氣住宅用戶每立方米平均售價（含稅）為人民幣 2.12 元，工業用戶每立方米平均售價（含稅）為人民幣 1.78 元及商業用戶每立方米平均售價（含稅）為人民幣 2.60 元。

Gross Profit Margin and Net Profit Margin

During the period under review, the Group realized revenue of HK\$262,520,000 and gross profit of HK\$128,160,000, representing 48.8% of the Group's overall gross profit margin. The Group realized net profit of HK\$87,281,000, representing an overall net profit margin of 33.2%. There are decreases in both gross profit margin and net profit margin of 13.9% and 15.1% respectively compared to the corresponding period last year.

New Natural Gas Joint Venture Companies

By mid-December 2005, the Group had accumulated 47 cities and districts piped natural gas projects with exclusive operating rights in 9 provinces. New projects included Baoji city in Shaanxi province, Yangzhou city in Jiangsu province, Liuzhou city in Guangxi Zhuang Autonomous Region and Wangduxian in Hebei province.

In August 2005, the Group through its subsidiary, signed an agreement with People's Government of Wangduxian (望都縣人民政府) for the establishment of a wholly owned subsidiary in Wangduxian namely Wangdu Zhongran which would be engaged in the natural gas project in Wangduxian, Hebei province with an exclusive right for the operation of the piped gas business for 30 years. Wangdu Zhongran had a registered capital of HK\$3,000,000.

毛利率及純利率

本集團於回顧期內實現營業收入為 262,520,000 港元，實現毛利 128,160,000 港元，本集團的整體毛利率為 48.8%。實現純利 87,281,000 港元，本集團整體純利率為 33.2%。毛利率及純利率比去年同期分別減少 13.9% 和 15.1%。

新組建的天然氣合資公司

截至二零零五年十二月中旬，本集團累計擁有 9 個省共 47 個城市及地區的城市管道燃氣專營權項目。新增項目包括陝西省寶雞市、江蘇省揚州市、廣西壯族自治區柳州市和河北省望都縣。

二零零五年八月，本集團通過下屬公司，與望都縣人民政府簽署了合作協議，取得河北省望都縣 30 年的管道燃氣專營權，新成立的望都中燃為本集團全資擁有。望都中燃的註冊資本為 3,000,000 港元。

In October 2005, in response to the tender made by the Group regarding its investment in Yangzhou city, the Group was granted the license for a period of 25 years to operate natural gas project in Yangzhou city, Jiangsu province. The new joint venture company would be named as Yangzhou Zhongran and would be beneficially owned as to 50% by the Group and as to 50% by 揚州市城建國有資產控股（集團）有限公司 (Yangzhou City Construction National Assets Holdings (Group) Company Limited) and it would have a registered capital of RMB369,000,000.

In November 2005, the Group through its subsidiary, signed a joint venture agreement with 寶雞市天然氣總公司 (Baoji City Gas Company) for the establishment of a joint venture company to be engaged in the natural gas project in Baoji city, Shaanxi province with an exclusive right for the operation of the piped gas business for 30 years. The joint venture company would have a registered capital of RMB281,356,400 and would be owned as to 64% by the Group, 34% by Baoji City Gas Company and 2% by the management of the joint venture company.

In December 2005, the Group through its subsidiary, acquired 50% interest in 柳州市煤氣公司 (Liuzhou City Gas Company) and obtained the piped gas operating right in Liuzhou city, Guangxi Zhuang Autonomous Region for a period of 30 years.

二零零五年十月，本集團投標競得江蘇省揚州市 25 年天然氣工程經營權。新成立的合資公司被命名為揚州中燃，本集團與揚州市城建國有資產控股（集團）有限公司各持有 50% 的權益，註冊資本為人民幣 369,000,000 元。

二零零五年十一月，本集團通過下屬公司，與寶雞市天然氣總公司簽署合營協議，成立合資公司以在陝西省寶雞市經營天然氣項目。合資公司擁有該市之 30 年管道燃氣專營權。合資公司註冊資本為人民幣 281,356,400 元，其中 64% 權益由本集團持有，34% 權益由寶雞市天然氣總公司持有，2% 由合資公司管理層持有。

二零零五年十二月，本集團通過下屬公司，收購柳州市煤氣公司 50% 的股權，取得廣西壯族自治區柳州市 30 年管道燃氣專營權。

Financial Review

Liquidity and Financial Resources

As at 30 September 2005, the total assets of the Group were HK\$3,904,465,000, an increase by approximately 41.8% as compared to 31 March 2005.

As at 30 September 2005, bank balances and cash on hand was HK\$1,601,881,000 (31 March 2005: HK\$712,015,000). The Group's total bank and other borrowings amounted to HK\$1,690,817,000 (31 March 2005: HK\$1,323,446,000), of which approximately 3.8% would be due within one year and the remaining portion over one year. During the period under review, the Group obtained new bank and other borrowings of approximately HK\$520,639,000 of which approximately HK\$42,279,000 bears interest at not more than 2% per annum and the remaining borrowings bear interest at market rates. All of the new bank and other borrowings are not repayable within one year.

The Group has a current ratio of approximately 7.94 (31 March 2005: 3.19) and the net gearing ratio was 0.36 (31 March 2005: 0.72). The calculation of net gearing ratio was based on the net borrowings of HK\$546,080,000 (total borrowing of HK\$2,147,961,000 less bank balance and cash of HK\$1,601,881,000) and the net assets of HK\$1,532,815,000 as at 30 September 2005.

財務回顧

流動資金及財務資源

於二零零五年九月三十日，本集團總資產值為 3,904,465,000 港元，與二零零五年三月三十一日比較，增加約 41.8%。

於二零零五年九月三十日，本集團持有銀行結存及現金 1,601,881,000 港元（二零零五年三月三十一日：712,015,000 港元）。本集團總銀行貸款及其他貸款為 1,690,817,000 港元，（二零零五年三月三十一日：1,323,446,000 港元），而其約 3.8% 於一年到期，餘下超過一年，於回顧期內，新增貸款總額約 520,639,000 港元，而其中約 42,279,000 港元之年利息少於 2%，餘下按市場年利息計算，所有新增貸款還款期全部超過一年。

本集團流動比率約為 7.94（二零零五年三月三十一日：3.19），淨資本負債比率為 0.36（二零零五年三月三十一日：0.72），淨資本負債比率之計算是根據淨借款 546,080,000 港元（總借款 2,147,961,000 港元減銀行結餘及現金 1,601,881,000 港元）及於二零零五年九月三十日之淨資產值 1,532,815,000 港元計算。

The Group does not anticipate any material foreign exchange exposure as most of the revenue and expenses of the Group are dominated in Hong Kong dollars and Renminbi. However, the Group has arranged for interest rate swap contracts for the bank loans and developing purpose term loans which are based on floating interest rates in order to fix the interest rate exposure.

The Group's operating and capital expenditures are funded by operating cash flow, subscription monies from strategic investors, bank loans, the 1% per annum 5-year convertible bonds, term loan facility for developing purpose and the syndicated bank loans. The Group has sufficient sources of funds to meet future capital expenditure and working capital requirements.

Capital Structure

In June 2005, a conditional subscription agreement was entered into among the Company, CQS Convertible and Quantitative Strategies Master Fund Limited ("CQS"), and Courtenay Enterprises Limited ("Courtenay") for the issue of an aggregate principal amount of US\$40,000,000 1% per annum convertible bonds due 2010 (the "Bonds") by the Company to CQS and Courtenay. CQS has agreed to subscribe for an aggregate of principal amount of US\$25,000,000 and Courtenay has agreed to subscribe for an aggregate of principal amount of US\$15,000,000. The initial conversion price of the Bonds is HK\$1.731 and the maturity date is 29 June 2010. Completion of the issuance of the Bonds had taken place on 29 June 2005 and the net proceeds of approximately HK\$301,860,000 were received.

由於本集團大部份收益及支出為港元及人民幣，所以外匯風險對本集團並沒有太重要的影響；但由於本集團所獲得的銀行貸款和開發性金融貸款以浮動息率計算，為減低利率風險，本集團已為有關貸款進行利率交換，以固定有關利率。

現時本集團之營運及資本性開支之來源為營運現金收入、策略股東之認購資金、銀行貸款、五年期年息一厘的可換股債券、開發性金融貸款及銀團貸款，因此本集團有足夠資金應付未來資本性支出及營運需要。

資本結構

於二零零五年六月，集團與 CQS Convertible and Quantitative Strategies Master Fund Limited (「CQS」)及 Courtenay Enterprises Limited (「Courtenay」) 訂立有條件認購協議，發行四千萬美元，年息一厘的可換股債券（「債券」）有效期到二零一零年。CQS 及 Courtenay 分別同意認購 25,000,000 美元及 15,000,000 美元債券。換股價為 1.731 港元，債券到期日為二零一零年六月二十九日。所得款項淨額約為 301,860,000 港元。認購交易已於二零零五年六月二十九日完成。

In October 2005, the Company entered into two subscription agreements with two international investors – Templeton Strategic Emerging Markets Fund II, LDC and Nederlandse Financierings – Maatschappij Voor Ontwikkelingslanden, N.V. (“FMO”) respectively for the placement and subscription of a total of 133,000,000 shares of the Company at a subscription price of HK\$1.16 per share. Net proceeds of approximately HK\$153,000,000 were received and completion of the transaction took place in the end of November 2005.

In October 2005, the Company signed a term loan facility agreement in the amount of US\$50,000,000 with FMO and Societe De Promotion Et De Participation Pour La Cooperation Economique S.A. (“Proparco”). Each of FMO and Proparco is a development finance institution providing financing solutions for companies in developing countries. This is an unsecured bank loan based on floating interest rate and the Group will use this loan to investing natural gas projects in China.

In November 2005, the Company entered into a subscription agreement with Oman Oil Company S.A.O.C. (“OOC”) for the subscription of a total of 210,000,000 shares of the Company by OOC at a subscription price of HK\$1.185 per share. Net proceeds of approximately HK\$248,000,000 would be applied for future investment of gas projects in the PRC and as general working capital of the Group. Completion of the transaction is expected to take place in January 2006.

於二零零五年十月，本集團與鄧普頓新興市場策略基金 II 及荷蘭開發銀行兩家國際投資公司簽署了認購協議，以每股認購價 1.16 港元配售合共 133,000,000 股本公司股份，所得款項淨額約為 153,000,000 港元。此交易已於二零零五年十一月底完成。

於二零零五年十月，本集團與荷蘭開發銀行及法國國家開發銀行簽署 5,000 萬美元開發性金融貸款協議。這兩家銀行都是為發展中國家的企業提供資金，以解決其資金問題。是次銀行貸款為無抵押之貸款，以浮動利息結算，所得貸款將用於本集團投資中國天然氣項目。

於二零零五年十一月，本集團與 Oman Oil Company S.A.O.C. 簽署了認購協議，Oman Oil Company S.A.O.C. 同意以認購價每股 1.185 港元認購合共 210,000,000 股本公司股份，所得總金額約 248,000,000 港元，將用於投資中國天然氣項目及本集團一般營運資金。交易預計於二零零六年一月完成。

Charge on Assets

At as 30 September 2005, the Group pledged part of fixed assets having a net book value of approximately HK\$389,638,000 (31 March 2005: HK\$399,393,000) and certain investments in subsidiaries to banks to secure loan facilities granted to the Group.

Capital Commitments

Capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted for but not provided in the financial statements as at 30 September 2005 was HK\$587,396,000 (31 March 2005: HK\$661,157,000) and HK\$480,290,000 (31 March 2005: HK\$405,968,000) which would require a substantial use of the Group's present cash resources and external funding. The Group has committed to acquire interests in certain PRC enterprise and to establish certain sino-foreign joint venture companies in the PRC.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2005 (31 March 2005: Nil).

Employees

As at 30 September 2005, the Group has approximately 1,918 employees, representing an increase of approximately 9.6% compared to the number as at 31 March 2005. The increase was due to the increase in the numbers of natural gas joint venture companies during the period.

抵押資產

於二零零五年九月三十日，本集團抵押部分固定資產，其帳面淨值約**389,638,000**港元（二零零五年三月三十一日：**399,393,000**港元）及部分附屬公司之投資予銀行，以獲得貸款額度。

資本承擔

於二零零五年九月三十日，本集團於就已訂約收購但未在財務報表撥備之物業、廠房及設備及建築材料合同分別作出為數**587,396,000**港元（二零零五年三月三十一日：**661,157,000**港元）及**480,290,000**港元（二零零五年三月三十一日：**405,968,000**港元）之資本承擔，需要動用大量本集團現有現金及外來融資。本集團已承諾收購部分中國企業股份及於中國成立中外合資企業。

或然負債

於二零零五年九月三十日，本集團並無任何重大或然負債（二零零五年三月三十一日：無）。

僱員

於二零零五年九月三十日，本集團總員工數約為**1,918**名，與二零零五年三月三十一日比較，增長約**9.6%**。而此增長主要源於本集團於期內增加了幾個天然氣合營公司所導致。