

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

2006 financial year is very important to the development history of the Group. The Group has completed the business reorganization and change in directors and management team successfully during the year. The Group has been principally engaging in piped natural gas distribution, supply and installation businesses in PRC during the year. With the joint effort of the directors, management and the all staff, the Group has achieved satisfactory results during the financial year and made a good start.

This year, the Group recorded turnover of HK\$240,607,000, representing an increase of 197% compared with last year;

Gross profit of HK\$127,326,000, representing an increase of 177% compared with last year;

Profit attributable to shareholders (excluding the change in the fair value of convertible bonds) of HK\$61,739,000, representing an increase of 303% compared with last year;

Basic loss per share of 2.13 HK cents; basic earnings per share of last year was 0.61 HK cent.

Operating cash inflow before the change in operating capital reached HK\$112,178,000, representing a substantial increase of 203% over last year;

Net cash flow generated by operating activities of HK\$15,956,000, net outflow was HK\$44,444,000 last year;

Net cash used in investment activities of HK\$42,854,000, representing an increase of 72% over last year;

Net cash generated by financing activities of HK\$148,684,000, representing an increase of 81% over last year;

Net cash and cash equivalents at the end of the year increased to HK\$132,986,000, representing an increase of 12.31 times over last year.

業務回顧

二零零六財年是本集團發展史上至關重要的一年。於本財政年度內本集團順利完成業務重組及董事、管理層交接，主要於中國境內從事分銷、供應及安裝管道天然氣業務。憑藉各董事、管理層及全體員工共同努力，本集團於本財政年度內取得令人滿意之業績，開局良好。

本年度本集團錄得營業額港幣240,607,000元，較上年度增長197%；

毛利港幣127,326,000元，較上年度增長177%；

股東應佔溢利(不包括可換股債券公平值之變動)港幣61,739,000元，較上年度增長303%；

每股基本虧損2.13港仙；上年度每股基本盈利為0.61港仙。

營運資金變動前之經營現金流入達港幣112,178,000元，較上年度的大幅增加203%；

經營活動所產生的淨現金流港幣15,956,000元，上年度淨流出為港幣44,444,000元；

投資活動所使用現金淨額港幣42,854,000元，較上年度增加72%；

融資活動所產生現金淨額港幣148,684,000元，較上年度增加81%；

年末現金淨額和現金等值項目增加至港幣132,986,000，較上年末大幅增加12.31倍。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Distribution, Supply and Installation of Piped Natural Gas Businesses

Distribution and Supply of Piped Natural Gas

The Group's main business is providing natural gas to households and commercial and industrial customers through its gas pipeline networks, and the Group's income mainly comes from sales of piped natural gas. During this financial year, the Group achieved natural gas sales of 111.26 million cubic meters, of which 17.10 million cubic meters were sold to households and 94.16 million cubic meters were sold to commercial and industrial customers, realizing a gas sales income of HK\$85,539,000, an increase of 199% compared to last financial year. Income from sales of natural gas accounted for 35.6% of the Group's turnover for this financial year.

City gas has become a necessity during the process of urbanization in the PRC. In addition, city gas is a public utility and is monopolistic in nature. As the city gasification rate in which the Group is operating continued to rise and new gas projects of the Group continued to increase every year, sales of the Group's piped natural gas will grow steadily.

Piped Natural Gas Installation

The Group was also engaged in construction of main pipelines and branch pipelines networks and through the construction of gas pipeline networks to connect households with the gas networks and charge for connection fee. Such fee is another major income source of the Group. During this financial year, the Group has completed installation work for 50,544 households and 7,853 commercial and industrial customers, generating an income from installation fees HK\$129,271,000, an increase of 210% compared with last financial year. Installation fees income accounted for 53.7% of the Group's turnover for the financial year.

As at 31 March 2006, the Group has accumulated a total of 80,443 connected customers, of which 71,746 were households and 8,697 were commercial and industrial customers.

The Group anticipates that installation fees will remain in force for some time in the future before the gas price becomes absolutely market-oriented. As the number of users of natural gas in the areas where the Group is operating continued to increase and more new projects came into operation every year, income from installation fees will continue to be one of the most important income sources for the Group.

分銷、供應及安裝管道天然氣業務

管道天然氣分銷與供應

本集團的主要業務，為通過本集團之燃氣管道網絡向民居用戶和工商業用戶提供天然氣，而本集團之收入主要來自銷售管道天然氣。於本財政年度內，本集團實現天然氣銷售量11,126萬立方米，其中售予民居用戶1,710萬立方米，售予工商業用戶9,416萬立方米，實現天然氣銷售收入港幣85,539,000元，比上一財政年度增加199%。本集團於本財政年度之天然氣銷售收入佔營業額的35.6%。

中國城市化進程使城市燃氣具有必須性的特點，同時城市燃氣屬於公用事業，具有自然壟斷特徵。隨著本集團營運區域的城市氣化率水平不斷提高及本集團每年燃氣新項目的增加，本集團管道天然氣銷售額將穩步增長。

管道天然氣安裝

本集團亦參與修建城市燃氣主幹管網和支線管網；通過修建的燃氣管網最終將燃氣管道與用戶接駁，並向用戶收取接駁費，是本集團另外一個主要收入來源。於本財政年度內，本集團共為50,544戶民居用戶及7,853戶工商業用戶完成接駁工程，實現接駁費收入港幣129,271,000元，比上財政年度增長210%。本財政年度本集團之接駁費收入佔營業額的53.7%。

於二零零六年三月三十一日，本集團累計已接駁用戶數達80,443戶，其中民居用戶71,746戶，工商業用戶達8,697戶。

本集團預計在燃氣價格完全市場化之前，接駁費將在未來一段時期內長期存在。隨著本集團營運區域的用戶不斷發展及本集團每年燃氣新項目的增加，接駁費收入將繼續成為本集團最重要的收入來源之一。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

Distribution, Supply and Installation of Piped Natural Gas Businesses (Continued)

Development of Natural Gas Projects

During this financial year, the Group has acquired five piped natural gas projects, including:

The Han Wang Project

On 31 July 2005, the Group acquired 100% interests in Mianzhu City Han Wang Natural Gas Company Limited in Mianzhu City. The project is located in Han Wang Town, Mian Zhu City, Sichuan Province. Han Wang Town is one of the first 57 pilot towns under the National Integrated Reform Program and the key industrial zone of Mianzhu City. The famous production base of steam turbine in China Dongfang Steam Turbine Works is located in Han Wang Town. Its industrial gas consumption and household gas consumption of the workers residing in the industrial area will be the major targets for our future development. Han Wang Town has a total connectable population of 60,000 and the gasification rate is 15.3%.

The Bei Chuan Project

On 31 July 2005, the Group acquired the natural gas assets in Beichuan County and established the Beichuan County Zhongmin Gas Company Limited. Beichuan County is located in Mian Yang City in Sichuan Province and is in the northwest of Sichuan Basin. Enterprises engaged in building materials and processing industries are the major commercial and industrial users of natural gas in Beichuan County. Lei Gu Town, which is 8 kilometers from Beichuan's county town, is constructing an industrial zone with an area of over 400 acres. The industrial zone is striving to introduce high value-added, low energy-consumption and technologically advanced environmental friendly enterprises. These enterprises will drive the development of gas consumption in Beichuan County. The total connectable population of Beichuan County is 160,000 and the gasification rate is 5.5%.

業務回顧(續)

分銷、供應及安裝管道天然氣業務(續)

天然氣項目拓展

本財政年度內，本集團已收購五個管道天然氣項目，分別是：

漢旺項目

於二零零五年七月三十一日，本集團收購了綿竹市漢旺天然氣有限公司100%的權益。該項目位於四川省綿竹市漢旺鎮。漢旺鎮是全國首批57個綜合改革試點鎮之一，是綿竹市的重點工業區。中國著名的汽輪機生產基地東方汽輪機廠位於漢旺鎮，其工業用氣和職工居民戶用氣是公司未來發展的重點對象。漢旺鎮可供接駁天然氣人口總數達6萬人，氣化率15.3%。

北川項目

於二零零五年七月三十一日，本集團收購了北川縣的天然氣資產並成立北川縣中民燃氣有限公司。北川縣位於四川省綿陽市，地處四川盆地西北部。建材、加工等工業企業是北川縣主要的天然氣工商業用戶。距北川縣城8公里的擂鼓鎮，正在建設佔地400餘畝的工業園區，園區正著力引進高附加值、低耗能、技術領先的環保型企業，將帶動北川縣的用氣發展。北川縣可供接駁天然氣人口總數達16萬人，氣化率5.5%。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

Distribution, Supply and Installation of Piped Natural Gas Businesses (Continued)

Development of Natural Gas Projects (Continued)

The Tong Nan Project

On 1 August 2005, the Group acquired 100% interest in Chongqing Tong Nan Tongfa Gas Co. Ltd. and renamed it as Chongqing Zhongmin Gas Company Limited. Tong Nan County, which is located in the linked terrain of Sichuan and Chongqing, is the hometown of the Former President of the PRC Mr. Yang Shang Kun. It is an important gateway for Chongqing to open to the outside world. The construction of a new city of 10 square kilometers which lies in the north side of Fu River (涪江) in Tong Nan County has founded its basic structure. An attractive regional industrial and economic zone that can bring about stimulating effect to the region is under construction. As many of the industrial enterprises in Chongqing urban areas move into the zone, the gas demand from industrial and commercial users and households will become higher. The total connectable population of Tong Nan County is 920,000 and the gasification rate is 6.7%.

The Fu Ping Project

On 5 August 2005, the Group acquired 80% interest in Fu Ping Natural Gas Co. Ltd and renamed it as Fu Ping County Zhongmin Gas Company Limited. Fu Ping County is under Weinan City and is the fourth largest county in Shaanxi Province. The Zhuang Li Industrial Zone which is located in the northwest of and 12 kilometers away from the county town, is the foothold for the industrial development of Fu Ping County. The gas connectable population of Fu Ping County is 200,000 and the gasification rate is 3.3%.

業務回顧(續)

分銷、供應及安裝管道天然氣業務(續)

天然氣項目拓展(續)

潼南項目

於二零零五年八月一日，本集團收購了重慶市潼南縣通發燃氣有限責任公司100%的權益並更名為重慶中民燃氣有限公司。潼南縣地處川渝兩地的結合地帶，為中國前國家主席楊尚昆先生的故鄉，是重慶市對外開放的重要窗口。位於潼南縣城境內的涪江北岸，規劃為10平方公里的新城建設已初具規模，具有吸引力和帶動力的地區性工業經濟園區正在建設，隨著重慶市區內眾多工業企業的遷入，將帶動潼南縣工商業及民居用戶對天然氣的需求。潼南縣可供接駁天然氣人口總數達92萬人，氣化率6.7%。

富平項目

於二零零五年八月五日，本集團收購了富平縣天然氣有限責任公司80%的權益，並更名為富平縣中民燃氣有限公司。富平縣隸屬於渭南市，是陝西省第四大縣，位於縣城西北部、距離縣城約12公里的莊裏工業園區為富平縣工業起飛的立足點。富平縣可供接駁天然氣人口總數達20萬人，氣化率3.3%。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

Distribution, Supply and Installation of Piped Natural Gas Businesses (Continued)

Development of Natural Gas Projects (Continued)

The Yongning Project

On 24 August 2005, the Group acquired 50% interest in Yongning Boneng Natural Gas Co. Ltd. and renamed it as Yinchuan Zhongmin Gas Company Limited. Yongning County is a suburb county to the south of Yinchuan City, the provincial capital of Ningxia, and a satellite city of Yinchuan City. Wang Yuan Town, which is approximately 10 kilometres north to Yongning's county town, is constructing an industrial zone which will become the largest production base of antibiotics in China as well as in Asia. A new town area of county is under construction in the north of Yongning County. The area of Yongning's county town will be enlarged by 2/3 and the city population will increase by 30,000 upon completion. As the role of Yongning County as a satellite city of Yinchuan City becomes increasingly prominent, the future development of natural gas will be of great potential. The total gas connectable population of Yongning County is 200,000 and the gasification rate is 2.3%.

With the above new natural gas projects, turnover and operating profit of the Group have increased significantly. The foundation of natural gas business has been further solidified. As at 31 March 2006, together with the Mianzhu Project and the Yan Ting Project acquired in the last financial year, the number of the Group's gas projects has increased to seven, with business covering Sichuan Province, Chongqing, Shaanxi Province and Ningxia Autonomous Region and a connectable population of 2.65 million in this financial year, an increase of 139% when compared with 1.11 million in the last financial year. Income from sales of piped gas and installation fees of these cities will continue to have a significant contribution to the results of the Group.

Property Holding and Investment

During the financial year, the Group has dwindled its property holding and investment business. The Group has disposed its entire shareholding in its wholly owned subsidiary Billion Treasure Holdings Limited and its saleable properties in Zhongda Square in Shanghai City at cash consideration of HK\$21,500,000 and HK\$13,480,000 respectively to recover cash for focusing on the development of gas projects. As at 31 March 2006, the Group owned 534 square meters of saleable properties in Zhongda Square in Shanghai City through its wholly owned subsidiary Penmark Limited. During this financial year, this business contributed turnover of HK\$1,727,000 to the results of the Group.

業務回顧(續)

分銷、供應及安裝管道天然氣業務(續)

天然氣項目拓展(續)

永寧項目

於二零零五年八月二十四日，本集團收購了永寧縣博能天然氣有限公司50%的權益，並更名為銀川中民燃氣有限公司。永寧縣為寧夏首府銀川市南部的郊縣，是銀川市的衛星城市，在永寧縣城以北約10公里的望遠鎮，正在興建一座工業園區，這將建成中國乃至亞洲最大的抗生素生產基地。永寧縣城北部正在建設縣城新區，新區建成後，將使永寧縣縣城面積擴大2/3，增加城市人口約3萬人。隨著永寧縣作為銀川市衛星城地位日益突出，未來天然氣發展前景廣闊。永寧縣可供接駁天然氣人口總數達20萬人，氣化率2.3%。

由於以上新增天然氣項目，本集團之營業額及經營溢利有了顯著增長。天然氣業務基礎得以進一步充實。截至二零零六年三月三十一日，連同上財政年度收購之綿竹項目及鹽亭項目，本集團之燃氣項目增至7個，業務覆蓋四川省、重慶、陝西省、寧夏自治區，覆蓋之天然氣可接駁人口由上財政年度的111萬人增加至本財政年度的265萬人，增長139%。來自這些城市的管道燃氣銷售收入和接駁費收入將繼續為本集團業績作出重要貢獻。

物業持有及投資

本財政年度內，本集團收縮了物業持有及投資業務，分別以現金代價港幣21,500,000元和13,480,000元出售了全資附屬公司Billion Treasure Holdings Limited之全部股權及其於上海市中達廣場擁有的可供銷售物業，收回現金以集中用於燃氣新項目的拓展。於二零零六年三月三十一日，本集團通過全資附屬公司景達物業有限公司擁有上海市中達廣場534平方米之可供銷售物業。該業務於本財政年度內為本集團之業績帶來港幣1,727,000元的營業額。

MANAGEMENT DISCUSSION AND ANALYSIS

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BUSINESS REVIEW (Continued)

Glass Products Business

The Group, through Mian Zhu City Hong Sen Natural Gas Co., Ltd., indirectly owned 70% interests in Mian Zhu City Hongsen Glass Products Company Limited. The company is primarily engaged in supplying glass products to the producer of the famous Chinese wine "Jian Nan Chun", using natural gas from the Group as fuel to produce glass products. During this financial year, such business contributed turnover of HK\$24,070,000 and earnings of HK\$4,069,000 to the results of the Group.

Lottery Operating System Supply and Ancillary Services

In this financial year, the Group invested in the joint venture Zhongmin Zai Xian (Beijing) Technology Development Limited ("Zhongmin Zai Xian"). Zhongmin Zai Xian intends to be engaged in supplying operating system of video welfare lottery business and ancillary services in the Mainland China. Zhongmin Zai Xian has also established a joint venture with Beijing Bei Ying Si Digital Technology Company Limited to engage in traditional lottery operating system supply and ancillary services in the PRC.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 March 2006, the Group had total assets of HK\$496,268,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$216,212,000, HK\$2,868,000, HK\$272,475,000 and HK\$4,713,000 respectively.

The Group continued to maintain a low gearing ratio, at 1%. It was calculated based on the long term borrowings of HK\$2,807,000 and long term capital of HK\$272,475,000.

業務回顧(續)

玻璃製品業務

本集團透過綿竹市紅森天然氣有限責任公司間接持有綿竹市紅森玻璃製品有限公司70%的權益。該公司使用本集團之天然氣作為燃料主要為盛產中國名酒的「劍南春」酒廠提供玻璃製品。於本財政年度內，該業務為本集團之業績帶來港幣24,070,000元的營業額及港幣4,069,000元的盈利貢獻。

彩票作業系統供應及配套服務

本財政年度內，本集團投資於合營公司中民在線(北京)科技發展有限公司(「中民在線」)，中民在線擬於中國內地從事視頻福利彩票業務作業系統之供應及配套服務。中民在線另與北京貝英斯數碼技術有限公司共同設立合營公司，於中國內地經營傳統電腦福利彩票業務作業系統之供應及配套服務。

財務回顧

流動資金及資本資源

於二零零六年三月三十一日，本集團資產總值為港幣496,268,000元以及流動負債、長期負債、股東權益及少數股東權益分別為港幣216,212,000元、港幣2,868,000元、港幣272,475,000元和港幣4,713,000元。

本集團持續維持低資本負債比率於1%，乃根據長期借貸港幣2,807,000元以及長期資本港幣272,475,000元計算。

MANAGEMENT DISCUSSION AND ANALYSIS

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FINANCIAL REVIEW (Continued)

Liquidity and Capital Resources (Continued)

On 8 September 2005, the company and Equator View Capital, an independent third party entered into a subscription agreement with respect to issue of US\$20,000,000 (equivalent to approximately HK\$155,600,000) 2 per cent convertible bonds due in 2008 (the "Subscription Agreement"). Pursuant to the terms of the agreement, the Bonds can be convertible into Shares at a conversion price equal to the lower of the Fixed Conversion Price (HK\$0.3433) or the Floating Conversion Price. Unless previously redeemed, converted or purchased and cancelled, the Bonds shall be redeemed by the Company at 100% of their principal amount at the third anniversary of the Issue Date. The Bonds were issued on 28 October 2005, bringing more funds to the Company for acquisition of more projects, and further broadening the strategic investor base of the Company. As at 31 March 2006, the Company issued 201,989,000 Conversion Shares under the Bonds. Outstanding principal amount under the Bonds was US\$10,000,000 (equivalent to approximately HK\$77,800,000).

To comply with the new requirements of HKAS 39 and HKAS 32, the convertible bonds are designated as "financial liability at fair value through profit and loss", which is required to be calculated at fair value on each conversion date and balance sheet date after initial recognition, and the change in fair value is directly recognized as profit or loss during the period of its occurrence. There has been a remarkable increase of the Company's share price over the fixed convertible price (HK\$0.3433 per share) as at each of the conversion dates and the balance sheet date. The value of the converted shares calculated at the fair value as at the conversion date is in excess of HK\$62,212,000 over the value of the conversion price stated in the Subscription Agreement; and based on the closing price of HK\$0.57 per share at the balance sheet date, the fair value of the outstanding convertible bonds has increased by HK\$55,588,000. Accordingly, the aggregate change amounting to HK\$117,800,000 is included in the profit and loss account for this period according to the relevant accounting standards. The valuation result of the fair value is related to the share price at the assessment date and the remaining period of the convertible bonds, but does not concern the actual operating and financial positions of the Group, as well as the future changes in the Group's operations and actual cash flows. According to the valuation by an independent valuation institution, based on the Company's share closing price of HK\$0.345 per share as at 26 July, the fair value of the outstanding convertible bonds amounts to HK\$92,212,000, representing a significant decrease of HK\$41,576,000 over the fair value at the balance sheet date. According to the relevant requirements, the change in number can also be included as the Group's income next year.

財務回顧(續)

流動資金及資本資源(續)

於二零零五年九月八日，本公司與獨立第三方Equator View Capital就發行20,000,000美元(相當於約港幣155,600,000元)於二零零八年到期之兩厘可換股債券訂立認購協議(「認購協議」)。根據認購協議之條款，可換股債券可按固定換股價(港幣0.3433元)或浮動換股價(以較低者為準)轉換為股份，除非債券已被贖回、轉換或購買及註銷，否則本公司將於發行日起第三周年按可換股債券本金額之100%贖回可換股債券。可換股債券已於二零零五年十月二十八日發行，為本公司帶來更多資金以收購更多項目，並進一步擴大了本集團策略投資者基礎。於二零零六年三月三十一日，本公司根據可換股債券發行兌換股份201,989,000股，可換股債券尚未行使之本金額為10,000,000美元(相當於約港幣77,800,000元)。

根據香港會計準則第39號和32號的新規定，該可換股債券被認為「按公平價值經損益入賬的金融負債」，並須於首次確認後的每個換股日及結算日，按公平值計算，公平值之變動直接於發生期內於損益賬確認。本公司之股價於各換股日及年結日相比於固定換股價(每股港幣0.3433元)皆有顯著升幅。所換股份以換股日公平值計算之價值相比按認購協議所訂之換股價計算之價值，高出港幣62,212,000元，又按年結日之收市價每股港幣0.57元計算，尚餘可換股債券的公平價值上升了港幣55,588,000元，因此，按相關會計準則其變動總數港幣117,800,000元計入了本期之綜合損益賬中。公平價值的估值結果與評估日的股價以及可轉債剩餘期限有關，而與本集團的真實經營狀況和財務狀況無關，也不會影響本集團今後的經營和實際現金流。根據獨立評估機構的評估，假若按照七月二十六日當日公司股份收市價每股港幣0.345元計算，尚餘可換股債券的公平價值為港幣92,212,000元，比年結日的公平價值大幅下降了港幣41,576,000元，按相關準則，此變動數字又可記為本集團下年度之收益。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW (Continued)

Liquidity and Capital Resources (Continued)

The fair value of the outstanding convertible bonds at the balance sheet date \$133,788,000 is based on the assumption that the Company early redeems the outstanding convertible bonds from the holders of the convertible bonds and therefore needs to pay for its fair consideration. Since the Company has no right, plan or need to early redeem the outstanding convertible bonds from the holders of the convertible bonds at the above fair consideration, and the holders of the convertible bonds also have no right to demand the Company to early redeem the outstanding convertible bonds at the above fair consideration (except under certain special circumstances that the Company may redeem part of, or all convertible bonds at a consideration close to the nominal value of the convertible bonds), ultimately the outstanding convertible bonds may only be exercised or not exercised when due, or partially exercised and partially not exercised when due. If the convertible bonds are exercised, the Company only needs to issue a certain number of shares of the Company to the holders of the convertible bonds at the convertible price under the subscription agreement and no cash is required for settlement. If the convertible bonds are not exercised when due, the Company is only required to redeem the convertible bonds at 100% of its nominal value according to the subscription agreement. Therefore, the fair value change of the convertible bonds stated in the Consolidated Income Statement for the year is only an accounting treatment made in accordance with the requirements of the Hong Kong accounting standards and will not actually affect the current and future actual operations and cash flows of the Group.

The Group has been applying for the change of registration to foreign investment enterprises for its various subsidiaries so as to enjoy the tax allowances benefits for foreign-invested enterprises under the relevant policy. Assuming that all registrations are successfully changed, it is estimated the Group will enjoy an allowance from the income tax accrued for this year amounting to not less than HK\$6,600,000.

Capital Structure

The Group's long-term capital mainly comprises shareholders' equity which is confirmed by the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

財務回顧(續)

流動資金及資本資源(續)

於年結日尚餘可換股債券的公平價值港幣133,788,000元是假設本公司於年結日向可換股債券持有人提早贖回尚餘之可換股債券所需支付的公允代價。鑒於本公司沒有權利、沒有計劃亦沒有需要向可換股債券持有人以上述公平代價提早贖回尚餘之可換股債券，與此同時，可換股債券持有人亦無權要求本公司以上述公平代價提早贖回尚餘之可換股債券。除了在某些特別情況下，公司可能以接近可換股債券面值的代價贖回部分或全部可換股債券外，尚餘之可換股債券最終祇可能被行使或到期不被行使，或部份被行使，部份到期不被行使。假若被行使，則本公司祇需按認購協議的換股價發行一定數量之本公司股份予可換股債券持有人，而無須支付任何現金；假若到期不被行使，本公司亦祇需根據認購協議按100%面值贖回可換股債券。因此，於本年度綜合損益賬上所反映的可換股債券之公平價值變動，僅是一種根據香港會計準則要求所做的會計處理，對本集團現在及將來之實際經營運作以及現金流均無實質性之影響。

集團正為多家附屬公司辦理外商投資企業註冊變更手續，從而享受外商投資企業稅務寬減優惠政策，假若全部註冊變更成功，估計可為本集團本年度所預提的所得稅帶來寬免不少於港幣6,600,000元。

資本結構

本集團長期資本包括股東權益，從上文「流動資金及資本資源」一節所述之低資本負債比率獲得確認。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW (Continued)

Exposure of Foreign Exchange Fluctuation

The Group's receivables and payables are denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is pegged to US dollar and exchange rate of Renminbi is relatively stable, the directors considers the foreign exchange exposure risk not significant.

Capital Commitments

On 31 March 2006, the Group entered into an Equity Transfer Contract whereby the Group agreed to acquire a 51% equity interest in Wei Nan City Natural Gas Company (渭南市天然氣公司) from Wei Nan City Development Company ("Vendor") at a provisional consideration of RMB33,000,000 (approximately HK\$31,942,697), which is subject to certain adjustments. The vendor will also procure that the Group will obtain the exclusive right to operate the business of supplying natural gas within the city of Wei Nan in Shaanxi Province, the PRC. Weinan City currently has a population of approximately 5.31 million and an area of 13,000 square kilometers. Its GDP in 2005 amounted to RMB31.2 billion (equivalent to approximately HK\$30.2 billion), an increase of 11.7% from last year. As local economy continues to grow, development of natural gas in Weinan City has great potential in the future. The total gas connectable population of Linwei District (where the municipal government is situated), the major operating area of Weinan Natural Gas Company is 880,000 and the gasification rate is 5.1%. Deposit of RMB1,000,000 (approximately HK\$967,961) had been paid before year end date.

Contingent Liabilities

As at 31 March 2006, there were no material contingent liabilities to the Group.

Trading of Shares on the Frankfurt Stock Exchange

On 24 February 2006, the shares of the Company were admitted to the Open Market of the Frankfurt Stock Exchange (Freiverkehr). This potentially enhanced the liquidity of the shares of the Company, broaden shareholder base and enhanced the recognition of the Company in the international financial market.

財務回顧(續)

外匯波動風險

本集團之應收及應付賬款主要以美元、港元及人民幣為單位。由於港元與美元掛鈎，及人民幣之匯率相對穩定，董事認為匯兌風險並不重大。

資本承擔

於二零零六年三月三十一日，本集團訂立股權轉讓合約，據此本集團同意向渭南市城市建設總公司(「賣方」)購入渭南市天然氣公司之51%股權，暫定代價為人民幣33,000,000元(約港幣31,942,697元)，可作出若干調整。賣方亦將促使本集團取得獨家權利於中國陝西省經營天然氣供應。渭南市目前有人口約531萬人，面積1.3萬平方公里，二零零五年本地生產總值達人民幣312億元(相當於約港幣302億元)，較上年增長11.7%。隨著當地經濟的增長，未來渭南市天然氣發展潛力巨大。渭南市天然氣公司目前主要營運區域臨渭區(市政府所駐地)可供接駁天然氣人口總數達88萬人，氣化率5.1%。於年結日前已支付按金人民幣1,000,000元(約港幣967,961元)。

或然負債

於二零零六年三月三十一日，本集團並無重大或然負債。

股份於法蘭克福證券交易所買賣

於二零零六年二月二十四日，本公司股份獲納入法蘭克福證券交易所公開市場(「Freiverkehr」)買賣，此有助於增強公司股份之流通量、擴大股東基礎及增加本公司於國際金融市場之知名度。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

POST BALANCE SHEET DATE EVENTS

On 28 April 2006, the Company entered into an agreement with Deson Ventures Limited, a company incorporated in the British Virgin Islands, for the disposal of Penmark Limited, a wholly-owned subsidiary of the Company. Pursuant to the terms of Agreement, Deson Ventures Limited will pay HK\$6,500,000 as consideration and the Company has assigned the indebtedness owed by Penmark Limited in the aggregate amount of HK\$7,806,848.33 to the Deson Ventures Limited. This resulted in a loss on disposal of HK\$171,000.

On 30 May 2006, the Company and Indopark Holdings Limited, an indirect wholly-owned subsidiary of Merrill Lynch, entered into a subscription agreement, with respect to the issue of US\$40,000,000 (equivalent to approximately HK\$310,000,000) 2 per cent convertible bonds due in 2009 (the "Subscription Agreement"). Pursuant to the terms of the agreement, the Bonds can be converted into Shares at a conversion price of HK\$0.60 (adjustable). Unless previously redeemed, converted or purchased and cancelled, the Bonds shall be redeemed by the Company at 106% of their principal amount at the third anniversary of the Issue Date. The Bonds bear interest from the Issue Date at the rate of 2% per annum of the principal amount of the Bonds. The Bonds were issued on 15 June 2006, bringing more funds to the Company for the development of new projects, and further broadening the strategic investor base of the Company. It further indicates that achievement attained by the Group after business transformation was recognized by the international investment banks and they have great confidence to the future of the Group.

On 1 June 2006, the Company entered into an Equity Transfer Contract whereby the Company agreed to acquire a 50% equity associate interest in Yan Bian Hua Xin Oil Exploitation Company Limited at a consideration of HK\$30,000,000.

Yan Bian Hua Oil Exploitation Company Limited is engaged in the exploration and extraction of oil and gas in the Yanji Basin located in the Yan Bian Korean Nation Autonomous Area in Jilin Province, the PRC in cooperation with Daqing Oilfield Company. Details of the term of the Agreement was set out in the announcement dated 1 June 2006 issued by the Company.

結算日後事項

於二零零六年四月二十八日，本公司與 Deson Ventures Limited (一家於英屬處女群島註冊成立公司) 訂立協議，以出售 Penmark Limited (一家本公司全資附屬公司)。根據協議條款，Deson Ventures Limited 將支付港幣 6,500,000 元作為代價，而本公司已將 Penmark Limited 結欠負債總額港幣 7,806,848.33 元轉讓予 Deson Ventures Limited。此導致出售虧損港幣 171,000 元。

於二零零六年五月三十日，本公司與 Indopark Holdings Limited (美林集團之間接全資附屬公司) 就發行 40,000,000 美元 (相當於約港幣 310,000,000 元) 於二零零九年到期之兩厘可換股債券訂立認購協議 (「認購協議」)。根據認購協議之條款，可換股債券可按每股港幣 0.60 元之換股價 (可予調整) 轉換為股份，除非債券已被贖回、轉換或購買及註銷，否則本公司將於發行日起第三周年按可換股債券本金額之 106% 贖回可換股債券。可換股債券於發行日起按債券本金額 2% 之年息支付利息。可換股債券於二零零六年六月十五日發行，使本集團有更多之資金用於新項目拓展，並進一步擴大本集團策略投資者之基礎，亦再次表明本集團在業務轉型後所取得之成績已獲得國際知名投資銀行充分認可，並對本集團未來發展充滿信心。

於二零零六年六月一日，本公司訂立股權轉讓合約，據此本公司同意收購延邊州華新石油開發有限公司之 50% 股本聯屬權益，代價為港幣 30,000,000 元。

延邊州華新石油開發有限公司主要與大慶油田公司合作在中國吉林省延邊朝鮮族自治州勘探開發延吉盆地之石油及天然氣資源。協議條款詳情載於本公司二零零六年六月一日刊發之公告。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

POST BALANCE SHEET DATE EVENTS (Continued)

Because the legal procedures of completing the acquisition are not yet finalised, management is still in the progress of gathering accounting information to determine the effect of business combination on the consolidated financial statements.

Yanji Basin covers an area of 403 sq. km. with rich oil and natural gas reserves. The total volume of oil reserves in the basin is estimated at 50 million tons during the second resources evaluation for the basin and it is estimated at 121.6 million tons using the basin analog method for calculation. In addition, it is initially confirmed that natural gas reserves to be submitted were around 1 billion to 5 billion cubic meters in the contract area.

On 8 June 2006, the Group entered into an Equity Transfer Contract whereby the Group agreed to acquire a 70% equity interest in a natural gas business at Yanliang District, Xian at a consideration of RMB42,500,000 (HK\$41,062,802) and formation of new joint venture company. Because the legal procedures of completing the acquisition is not yet finalised, management is still in the progress of gathering accounting information to determine the effect of business combination on the consolidated financial statements.

The new JV Company will engage in the sales distribution of natural gas, design of gas pipeline and related maintenance in the Yanliang District, Xian, Shaanxi province, the PRC. Details of the term of the Agreement was set out in the circular dated 3 July 2006 issued by the Company.

Yanliang District of Xian City is an aviation industrial city in the PRC, with a total of approximately 240,000 residents. It is an integrated aviation base comprising aircraft design and manufacturing, pilot flight testing and scientific research and training. The largest aircraft manufacturer in the PRC, Xian Aircraft Industry (Group) Co. Ltd. and many other enterprises and scientific research institutions are located in the district. In August 2004, the National Development and Reform Commission of the PRC approved the establishment of Yanliang District as the national aviation high-tech industry base, covering an area of approximately 40 square kilometers. The local government intends to take three to five years to build the base as one of the biggest aviation industry region in Asia.

結算日後事項(續)

由於完成收購之法律程序尚未落實，管理層現仍在收集會計資料以釐定於綜合財務報表上業務合併之影響。

延吉盆地油田開發面積403平方公里，石油天然氣資源儲量豐富，第二次資源評價對延吉盆地計算之儲量約0.5億噸，採用盆地模擬進行計算儲量約1.216億噸，另初步確定合同區可提交之天然氣儲量為10至50億立方米。

於二零零六年六月八日，本集團訂立股權轉讓合約，據此本集團同意收購在西安市閻良區天然氣業務70%之股權，代價為人民幣42,500,000元(港幣41,062,802元)及成立一間新合營公司。由於完成收購之法律程序尚未落實，管理層現仍在收集會計資料以釐定於綜合財務報表上業務合併之影響。

新合營公司主要於中國陝西省西安市閻良區從事天然氣銷售及分銷、天然氣管道設計及相關之維修。協議條款詳情載於本公司二零零六年七月三日刊發之通函。

西安市閻良區是中國航空工業城市，總人口約24萬人，是中國集飛機設計研究、生產製造、試飛鑒定和科研教學為一體之航空工業基地，區內有全國最大飛機製造企業西安飛機工業(集團)有限責任公司及眾多企業和科研院所。二零零四年八月，國家發展改革委員會批准西安市閻良區設立國家航空高技術產業基地，規劃面積約40平方公里，當地政府擬用三至五年時間將基地建設為亞洲區最大航空產業基地。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

POST BALANCE SHEET DATE EVENTS (Continued)

On 18 July 2006, the Group entered an agreement with Tong Xin Energy whereby the parties agreed to form a Joint Venture Company in Huaihua City of Hunan province in the PRC. The registered capital of the Joint Venture Company is RMB18,180,000 (approximately HK\$17,650,485) of which a 55% and a 45% equity interest will be held by the Group and Tong Xin Energy respectively. After the formation of the JV Company, it will principally engage in the business of installation and supply of natural gas and the sell of liquefied petroleum gas in Huaihua City of Hunan province in the PRC.

Because the legal procedures of completing the acquisition are not yet finalised, management is still in the progress of gathering accounting information to determine the effect of business combination on the consolidated financial statements.

The location of Huaihua City of Hunan Province is near the borders of Hunan, Guangxi and Guizhou provinces, making it an important traffic hub and logistics centre in the central region of the PRC. Huaihua City has a total population of 5.1 million with approximately 400,000 located in the urban area.

EMPLOYEES

As at 31 March 2006, the Group had 518 employees, of which 514 were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors after consulting the Remuneration Committee. Apart from pension funds, individual employees may be granted discretionary bonus and share options as rewards for their outstanding performance.

REVIEW OF THE ANNUAL RESULTS

The Group's annual results for the year ended 31 March 2006 have been reviewed by the Audit Committee of the Company and audited by the Company's auditors, Deloitte Touche Tohmatsu.

結算日後事項(續)

於二零零六年七月十八日，本集團與同心能源訂立協議，據此，雙方同意於中國湖南省懷化市成立合營公司。合營公司註冊資本為人民幣18,180,000元(約港幣17,650,485元)，當中本集團與同心能源分別佔55%與45%股權。合營公司成立後將主要在中國湖南省懷化市從事天然氣安裝及供應以及液化石油氣銷售業務。

由於完成收購之法律程序尚未落實，管理層現仍在收集會計資料以釐定於綜合財務報表上業務合併之影響。

湖南省懷化市地處湖南、廣西、貴州三省區交界處，為中國中部地區重要之交通樞紐及物流中心，總人口約510萬人，其中城市人口約40萬人。

僱員

於二零零六年三月三十一日，本集團共有518名僱員，其中514名駐於中國。

本集團僱員薪酬政策及待遇皆由董事會經諮詢薪酬委員會後審議及批准。除退休金外，個別僱員可因工作表現出色而獲派發酌情花紅及購股權以作獎勵。

審閱全年業績

本集團截至二零零六年三月三十一日止年度之全年業績已經本公司審核委員會審閱，並由本公司核數師德勤•關黃陳方會計師行審核。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PROSPECTS

Distribution, Supply and Installation of Piped Natural Gas Business

It is expected that China's economy will maintain a constant, stable and rapid growth, and the pace of industrialization, modernization, urbanization, marketization and internationalization will speed up further. Industrialization, urbanization and upgrade in the consumption structure of urban and rural residents is one of the main factors which promote China's economy to grow constantly and drive the consumption of energies such as petroleum and natural gas to grow. According to the 2005 National Economy and Social Development Statistics, the population of the mainland China in 2005 was 1.3 billion, urban population increased to 0.56 billion, and the ratio of urbanization rose to 43%. Pursuant to global urbanization development practices, once the urbanization ratio of a country is above 30%, its urbanization will enter into an accelerating development period. It is anticipated that China's population will reach 1.46 billion in 2020, and the urbanization ratio will be about 60%, and China's urbanized population will increase by more than 0.3 billion in next fifteen years. The increase in urban population will maintain a long term strong demand for infrastructure construction and investment including city gas, which, especially natural gas has become a sign of the urbanization of a region and an improvement in living quality of urban residents.

購買、出售及贖回本公司之上市證券

年內，本公司及任何其附屬公司概無購買、出售及贖回任何本公司上市證券。

前景展望

分銷、供應及安裝管道天然氣業務

預計未來中國經濟仍將持續、平穩、快速增長，工業化、現代化、城市化、市場化、國際化步伐將進一步加快。工業化、城市化及城鄉居民消費結構升級是推動中國經濟持續增長並帶動石油、天然氣等能源消耗需求增長的主要動因之一。二零零五年中國國民經濟和社會發展統計公報顯示，二零零五年中國大陸人口達13億，城鎮人口增至5.6億，城市化率增至43%。按照世界城市化發展慣例，一個國家城市化率達到30%以上，城市化便進入加速發展期。預計中國人口將在二零二零年達到14.6億，城市化率將達到60%左右，未來十五年中國城市化人口將增加3億以上。城市人口的增加將對包括城市燃氣在內的基礎設施建設與投資保持長期旺盛的需求，城市燃氣尤其是天然氣已成為一個地區城市化及城市居民生活質量提高的標誌之一。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

PROSPECTS (Continued)

Distribution, Supply and Installation of Piped Natural Gas Business (Continued)

The Chinese government recently put forward a sustainable development strategy and put great emphasis on environment protection. It actively supports and encourages residents and industrial and commercial enterprises to use natural gas, to satisfy a strong demand for energy consumption driven by economic growth, make up for the shortage of petroleum supply and reduce environment pollution resulting from burning coal. Natural gas is featured by safety, high efficiency, environment protection and low price. It increasingly becomes the best clean energy to reduce the environment pollution and make up for the shortage of petroleum supply in the twenty-first century. With the steady growth of the China's economy, the continual increase in per capita national income, and the constant rise in urbanization and industrialization level and the continuous improvement in environment protection standard, natural gas will gradually replace coal and petroleum as the main energy used by Chinese urban residents and industrial and commercial enterprises. According to the data of Organization of the Petroleum Exporting Countries, in the current world energy consumption structure, natural gas accounts for approximately 21%. By 2025, this percentage will rise to approximately 30%. According to the forecast from Energy Study Institute of State Development and Reform Commission, the growth rate of the demand for natural gas in China will obviously outpace that of coal and petroleum in the next 20 years. By 2010, consumption of natural gas as a percentage of one-off consumed energy will increase to approximately 6%, and to further approximately 10% by 2020. The demand for natural gas will reach 93.8 billion cubic meters and 203.7 billion cubic meters respectively by that time. Therefore, there is a huge room for market development for natural gas business.

前景展望(續)

分銷、供應及安裝管道天然氣業務(續)

中國政府近年提出可持續發展戰略並對環境保護高度重視，積極支持和鼓勵居民和工商業企業使用天然氣，以滿足因經濟增長所帶動的對能源消費的強勁需求，彌補石油供給不足和減少燃燒煤炭所帶來的環境污染。天然氣具有安全、高效、環保、低價的特點，正日益成為二十一世紀減少環境污染、彌補石油供應短缺之最佳清潔能源。隨著中國經濟持續增長，人均國民收入不斷增加，城市化、工業化水平以及環保標準的不斷提高，天然氣將逐步取代煤炭、替代石油成為中國城市居民、工商業企業使用的主要能源。根據石油輸出國組織數據，在目前的世界能源消費結構中，天然氣約佔21%，到二零二五年，這一比例將上升到約30%。根據國家發展改革委員會能源研究所的預測，未來20年中國天然氣需求增長速度將明顯超過煤炭和石油。到二零一零年，天然氣在一次性能源消費結構的比重將增加到6%左右，到二零二零年，將進一步增至10%左右，屆時天然氣需求量估計將分別達到938億立方米和2,037億立方米。因此，天然氣業務具有較大的市場發展空間。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

PROSPECTS (Continued)

Exploitation of Petroleum and Natural Gas Resources Business

The constant and rapid economic growth of China in recent years has sustained a strong demand for energy including petroleum and natural gas, and China has become the world's second largest petroleum consumption country next to the United States. However, the total petroleum supply is far below total petroleum consumption, and the contradiction of supply shortage is prominent increasingly. According to the 2005 National Economy and Social Development Statistics, in 2005, China's petroleum output was 181 million tons, while petroleum consumption was 300 million tons, with approximately 40% of petroleum depending on imports. This fully showed the shortage of petroleum production to consumption. China's total consumption of petroleum and natural gas in the future will still be increasing with the steady growth of the economy, and the shortages of petroleum and natural gas supply will become even more acute. Therefore, strengthening the exploration and exploitation of domestic petroleum and natural gas would be an important approach of solving China's petroleum supply shortage and reducing the dependence on import of petroleum being a strategic resource. Under the situation that international crude oil price continues to maintain a high level trend, exploitation of petroleum and natural gas resources business has a broad market development outlook.

Lottery Operating System Supply and Ancillary Services

In 2005, the sales of lottery market in China broke through RMB70 billion with its total volume climbed to the ninth place in the world. In view of the continuous economic development in China that stimulates per capita income and the consumption power of the domestic residents, the lottery market in China will develop rapidly, and thus bring about huge demand for the lottery operating system supply and ancillary services of the Group.

Looking ahead, the Group will further develop several business areas including distribution, supply and installation of piped natural gas, exploitation of oil and gas resources, and lottery, to create maximum value for its shareholders.

Mo Shikang

Managing Director

Hong Kong, 1 September 2006

前景展望(續)

石油及天然氣資源開發業務

中國近年來經濟持續、快速增長，對石油及天然氣等能源具有強勁的需求，已成為僅次於美國的世界第二大石油消費大國，然而石油供給總量遠低於石油消費總量，供給短缺的矛盾日益突出，二零零五年中國國民經濟和社會發展統計公報顯示，二零零五年中國石油產量1.81億噸，石油消費量3.0億噸，石油對外依賴度達40%左右，充分顯示石油生產對消耗的不足。未來中國石油、天然氣的消耗總量仍將隨著經濟持續增長而不斷增加，石油、天然氣供給短缺的矛盾將進一步加大，因此，加強對國內石油、天然氣的勘探開發應是解決中國石油供給短缺、減輕石油戰略資源對外依賴度的重要途徑之一，在未來國際原油價格繼續維持高位走勢格局下，石油天然氣資源開發業務具有廣闊的市場發展前景。

彩票作業系統供應及配套服務

二零零五年中國彩票市場銷售額一舉突破人民幣700億元，總量攀升至世界第9位。鑒於中國經濟持續增長帶動國內居民人均收入及消費能力全面上升，中國彩票市場未來將高速發展，從而為本集團之彩票作業系統供應及配套服務帶來殷切之需求。

展望未來，本集團將在分銷、供應及安裝管道天然氣、油氣資源開發、彩票等業務領域深入發展，為股東創造最大價值。

董事總經理

莫世康

香港，二零零六年九月一日