

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 2006 (six months ended 30 September 2005: 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.

The Group has further secured four city piped gas projects with exclusive concession rights since July 2006. The four city piped gas projects are located in Wuweixian of Anhui Province, Dezhou City of Shandong Province, Wushen and Hohhot City of Inner Mongolia Autonomous Region. Besides, the Group has obtained two long distance pipeline projects in Inner Mongolia Autonomous Region and Tianjin City respectively and one LNG liquefaction project with 300,000 tones annual production capacity in Kaixian, Chongqing Municipality. By mid-December 2006, the Group has secured a total of 60 natural gas projects in 14 provinces (autonomous regions and directly-administered cities), with 54 cities and districts piped natural gas projects with exclusive concession rights, four long distance gas pipeline projects, one natural gas exploration and production project and one LNG liquefaction project.

Business Review

For the six months ended 30 September 2006, turnover of the Group amounted to HK\$475,098,000 (six months ended 30 September 2005: HK\$262,520,000). Net profit was HK\$101,386,000 (six months ended 30 September 2005: HK\$52,973,000). Earnings per share was HK3.08 cents (six months ended 30 September 2005: HK1.79 cents).

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二零零六年九月三十日止六個月之中期股息（截至二零零五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燃氣管道之投資、經營及管理、以及管道天然氣和壓縮天然氣之銷售及分銷業務。

自二零零六年七月以來，本集團再取得四個城市管道燃氣專案（擁有管道燃氣特許專營權）。該四個城市管道燃氣項目分別位於安徽省無為縣、山東省德州市、內蒙古烏審旗、呼和浩特市。另外，本集團在內蒙古和天津市選取得兩個天然氣長輸管道項目，在重慶開縣取得年產30萬噸液化天然氣的生產與輸配項目，在加入上述之燃氣專案後，本集團於截至二零零六年十二月中旬在中國14個省（自治區、直轄市）共擁有60個燃氣專案，其中城市管道燃氣專營權專案54個、天然氣長輸管道專案4個、天然氣開發公司一個、液化天然氣專案一個。

業務回顧

截至二零零六年九月三十日止六個月，本集團營業額為475,098,000港元（截至二零零五年九月三十日止六個月：262,520,000港元）。溢利為101,386,000港元（截至二零零五年九月三十日止六個月：52,973,000港元）。每股盈利為3.08港仙（截至二零零五年九月三十日止六個月：1.79港仙）。

Development of New Projects

By mid-December 2006, the Group had accumulated 54 cities and districts piped natural gas projects with exclusive operating rights, four long distance gas pipeline projects, one natural gas exploration and production project and one LNG liquefaction project. The new projects include four cities and districts piped natural gas projects with exclusive operating rights include Wuweixian in Anhui province, Dezhou City in Shandong province and Wushen and Hohhot City in Inner Mongolia Autonomous Region, the long distance gas pipeline projects in Inner Mongolia Autonomous Region and Tianjin City, and a LNG liquefaction project in Kaixian, Chongqing Municipality.

In August 2006, the Group, through its subsidiary, signed a joint venture agreement with 呼和浩特煤氣有限責任公司 (Hohhot City Coal Gas Company Limited) for the establishment of a joint venture company in Hohhot City to be engaged in the natural gas project in Hohhot city, Inner Mongolia Autonomous Region with exclusive right for the operation of the piped gas business for 30 years. The joint venture company has a registered capital of RMB800,000,000 and is owned as to 50% by each of the Group and Hohhot City Coal Gas Company Limited.

In September 2006, the Group, through its subsidiary, signed a cooperation agreement with 德州市燃氣總公司 (Dezhou Gas Company) for the establishment of a joint venture company in Dezhou City to be engaged in the natural gas project in Dezhou City, Shandong Province with exclusive right for the operation of the piped gas business for 30 years. The joint venture company has a registered capital of RMB218,622,000 and is owned as to 51% by the Group and 49% by Dezhou Gas Company.

In December 2006, the Company signed a cooperation agreement with 重慶市開縣人民政府 (People's Government of Kaixian, Chongqing Municipality) for the establishment of a wholly owned subsidiary by Zhongran

新專案拓展

截至二零零六年十二月中旬，本集團合共取得54個城市管道燃氣特許專營權項目、4個天然氣長輸管道專案、1個天然氣開發專案、1個液化天然氣專案。新項目包括安徽省無為縣、山東省德州市及內蒙古自治區烏審旗及呼和浩特市之4個城市管道燃氣特許專營權專案、內蒙古及天津2個天然氣長輸管道專案及重慶開縣的液化天然氣項目。

於二零零六年八月，本集團通過附屬公司與呼和浩特煤氣有限責任公司簽訂一項合營協定，已於呼和浩特市成立一家合資公司，該合資公司將於內蒙古自治區呼和浩特市經營天然氣項目，並享有為期30年管道燃氣業務之特許經營權。該合資公司之註冊資本將為人民幣800,000,000元，並由本集團及呼和浩特煤氣有限責任公司各佔50%權益。

於二零零六年九月，本集團通過附屬公司與德州市燃氣總公司簽訂一項合作協定，於德州市成立一家合資公司，該合資公司將於山東省德州市經營天然氣項目，並享有為期30年管道燃氣業務之特許經營權。該合資公司之註冊資本將為人民幣218,622,000元，並由本集團擁有51%權益及由德州市燃氣總公司擁有49%權益。

於二零零六年十二月，本公司與重慶市開縣人民政府簽訂一項合作協議，透過本公司全資附屬公司中燃投資有限公司於重慶開縣設立一家獨資公司，由本集

Investment Limited in Kaixian, Chongqing Municipality which will be 100% owned by the Group. The wholly owned subsidiary will have a total investment of RMB800,000,000 and has a registered capital of RMB240,000,000 with annual LNG production capacity of 300,000 tones. This is the Group's first investment in LNG production and transportation project. It is expected that the investment and construction of this LNG project will not only safeguard the source of gas supply to the Group's existing cities gas projects but also enhance the Group competitiveness in bidding for future gas projects.

Construction of Piped Gas Networks

During the period under review, the Group had completed five processing stations, one medium to high pressure regulating stations, high pressure pipelines of approximately 8 km, and medium to low pressure pipelines of approximately 632 km.

As at 30 September 2006, the Group was supplying natural gas in 28 cities and owned a total of 30 processing stations, 21 medium to high pressure regulating stations, high pressure pipelines of approximately 420 km, medium to low pressure pipelines of approximately 3,657 km, and city pipeline network of about 3,881 km. Designed gas supply capacity of our processing stations reached 7,106,750 m³/day.

Connection fee represented approximately 32.96% of the Group's total revenue for the period under review.

Residential Customers

During the six-months period ended 30 September 2006, the Group completed natural gas connections for 62,417 domestic households, an increase of 5.51% compared to that of the last period. The average connection fee of residential users was RMB2,404, an increase of 1.35% compared with last financial year.

團擁有100%權益。該獨資公司將於重慶開縣建設年產30萬噸液化天然氣的生產與輸配項目。如獨資公司獲批准投資厘定為人民幣800,000,000元，則其註冊資本將為人民幣240,000,000元。這是本集團的第一個液化天然氣生產和輸配項目，預計該項目的建設和投產不僅可以保障本集團現有城市管道燃氣項目的氣源供應，而且可以增強本集團競投其他燃氣項目的實力。

管道燃氣網路建設

於回顧期內，本集團共建成儲配站(門站)5座、高中壓調壓站1座、高壓管線4公里及中低壓管線約632公里。

截至二零零六年九月三十日，本集團有天然氣通氣之城市共28個，累計已建成30座儲配站(門站)、高中壓調壓站21座、高壓管線約420公里、中低壓管線約3,657公里及庭院社區管網3,881公里，而儲配站(門站)設計日供氣能力為7,106,750立方米。

於回顧期內，接駁費相當於本集團總營業收入約32.96%。

住宅用戶

截至二零零六年九月三十日止六個月，本集團共為62,417戶住宅用戶完成接駁工程，較去年同期增長約5.51%。住宅用戶平均支付的管道燃氣接駁費為人民幣2,404元，較上一個財政年度增長約1.35%。

During the period under review, the Group acquired a total of 189,828 residential users and these users were primarily from the Fushun project. As at 30 September 2006, the Group had a total of 1,058,348 residential users, representing 13.93% of the total connectable households.

Industrial and Commercial Customers

During the six-months period ended 30 September 2006, the Group completed natural gas connections for 13 industrial customers and 133 commercial customers, a growth of 30% and 315.63% respectively compared with the last corresponding period. Connection fee paid by industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB15.29 per m³, and average connection fee paid by commercial users was RMB64,831 per user.

As at 30 September 2006, the Group accumulated a total of 86 industrial users and 7,382 commercial users.

Sale of Piped Gas

During the period under review, the Group recorded natural gas sales income of HK\$241,413,000, representing approximately 50.81% of the Group's total turnover. The gas sales income was approximately 154.61% higher than that of the same period last year.

As at 30 September 2006, the Group sold in total 144,414,690 m³ natural gas of which 22,242,440 m³ was sold to residential customers, 103,206,513 m³ to industrial customers and 11,638,126 m³ to commercial customers, 6,560,090 m³ CNG to vehicle users and 767,520 m³ to other customers.

Average selling price (pre tax) was RMB1.84 per cubic meter for residential customers, RMB1.63 for industrial customers, RMB2.11 for commercial customers and RMB2.28 for CNG vehicles.

於回顧期內，本集團共收購189,828戶住宅用戶，收購用戶主要來自撫順之項目。截至二零零六年九月三十日，本集團累計接駁的住宅用戶為1,058,348戶，佔集團整體可供接駁用戶之13.93%。

工商業用戶

截至二零零六年九月三十日止六個月，本集團共接駁13戶工業用戶及133戶商業用戶分別較去年同期增長30%及315.63%。工業用戶支付之接駁費按照合同的日供應量平均每立方米人民幣15.29元計算，而商業用戶支付之接駁費平均為每戶人民幣64,831元。

截至二零零六年九月三十日，本集團已累計合共86戶工業用戶及7,382戶商業用戶。

管道燃氣銷售

於回顧期內，本集團錄得天然氣銷售收入241,413,000港元，佔本集團總營業額約50.81%。天然氣銷售收入較去年同期增長約154.61%。

截至二零零六年九月三十日，本集團共銷售144,414,690立方米天然氣，其中22,242,440立方米天然氣銷售予住宅用戶，103,206,513立方米天然氣予工業用戶，11,638,126立方米天然氣予商業用戶，6,560,090立方米予CNG汽車用戶及767,520立方米天然氣予其他用戶。

本集團對住宅用戶之天然氣平均售價(不含稅)為每立方米人民幣1.84元，對工業用戶之平均售價(不含稅)為每立方米人民幣1.63元，對商業用戶之平均售價(不含稅)為每立方米人民幣2.11元，對CNG汽車用戶之平均售價(不含稅)為每立方米人民幣2.28元。

As at 30 September 2006, the Group sold in total 25,038,270 m³ other piped gas and recorded other piped gas sales income of HK\$28,933,000, representing approximately 6.09% of the Group total turnover.

Gross Profit Margin and Net Profit Margin

During the period, the Group realized revenue of HK\$475,098,000 (six months ended 30 September 2005: HK\$262,520,000), an increase of 80.98% as compared to the corresponding period last year and gross profit of HK\$159,398,000 (six months ended 30 September 2005: HK\$128,160,000), representing 33.55% (six months ended 30 September 2005: 48.8%) of the Group's overall gross profit margin. The Group realized net profit of HK\$101,386,000 (six months ended 30 September 2005: HK\$52,973,000), representing an overall net profit margin of 21.34% (six months ended 30 September 2005: 20.18%).

Employees

As at 30 September 2006, the Group had approximately 5,255 employees, representing an increase of approximately 17.71% compared to 31 March 2006. The increase was due to the increase in the numbers of natural gas joint venture companies during the period. More than 99% of the Group's employees are located in the PRC.

Financial Review

Liquidity

As at 30 September 2006, the total assets of the Group were HK\$5,882,431,000, an increase by approximately 15.48% as compared to 31 March 2006.

As at 30 September 2006, cash on hand was HK\$1,916,991,000 (31 March 2006: HK\$1,727,130,000). The Group's total bank and other borrowings amounted to HK\$2,643,699,000 (31 March 2006: HK\$2,011,452,000) of which approximately 27.60%, 10.07%, 32.08% and 30.25% would be due within one year, from first to second year, from second to fifth year and after the fifth year, respectively.

截至二零零六年九月三十日，本集團共銷售25,038,270立方米其他管道燃氣，錄得其他管道燃氣銷售收入28,933,000港元，佔本集團總營業額約6.09%。

毛利率及純利率

本集團於期內實現營業收入475,098,000港元(截至二零零五年九月三十日止六個月：262,520,000港元)，較去年同期增長約80.98%；實現毛利159,398,000港元(截至二零零五年九月三十日止六個月：128,160,000港元)，相當於集團整體毛利率為33.55%(截至二零零五年九月三十日止六個月：48.8%)。本集團實現純利101,386,000港元(截至二零零五年九月三十日止六個月：52,973,000港元)，相當於集團整體純利率為21.34%(截至二零零五年九月三十日止六個月：20.18%)。

僱員

於二零零六年九月三十日，本集團總員工數目約為5,255名，與二零零六年三月三十一日比較，增加約17.71%。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。本集團超過99%員工位於中國。

財務回顧

流動資金

於二零零六年九月三十日，本集團總資產值為5,882,431,000港元，與二零零六年三月三十一日比較，增加約15.48%。

於二零零六年九月三十日，本集團手頭現金為1,916,991,000港元(二零零六年三月三十一日：1,727,130,000港元)。本集團銀行貸款及其它貸款總額為2,643,699,000港元(二零零六年三月三十一日：2,011,452,000港元)，而其中約27.60%、10.07%、32.08%及30.25%將分別於一年、由一至兩年、由兩年至五年及五年後到期。

The Group's current ratio was approximately 2.53 (31 March 2006: 3.38) and the net gearing ratio was 0.57 (31 March 2006: 0.38). The calculation of net gearing ratio was based on the net borrowings of HK\$1,269,536,000 (total borrowing of HK\$3,186,527,000 less bank balance and cash of HK\$1,916,991,000) and the net assets of HK\$2,229,193,000 as at 30 September 2006.

Capital Structure

In August 2006, the Company entered into a subscription agreement with Asian Development Bank ("ADB") for the subscription of a total of 150,000,000 shares of the Company at a subscription price of HK\$1.25 per share. Net proceeds of approximately HK\$186,700,000 were available to the Group for investments in natural gas projects in China obtained after August 2006. Completion of the transaction took place in October 2006.

Financial Resources

The Group obtained a term loan facility of up to US\$50 million from ADB in October 2006 which was comprised of a US\$25 million tranche and a RMB tranche of RMB199,055,000, equivalent to approximately US\$25 million. Proceeds from the facility will be applied towards financing the Group's equity investments in the natural gas projects in the PRC. This facility is subject to a floating interest rate.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars, RMB and US dollars. Besides, the Group believes that RMB appreciation will continue in the foreseeable future. Since all the operating income of the Group is denominated in RMB, we expected the Group to benefit from repaying foreign currency debt with RMB.

本集團流動比率約為2.53(二零零六年三月三十一日: 3.38), 淨資產負債比率為0.57(二零零六年三月三十一日: 0.38), 淨資產負債比率乃根據截至二零零六年九月三十日之淨借貸1,269,536,000港元(總借貸3,186,527,000港元減銀行結餘及現金1,916,991,000港元)及淨資產2,229,193,000港元計算。

資本架構

於二零零六年八月, 本公司與亞洲開發銀行(「亞洲開發銀行」)訂立了認購協議, 按每股1.25港元之認購價認購合共150,000,000股本公司股份。所得款項淨額約為186,700,000港元, 將供本集團於二零零六年八月以後所獲得的中國天然氣專案之用。是項交易於二零零六年十月已告完成。

財務資源

於二零零六年十月, 本集團從亞洲開發銀行獲得最高達50,000,000美元之有期貸款額度, 而該信貸其中包含一筆以美元計值之款項25,000,000美元及一筆以人民幣計值之款項人民幣199,055,000元(約相當於25,000,000美元)。從該信貸所得之資金將用作撥付本集團於中國天然氣項目之股本投資。是次有期貸款以浮動利息結算。

由於本集團之現金、借貸、收入及開支均以港元、人民幣及美元結算, 故並不預期有任何重大外匯風險。此外, 本集團相信人民幣升值於可見未來仍會持續, 由於本集團所有營運收入均以人民幣為基礎, 預期本集團將在以人民幣償還外幣債項時而得益。

All the development capital loans and syndicated loans granted to the Group are based on floating interest rates. The Group has entered into different interest rate swap contracts in early 2006 in respect of these loans in order to hedge the interest rate exposure.

The Group's operating and capital expenditures are funded by operating cash income, subscription monies from strategic investors, bank loans, convertible bonds, development capital debt, syndicated bank loans and term loan facility. The Group has sufficient sources of capital to meet future capital expenditure and working capital requirements.

Charge on Assets

At as 30 September 2006, the Group had pledged part of its property, plant and equipment, prepaid lease payments and investment properties having net book value of approximately HK\$371,612,000 (31 March 2006: HK\$371,867,000) and certain investments in subsidiaries to banks in order 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 2006 were HK\$440,241,000 (31 March 2006: HK\$453,224,000) and HK\$52,775,000 (31 March 2006: HK\$175,573,000) respectively, which would require a substantial use of the Group's present cash resources and external funding. The Group has committed to acquiring interests in certain PRC enterprises and establishing certain sino-foreign joint venture companies in the PRC.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2006 (31 March 2006: Nil).

本集團所獲得之開發性金融貸款及銀團貸款均以浮動息率計算，為減低利率風險，本集團在二零零六年年初已為有關貸款訂立不同之利率掉期合約。

本集團之經營及資本性開支之來源乃由經營現金收入、策略投資者的認購款項、銀行貸款、可換股債券、開發性金融貸款、銀團貸款及有期貨款額度撥付。本集團有足夠資金來源滿足其未來資本開支及營運資金需求。

抵押資產

於二零零六年九月三十日，本集團抵押部分待物業、廠房、設備、預付租賃及投資物業，其帳面淨值約371,612,000港元（二零零六年三月三十一日：371,867,000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

於二零零六年九月三十日，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440,241,000港元（二零零六年三月三十一日：453,224,000港元）及52,775,000港元（二零零六年三月三十一日：175,573,000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

於二零零六年九月三十日，本集團並無任何重大或然負債（二零零六年三月三十一日：無）。