

Management Discussion and Analysis

管理層討論及分析

During the financial year between April 2006 and March 2007, all the Group's businesses achieved sound development with the collaborative effort of the directors, management and all staff.

THE GROUP'S MILESTONE

Investment from Merrill Lynch

In June 2006, the Company issued convertible notes in the amount of US\$40 million to Merrill Lynch. Merrill Lynch's investment in the Group provided capital for the Group's business development and manifested the recognition of the Group from international investment banks, which are confident in the Group's development. Please refer to the "Financial Review" section for further detail.

Acquisition of Fujian Province An Ran Gas Investment Co., Ltd. ("Fujian An Ran")

In September 2006, the Group entered into two equity transfer agreements and a management rights transfer agreement with independent third parties to acquire the 100% interest in Fujian An Ran. The acquisition of Fujian An Ran resulted in the leaping development in the Group's gas business scale and broadens the Group's future prospect. Please refer to the "Project Expansion" section for further detail.

2006年4月至2007年3月財政年度，在各董事、管理層及全體員工共同努力下，本集團在各項業務均取得健康的發展。

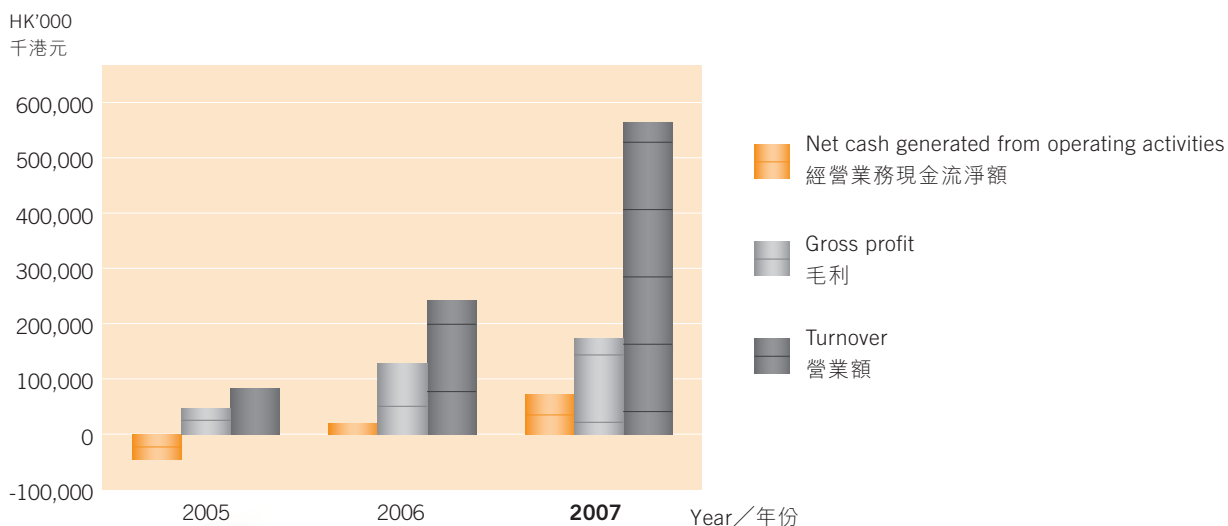
集團大事記

獲得美林集團之投資

2006年6月，本公司向美林集團發行40,000,000美元之可換股票據。本集團獲得美林集團之投資，其一充足了本集團發展業務的資金；其二表明本集團受到國際知名投資銀行認可，對本集團之發展充滿信心，詳情見財務回顧部分。

收購福建省安然燃氣投資有限公司 (「福建安然」)

2006年9月，本集團與獨立第三方訂立兩份股權轉讓協議及一份經營權轉讓協議，收購福建安然100%的權益。收購福建安然使本集團之燃氣業務規模得到了跳躍式發展，亦使本集團未來前景更為廣闊，詳情見項目拓展部分。



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FINANCIAL HIGHLIGHTS

In the reporting period, the Group recorded turnover from continuing operations of approximately HK\$522,893,000, representing an increase of 141.5% from the last year;

Gross profit from continuing operations of approximately HK\$172,496,000, representing an increase of 41.4% from the last year;

Profit attributable to the shareholders approximately HK\$22,123,000, while it was loss attributable to the shareholders approximately HK\$56,061,000 in last year;

Basic earning per share of HK\$0.69 cents; while it was basis loss per share of HK\$2.13 cents in last year;

Operating net cash inflow of approximately HK\$75,814,000, representing an increase of 375.1% from the last year;

Net cash used in investment activities of approximately HK\$299,264,000, representing an increase of 598.3% from the last year;

Net cash generated from financing activities of approximately HK\$261,527,000, representing an increase of 75.9% from the last year;

Net cash and cash equivalents at the end of the year increased to approximately HK\$184,031,000, representing an increase of 38.4% from the last year.

Subsequent to the issue of unaudited interim report, there was reversal of approximately HK\$77,702,000 (it is mainly due to the remarkable increase of the share price of the Company in the second half and it is a non-cash item) of change in fair value of convertible notes in the second half. The convertible note issue expenses were approximately HK\$13,122,000. The loss on disposal of subsidiaries arising from not participating in further capital contribution into Mian Zhu City Hongsen Glass Products Company Limited amounted to approximately HK\$9,900,000 (it is a non-cash item). These several items caused a book loss of approximately HK\$100,724,000 in our consolidated income statements.

財務摘要

報告期內本集團持續經營之業務錄得營業額約港幣522,893,000元，較上年度增長141.5%；

持續經營之業務毛利約港幣172,496,000元，較上年度增長41.4%；

股東應佔溢利約港幣22,123,000元，上年度則股東應佔虧損為港幣56,061,000元；

每股基本盈利0.69港仙；上年度則每股基本虧損為2.13港仙；

經營活動所產生的淨現金流約港幣75,814,000元，較上年度增長375.1%；

投資活動所使用現金淨額約港幣299,264,000元，較上年度增長598.3%；

融資活動所產生現金淨額約港幣261,527,000元，較上年度增長75.9%；

年末現金淨額和現金等值項目增加至約港幣184,031,000元，較上年度增加38.4%。

繼上半年未經審核的中期報告後，下半年可換股票據之公平價值變動由盈轉虧差距約港幣77,702,000元（主要由於本公司股價在下半年有較大的增幅所致，此項並不涉及現金流）。發行可換股票據之發行開支約港幣13,122,000元。因不參予綿竹市紅森玻璃制品有限公司的增資而引致之視作出售附屬公司的虧損約港幣9,900,000元（此項並不涉及現金流）。該幾項在帳上產生虧損合計約港幣100,724,000元。

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OPERATIONAL HIGHLIGHTS

營運摘要

Items	項目	As at 截至 2007 3.31	As at 截至 2006 3.31	Changes 變動	Percentage of changes 變動百分比 (%)
No. of projects	項目數量				
Gas	燃氣	33	7	26	371
LPG wholesale & retail	液化石油氣批發及零售	4	—	4	—
Other (see Note)	其他(見附註)	3	1	2	200
No. of projects	項目總數(個)	40	8	32	400
Gas business (within coverage)	燃氣業務(覆蓋範圍內)				
Total population (10,000p)	總人口(萬人)	2,046	387	1,659	429
No. of connectable population (10,000p)	可接駁人口(萬人)	1,081	265	816	308
No. of connectable households customers (10,000h)	可接駁居民用戶(萬戶)	360	88	272	309
No. of connected (within reporting period)	已接駁用戶數量(於報告期內)				
Household customers	居民用戶	73,874	50,544	23,330	46
Commercial & industrial customers	工商業用戶	5,389	7,853	-2,464	-31
Total no. of customers connected	已接駁用戶總數	79,263	58,397	20,866	36
Accumulation of the connected	累計已接駁(戶)				
Household customers	居民用戶	168,684	71,746	96,938	135
Commercial & industrial customers	工商業用戶	13,923	8,697	5,226	60
Total no. of customers connected	已接駁用戶總數	182,607	80,443	102,164	127
Sales of gas (10,000 cm)	燃氣銷售量(萬立方米)				
Household customers	居民用戶	3,389	1,710	1,679	98
Commercial & industrial customers	工商業用戶	14,665	9,416	5,249	56
Total sales of gas	燃氣總銷售量	18,054	11,126	6,928	62
Sales of LPG (tons)	液化石油氣銷售量(噸)	8,017	N/A不適用	N/A不適用	N/A不適用

Note: These other projects refer to “Zhongmin Zai Xian”, the “Yan Bian Hua Xin” Project and the “Yan Bian” Project. Please refer to the descriptions set out in the sections headed “Supply of Video Lottery System and Equipment” and “Project Expansion” below.

附註：其他項目指中民在綫、延邊華新項目及延邊項目，詳情見下文「視頻彩票系統及設備供應」及「項目拓展」中之相關介紹。

P = Person
h = household
cm = cubic meters

BUSINESS REVIEW

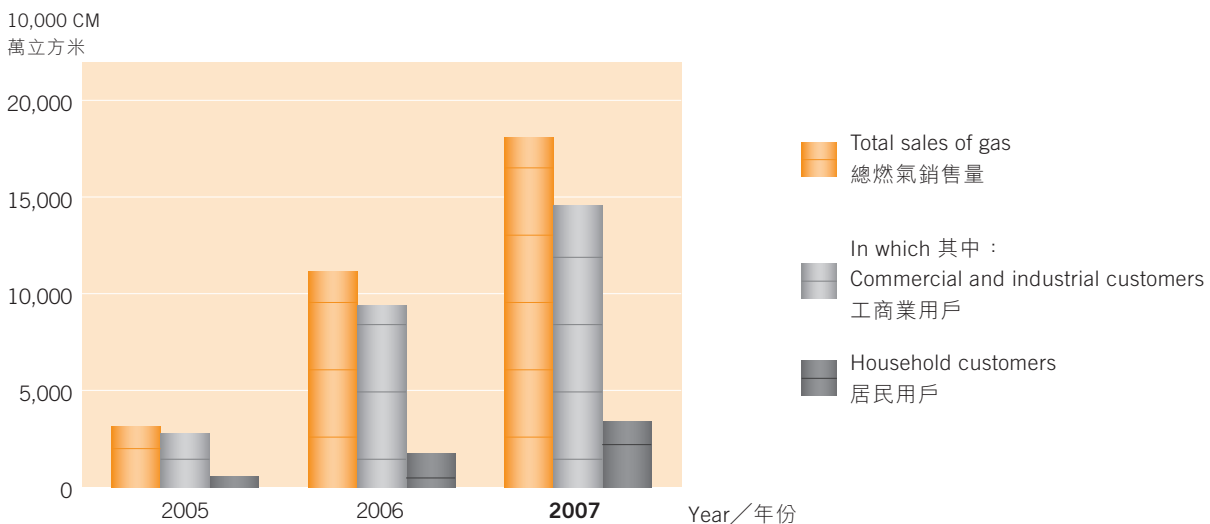
Distribution, supply and installation of gas business

Distribution and supply of gas

The supply of gas to household and commercial and industrial customers is still the main business of the Group. During the reporting period, the Group achieved gas sales of 180.54 million cubic meters, representing an increase of 62.3% as compared with the corresponding period last year. The Group sold 33.89 million cubic meters of gas to household customers, an increase of 98.2% compared to the same period last year and sold 146.65 million cubic meters of gas to commercial and industrial customers, an increase of 55.7% compared to the corresponding period last year. The Group realised a gas sales income of approximately HK\$344,582,000, representing an increase of 302.8% as compared with the same period last year. Income from sales of gas accounted for 65.9% of the Group's turnover from continuing operations during the reporting period.

Sales of Gas

燃氣銷售量



CM = Cubic Meter

業務回顧

分銷、供應及安裝燃氣業務

分銷與供應燃氣

向居民及工商業用戶提供燃氣供應仍為本集團之主要業務。報告期內，本集團實現燃氣銷售量18,054萬立方米，較上年度同期增長62.3%；向居民用戶銷售燃氣3,389萬立方米，較去年同期增長98.2%；向工商業用戶銷售燃氣14,665萬立方米，較去年同期增長55.7%；實現燃氣銷售收入約港幣344,582,000元，較上年度同期增長302.8%。本集團報告期內之燃氣銷售收入佔持續經營業務營業額約65.9%。

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Gas pipeline connection

The Group was also engaged in the construction of main pipelines and branch pipelines networks and charged customers with connection fees for the construction of gas pipeline networks that connect households with the gas networks. Such fee is another major income source of the Group. During the reporting period, the Group has completed connection work for 73,874 household customers and 5,389 commercial and industrial customers, representing an increase of 46.2% and a decrease of 31.4% from the same period last year, respectively. Income generated from connection fees amounted to approximately HK\$178,222,000, representing an increase of 37.9% as compared with the corresponding period last year. Connection fees income accounted for approximately 34.1% of the Group's turnover from continuing operations during the reporting period.

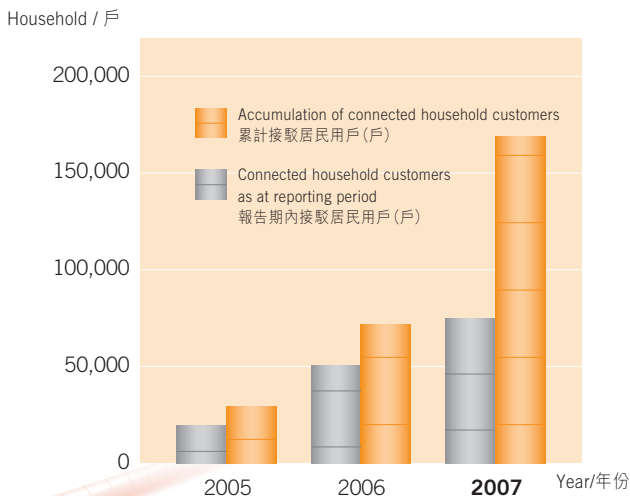
As at 31 March 2007, the Group has accumulated a total of 182,607 connected customers, representing an increase of 127.0% from the same period last year, in which 168,684 were household customers, representing an increase of 135.1% compared to the corresponding period last year and 13,923 were commercial and industrial customers, representing an increase of 60.1% compared to the same period last year.

接駁管道燃氣

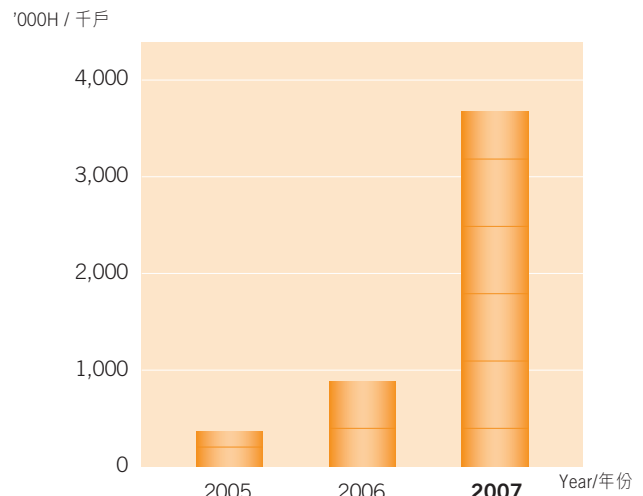
本集團亦參與修建城市燃氣主幹管網和支線管網，通過修建的燃氣管網最終將燃氣管道與用戶接駁，並向用戶收取接駁費，此為本集團另一主要收入來源。報告期內，本集團共接駁73,874戶居民用戶及5,389戶工商業用戶，較上年度同期分別增長46.2%，及減少31.4%。實現接駁費收入約港幣178,222,000元，較去年度同期增長37.9%。本集團報告期內接駁費收入佔持續經營業務營業額約34.1%。

於2007年3月31日，本集團累計已接駁用戶182,607戶，較去年度同期增長127.0%，其中累計已接駁居民用戶168,684戶，較去年度同期增長135.1%，累計已接駁工商業用戶13,923戶，較去年度同期增長60.1%。

Connected household customers
已接駁用戶



Connectable household customers
可接駁居民用戶



H = Household

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Transportation, distribution and retail of bottled liquefied petroleum gas (“LPG”).

During the reporting period, the Group established Huaihua Zhongmin Gas Company Limited (“Huaihua Zhongmin”) and Huaihua Zhongmin Petroleum Gas Supply Company Limited (“Huaihua Supply”) in Huaihua City of Hunan Province. The Group also set up Yunnan Zhongmin Gas Company Limited (“Yunnan Zhongmin”) in Kunming City of Yunnan Province and Guizhou Zhongmin Gas Company Limited (“Guizhou Zhongmin”) in Guiyang City of Guizhou Province. These companies engage in the transportation and distribution of LPG and the distribution and retail of bottled LPG.

Exploitation of Natural Gas

During the reporting period, the Group expanded its business to natural gas exploitation through the acquisition of 50% equity interest in Yan Bian Hua Xin Oil Exploitation Company Limited (“Yan Bian Hua Xin”). Please refer to the sub-section headed “Yan Bian Hua Xin Project” under the section headed “Project Expansion” below.

Supply of Video Lottery System and Equipment

The Group intended to engage in supply of video lottery system and equipment in the Mainland China through the associate — Zhongmin Zai Xian (Beijing) Technology Development Ltd. (“Zhongmin Zai Xian”)* (中民在線(北京)科技發展有限公司), and Zhongmin Zai Xian was applying for the related licence. The lottery business has not duly commenced operation during the reporting period.

運輸分發及零售液化石油氣

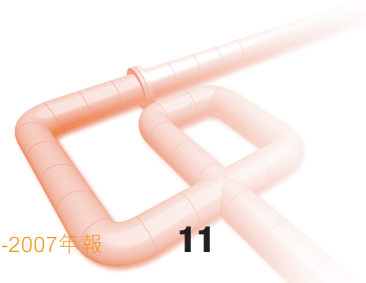
報告期內，本集團在湖南省懷化市成立懷化中民燃氣有限公司(「懷化中民」、懷化中民石油氣運銷有限公司(「運銷公司」)，在雲南省昆明市成立雲南中民燃氣有限公司(「雲南中民」)及在貴州省貴陽市成立貴州中民燃氣有限公司(「貴州中民」)，涉及液化石油氣[LPG]運輸分發及瓶裝LPG的分發與零售業務。

天然氣開發

報告期內，本集團因收購延邊州華新石油開發有限公司(「延邊華新」)50%之權益而新增天然氣開發業務。詳見下文「項目拓展」之「延邊華新項目」一節。

視頻彩票系統及設備供應

本集團透過聯營公司中民在線(北京)科技發展有限公司(「中民在線」)擬於中國內地從事視頻彩票系統及設備供應業務，相關牌照正在審批過程中。本報告期內彩票業務尚未正式開展。



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Divestment during the reporting period

During the year, the Group discontinued its glass products business upon the deemed disposal of its controlling interest in Mian Zhu City Hongsen Glass Products Company Limited (the "Glass Products"). Additional capital investments were required by Glass Products to reconstruct its plant, property and equipment after moving to a new location and Glass Products increased its registered capital from RMB1,000,000 (HK\$1,009,000) to RMB17,000,000 (HK\$17,159,000) for additional general working capital purpose. However, the Group has not made further investment in Glass Products with a view to focus its resources on developing core business. New investors were introduced to make up the increased capital. The Group's interest in the Glass Products was decreased from 100% to 19% upon the completion of such increase in registered capital and the Glass Products ceased to be a subsidiary of the Company.

Besides, the Group disposed all of its equity interest in a wholly owned subsidiary — Penmark Limited together its property, with a saleable area of 534 square meters, in Shanghai Zhongda Square for HK\$6,500,000 in cash. The Group use the proceed from sales on the development of new gas projects.

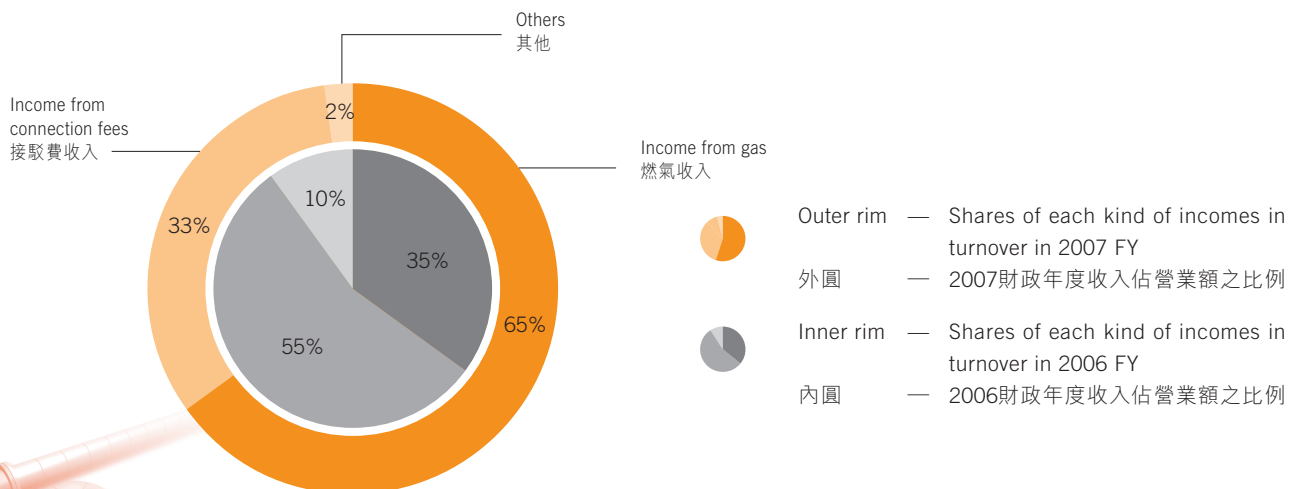
報告期內收縮之業務

於本年度，本集團於被視作出售其於綿竹市紅森林玻璃製品有限公司（「玻璃產品」）之控股權益後終止其玻璃產品業務。年內，玻璃產品於搬遷新址後，重建其廠房、物業及設備需要增加資本投資。玻璃產品將其註冊資本由人民幣1,000,000元（港幣1,009,000元）增加至人民幣17,000,000元（港幣17,159,000元）作為新增日常營運資金。然而，本集團為集中發展核心業務未再對其增加資金投入。因此引入新投資者以增加資本。於增加股本完成後，本集團於玻璃產品的股權亦由100%攤薄至19%，而玻璃製品不再為本公司之附屬公司。

其次，本集團以現金港幣6,500,000元出售全資附屬公司景達物業有限公司之全部股權及其擁有位於上海市中達廣場的534平方米之可供銷售物業，收回現金以集中用於燃氣新項目拓展。

Income Portfolio

收入組合



Project Expansion

The projects that the Group secured during the reporting period were as follows:

The Yan Bian Hua Xin Project

In June 2006, the Company acquired a 50% equity interest in Yan Bian Hua Xin Oil Exploitation Company Limited (“Yan Bian Hua Xin”) at a consideration of HK\$30,000,000. Yan Bian Hua Xin is principally engaged in the exploration and extraction of oil and natural gas in Yanji Basin (延吉盆地) located at Yan Bian Korean Nation Autonomous Area in Jilin Province, the PRC (中國吉林省延邊朝鮮族自治州) in co-operation with Daqing Oilfield Company. Natural gas produced was sold to local gas suppliers through Yan Bian Zhongmin Gas Company Limited, a wholly-owned subsidiary of the Group (details of which are set out in the sub-section “The Yan Bian Project” below). The project was still at the stage of exploration in the financial year and hence extraction and production have not been commenced.

The Yanliang Project

In June 2006, the Group acquired a 70% interests in a natural gas business at Yanliang District, Xi’an at a consideration of RMB42,500,000 (approximately HK\$42,986,000) and set up Xi’an Zhongmin Gas Company Limited (“Xi’an Zhongmin”), which mainly engages in sale and distribution of natural gas, design of natural gas pipeline and related maintenance in Yanliang District, Xi’an City, Shaqnx Province. Yanliang District in Xi’an City, with approximately 240,000 residents in total, is China’s aviation industrial region integrating aircraft design and research, production and manufacturing, flight testing and authentication as well as related scientific research. China’s largest aircraft manufacturer, Xi’an Aircraft Industry (Group) Co., Ltd. (西安飛機工業(集團)有限責任公司) and many other enterprises and scientific research institutions are located there. In August 2004, the National Development and Reform Commission of the PRC approved the establishment of the national high and new technology aviation industry base with a planned area of 40 square kilometers in Yanliang District, Xi’an City. The base is expected to be built into Asia’s largest aviation industry base in three to five years.

項目拓展

本集團於報告期內獲得的項目為：

延邊華新項目

2006年6月，本公司以代價港幣30,000,000元收購延邊州華新石油開發有限公司(「延邊華新」) 50%之權益。延邊華新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，產出的天然氣將通過本集團之全資附屬公司延邊中民燃氣有限公司(詳見下文「延邊項目」)銷售給當地的其他燃氣供應公司。本財政年度仍處於勘探期，尚未正式開始生產開採。

閻良項目

2006年6月，本集團以代價人民幣42,500,000元(相當於約港幣42,986,000元)收購西安市閻良區天然氣業務70%之權益，並成立西安中民燃氣有限公司(「西安中民」)。西安中民主要於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。西安市閻良區是中國航空工業區，總人口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，區內有全國最大的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。2004年8月，國家發展改革委員會批准在西安市閻良區建立國家航空高新技術產業基地，規劃面積40平方公里，當地政府擬用3至5年時間將基地建設成為亞洲最大的航空產業基地。

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The Huaihua Project

In July 2006, the Group and an independent third party formed Huaihua Zhongmin Gas Co., Ltd. (“Huaihua Zhongmin”) in Huaihua City in Hunan Province of the PRC with a registered capital of RMB18,180,000 (approximately HK\$18,351,000), of which 55% of equity interest was held by the Group. Huaihua Zhongmin principally engages in the business of the sales of LPG in Huaihua City of Hunan Province. Huaihua City, which is situated at the boundary of Hunan, Guangxi and Guizhou Provinces, is an important transport pivot and logistic hub in central China. It has a population of 5.1 million and LPG is one of the major energy consumed. Huaihua Zhongmin has obtained a considerable market share in Huaihua City’s LPG market and such share is expected to grow significantly in view of the business development of the company.

The An Ran Project

In September 2006, the Group and an independent third party entered into two equity transfer agreements and an operation rights transfer agreement whereby the Group acquired 100% equity interest in Fujian Province An Ran Gas Investment Co., Ltd. (“Fujian An Ran”) at a consideration of RMB104,320,000 (approximately HK\$110,793,000) and acquired its operation rights by issuing 200,000,000 consideration shares at an issue price of HK\$0.40 per share.

懷化項目

2006年7月，本集團與獨立第三方於中國湖南省懷化市成立懷化中民燃氣有限公司（「懷化中民」），註冊資本人民幣18,180,000元（相當於約港幣18,351,000元），本集團佔55%之權益。懷化中民主要在湖南省懷化市從事LPG銷售業務。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510萬，液化石油氣為其主要的消費能源之一，懷化中民在懷化市LPG市場已佔相當份額，隨著公司業務的發展，預計其市場佔有率仍會大有提升。

安然項目

2006年9月，本集團與獨立第三方訂立兩份股權轉讓協議及一份經營權轉讓協議，據此，本集團以代價人民幣104,320,000元（相當於約港幣110,793,000元）收購福建省安然燃氣投資有限公司（「福建安然」）100%的股權，並以每股發行價0.40港元發行200,000,000股代價股份，收購福建安然之經營權。

The An Ran Project (Continued)

Fujian An Ran mainly engages in the sales and distribution of gas, designing, construction and installation of gas pipelines. Fujian An Ran has acquired a significant market presence in the natural gas market in Fujian Province. The acquisition of Fujian An Ran has significantly expanded the Group's gas market and extended the Group's growing potential for future development. The energy resources of Fujian Province are insufficient relative to its well developed economy. The China National Offshore Oil Corporation and Fujian Provincial Government jointly established LNG Terminal Project. Starting from early 2009, LNG terminals established in Fujian Province will import 2.6 million tones of LNG from Indonesia each year under a contract with a term of 25 years. The import will increase to 5 million tones upon the completion of the second phase of the project. Driven by the rapid economic growth of Fujian Province and with the offshore LNG from Indonesia becoming an onshore energy, LNG consumption among residential users and commercial and industrial users will increase rapidly. The robust increase in LNG demand will generate abundant cash flow from the Group.

The Yan Bian Project

In November 2006, the Group set up Yan Bian Zhongmin Gas Company Limited ("Yan Bian Zhongmin"), a wholly-owned company with a registered capital of RMB 10,000,000 (approximately HK\$10,094,000), in the Yan Bian Korean National Autonomous Area of Jilin Province and Yan Bian Zhongmin principally engages in the sales of natural gas. Yan Bian Zhongmin will sell the natural gas which sourced by Yan Bian Hua Xin in Yanji Basin to other local gas suppliers. During the financial year, Yan Bian Zhongmin was still in the pre-operation stage and no operation has been commenced. It is expected that considerable revenue will be generated with the end of the pre-operation stage and Yan Bian Hua Xin will start to extract natural gas.

安然項目(續)

福建安然主要於福建省從事燃氣銷售及分銷、燃氣管道設計、建造及安裝業務。福建安然已於福建省燃氣市場取得市場先機，收購福建安然使本集團之燃氣市場規模躍上了新的台階，亦使本集團未來發展前景更為廣闊。福建省經濟較為發達，但能源資源相對匱乏，中國海洋石油總公司與福建省政府合資建設了LNG接收站項目，自2009年初起，福建省LNG接收站每年將從印度尼西亞進口260萬噸LNG，合同期25年，LNG二期工程建成後將達到500萬噸。在福建省經濟快速發展的帶動下，印度尼西亞海上LNG上岸後，福建省使用LNG的居民及工商業用戶數將迅速增加，LNG需求量將強勁增長，從而將為本集團帶來充足之現金流。

延邊項目

2006年11月，本集團於吉林省延邊朝鮮族自治州設立獨資公司延邊中民燃氣有限公司（「延邊中民」），註冊資本人民幣10,000,000元（相當於約港幣10,094,000元），主要業務為天然氣的銷售。延邊中民將向當地的其他燃氣供應公司銷售天然氣，氣源為上述延邊華新所開採之延吉盆地天然氣。本財政年度內，延邊中民公司仍處於籌建期，尚未開展業務，預計籌建期結束且延邊華新開採天然氣後，將會產生良好收益。

Management Discussion and Analysis

管理層討論及分析

The Huaihua Supply Project

In December 2006, the Group established Huaihua Zhongmin Petroleum Gas Supply Company Limited (“Supply Company”), a wholly-owned company with a registered capital of RMB26,000,000 (approximately HK\$26,244,000), in Hunan Province and the business scope of which covered the purchase, transportation and sales of LPG and related petrochemical products under the permitted scope of the relevant policies. The purpose of establishing Supply Company is to establish a transportation and distribution system for LPG in order to secure the resources supply of Huaihua Zhongmin, the Yunnan project and the Guizhou project (as set out below). The company owned 38 LPG rail carriages and leased certain other vehicles and such arrangement secured the gas supplies for various LPG project companies of the Group.

The Yunnan Project

In December 2006, the Group established Yunnan Zhongmin Gas Company Limited (“Yunnan Zhongmin”) in Kunming City of Yunnan Province. Yunnan Zhong Min had a registered capital of RMB 7,560,000 (approximately HK\$7,631,000). Yunnan Zhongmin is principally engaged in the storage and transportation, wholesale and retail of LPG in Yunnan Province. Yunnan Zhongmin commenced its operation in January 2007 and its business covered the LPG retail business in Kunming City and the wholesale of gas in other cities in Yunnan Province. Yunnan Zhongmin’s business enjoyed excellent market prospects.

懷化運銷項目

2006年12月，本集團於湖南省懷化市設立獨資公司懷化中民石油氣運銷有限公司（「運銷公司」），註冊資本人民幣26,000,000元（相當於約港幣26,244,000元），經營範圍為液化石油氣及政策允許範圍內相關石化產品的採購、運輸和銷售。運銷公司的成立是為了建立起液化石油氣的運輸配送體系，保障懷化中民及雲南、貴州項目（見下文）的資源供應，公司擁有液化氣體鐵路罐車38輛，並租賃了部分其他車輛，充分保障了本集團各液化氣項目公司的氣源。

雲南項目

2006年12月，本集團於雲南省昆明市投資設立雲南中民燃氣有限公司（「雲南中民」），雲南中民註冊資本人民幣7,560,000元（相當於約港幣7,631,000元），主要在雲南省從事液化石油氣的儲運、批發與零售業務。雲南中民於2007年1月份正式營業，其業務範圍面向昆明市的LPG零售業務和面向雲南省其他地市的燃氣批發業務，業務開局良好，市場廣闊。

Management Discussion and Analysis

管理層討論及分析

The Guizhou Project

In January 2007, the Group set up Guizhou Zhongmin Gas Company Limited (“Guizhou Zhongmin”), a wholly-owned company with a registered capital of RMB 18,000,000 (approximately HK\$18,169,000) in Guiyang City of Guizhou Province. Guizhou Zhongmin is principally engaged in the storage and transportation, wholesale and retail of LPG in Guizhou Province. Guizhou Zhong Min owned large-scale LPG cylinders with a volume of 5,000 cubic meters and its business scope included the LPG retail business in Guiyang City and the wholesale of gas in other cities in Guizhou Province. Guizhou Zhong Min was still in the pre-operation stage during this financial year and no operation has been commenced.

FINANCIAL REVIEW

Gross Profit Margin

In 2007, the overall gross profit margin from continuing operations of the Group was 33.0%, representing a decrease of 23.3% as compared with the corresponding period last year. The decrease of gross profit margin was mainly attributable to the change in income structure of the Group. Since the Group was committed to enhance the gas utilization rate, the income from sales of gas has increased substantially from 39.5% of last year to 65.9% and the connection fees has decreased substantially from 59.7% of last year to 34.0%. The income from sales of piped gas and the connection fees have increased as compared with last year. However, the profit margin of connection fees was higher than that of sales of piped gas, and the resultant change in income structure of the Group has led to a decline in gross profit margin before the income structure has become relatively stable. It also reflected the further optimisation of the Group’s income structure from shifting the reliance on one-off connection fees to the sales of gas which would generate long-term and stable income.

貴州項目

2007年1月，本集團於貴州省貴陽市設立獨資公司貴州中民燃氣有限公司（「貴州中民」），註冊資本人民幣18,000,000元，（相當於約港幣18,169,000元），貴州中民主要在貴州省從事LPG的儲運、批發與零售業務。貴州中民擁有容量為約5,000立方米的大型液化石油氣庫，其業務面向貴陽市的LPG零售市場及貴州省其他地市的燃氣批發市場。於本財政年度內，貴州中民公司正處於籌建期，尚未正式營業。

財務回顧

毛利率

2007年，本集團持續經營業務的整體毛利率為33.0%，與去年同期比較下降23.3%。毛利率下降的主要原因之一，是本集團收入結構的改變。隨著本集團大力提高氣化率，使燃氣收入比重由去年的39.5%大幅提升至65.9%，而接駁費收入比重則由去年的59.7%大幅下跌至34.0%。雖然兩者與去年比較都有很好的增長，但由於接駁費的利潤率比管道燃氣銷售高，所以收入結構的改變會使本集團的毛利率處於下降趨勢，直至收入結構相對穩定。但這亦反映本集團的收入結構進一步優化，從主要依靠一次性的接駁費收入逐步轉向長遠而穩定的燃氣銷售。

Management Discussion and Analysis

管理層討論及分析

Liquidity and Capital Resources

As at 31 March 2007, the Group had total assets of HK\$1,436,863,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$357,988,000, HK\$509,321,000, HK\$503,521,000 and HK\$66,033,000 respectively.

As at 31 March 2007, the Group's cash in hand and total borrowings were approximately HK\$184,031,000 (2006: approximately HK\$132,986,000) and approximately HK\$643,374,000 (2006: approximately HK\$164,859,000) respectively. The debt-to-capitalization ratio, representing the ratio of total borrowings to equity (excluding minority interests) was 56.1% (2006: 37.7%).

On 7 September 2005, the Company entered into an agreement whereby the Company issued US\$20,000,000 (equivalent to approximately HK\$156,000,000) 2 per cent convertible notes due in 2008 to Equator View Capital, an independent third party and is indirectly owned as to 49% by Oasis Management Holdings LLC, an international investment fund. For the year ended 31 March 2007, convertible notes with an amount of HK\$116,700,000 have been converted into 357,968,998 ordinary shares of the Company. Subsequent to the balance sheet date, convertible notes with an amount of HK\$19,450,000 have been further converted into 56,655,985 ordinary shares of the Company while convertible notes with an amount of HK\$19,450,000 remained outstanding. If the outstanding convertible notes were fully converted into shares, approximately 56,000,000 ordinary shares of the Company will be issued, representing 1.55% of the issued share capital of the Company as at 31 March 2007.

流動資金及資本來源

於2007年3月31日，本集團資產總值為約港幣1,436,863,000元以及流動負債、長期負債、股東權益及少數股東權益分別約為港幣357,988,000元、港幣509,321,000元、港幣503,521,000元和港幣66,033,000元。

於2007年3月31日，本集團的手持現金約港幣184,031,000元（2006年：約港幣132,986,000元，而借貸總額約港幣643,374,000元（2006年：約港幣164,859,000元），負債與資本比率（即借貸總額與（不包括少數股東權益）股本之比率）為56.1%（2006年：37.7%）。

於2005年9月7日，本公司向獨立第三方Equator View Capital簽訂合同藉此發行20,000,000美元（Oasis Management Holdings LLC，一家國際性投資基金，間接擁有其49%權益）（相當於約港幣156,000,000元）於2008年到期之兩厘可換股票據。截至2007年3月31日，116,700,000港元的可換股票據已轉換為本公司357,968,998股普通股股份。於結算日後，再有19,450,000港元的可換股票據已轉換為本公司56,655,985股普通股股份，剩餘19,450,000港元的可換股票據仍未轉換。若餘下的可換股債券全數轉換為股份，則可轉換為約56,000,000股本公司普通股股份，相等於2007年3月31日本公司已發行股本的1.55%。

Management Discussion and Analysis

管理層討論及分析

Liquidity and Capital Resources (Continued)

On 30 May 2006, the Company has entered into a subscription agreement (the "Subscription Agreement") with Indopark Holdings Limited, an indirectly wholly owned subsidiary of Merrill Lynch with respect to the issue of US\$40,000,000 (equivalent to approximately HK\$310,000,000) 2% convertible bonds due in 2009. Pursuant to the terms of the Subscription Agreement, the convertible notes can be convertible into Shares at a conversion price of HK\$0.60 per share (subject to adjustment). Unless previously redeemed, converted or purchased and cancelled, the convertible notes shall be redeemed by the Company at 106% of their principal amount at the third anniversary of the issue date. The convertible notes carried interest from the issue date at the rate of 2% per annum of the principal amount of the convertible notes. The convertible notes were issued on 15 June 2006, providing the Group more funds for new project development and further broadening its strategic investor base. The issue also manifested the full recognition from international prestigious investment banks of the Group's results after the business transformation and their confidence in the Group's future development. For the year ended 31 March 2007, Indopark Holdings Limited has not converted any convertible notes into the ordinary shares of the Company. However, subsequent to the balance sheet date, convertible notes with an amount of HK\$77,500,000 have been converted into 129,166,666 ordinary shares of the Company and convertible notes with an amount of HK\$232,500,000 remained outstanding. If the outstanding convertible notes were fully converted into shares, approximately 387,000,000 ordinary shares of the Company will be issued, representing 10.69% of the issued share capital of the Company as at 31 March 2007.

Borrowings Structure

As at 31 March 2007, the total borrowings of the Group was HK\$643,374,000 (2006: approximately HK\$164,859,000), which included interest-bearing convertible notes with a fair value of HK\$410,974,000 and domestic bank loans denominated in Renminbi of the project companies. Other than the convertible notes with fixed interest, other loans, which were used as normal working capital and operation expenses, carried interest at a fixed rate or an interest rate issued by the PBOC. Apart from the loans equivalent to approximately HK\$122,377,000 were pledged with certain assets with carrying value of approximately HK\$77,488,000, other loans were unsecured. Short-term loans were approximately HK\$106,238,000 while others were long-term loans due after 1 year. For the details of capital commitments and pledge of assets, please refer to notes 38 and 39 to the financial statements.

流動資金及資本來源(續)

於2006年5月30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 2009 年到期之兩厘可換股債券訂立認購協定 (「認購協定」)。根據認購協定之條款，可換股票據可按每股港幣 0.60 元之換股價 (可予調整) 轉換為股份，除非票據已被贖回、轉換或購買及登出，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% 贖回可換股票據。可換股票據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 2006 年 6 月 15 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。截至 2007 年 3 月 31 日，Indopark Holdings Limited 並無轉換本公司普通股股份。但於結算日後，77,500,000 港元的可換股債券已轉換為本公司 129,166,666 股普通股股份，剩餘 232,500,000 港元的可換股票據仍未轉換。若餘下的可換股票據全數轉換為股份，則可轉換為約 387,000,000 股本公司普通股股份，相等於 2007 年 3 月 31 日本公司已發行股本的 10.69%。

借貸結構

於 2007 年 3 月 31 日，本集團的借貸總額相等於約港幣 643,374,000 元 (2006 年：約港幣 164,859,000 元)，其中包括公平價值約港幣 410,974,000 元之附息可換股票據；其餘則為項目公司在國內當地銀行人民幣貸款。除可換股票據為定息外，其他貸款以固定息率或中國人民銀行公佈息率計算，作為日常流動資金及營運開支。除了相等於約港幣 122,377,000 元的貸款需要用賬面值相等於約港幣 77,488,000 元的資產作抵押外，其餘貸款均為無抵押的貸款。短期貸款相等於約港幣 106,238,000 元，其餘則為超過一年的長期貸款。而資本承擔及資產抵押詳情請分別參考財務報表附註 38 及 39。

Management Discussion and Analysis

管理層討論及分析

Capital Structure

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

Exposure of Foreign Exchange

With all of the Group's operations located in the PRC and substantially all of its income and expenses were denominated in RMB, the Group has no significant exposure to the fluctuation of foreign exchange rate. The Group will closely monitor the market interest rates and make appropriate adjustments when necessary.

Capital Commitments

As at 31 March 2007, the Group's capital commitment amounted to approximately HK\$323,609,000, mainly attributable to the major engineering works for the Fujian LNG terminals project as discussed above.

Contingent Liabilities

As at 31 March 2007, the Group had no material contingent liabilities.

POST BALANCE SHEET DATE EVENTS

Subsequent to the balance sheet date, the Group has not had any substantial event. For the details, please refer to note 40 to the consolidated financial statements.

EMPLOYEES

As at 31 March 2007, the Group had 906 employees, of which 4 were based in Hong Kong and the remaining were based in Mainland China. 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. The Group may provide training for our employees when necessary.

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」一節所述之健康資本負債比率獲得確認。

外匯風險

由於本集團的所有業務均在中國，絕大部份收入與支出以人民幣為主，所以並無面對重大外匯波動風險。本集團會對市場的利率走勢作出緊密監控，在有需要時作出適當的調整。

資本承擔

於2007年3月31日，本集團的資本承擔約港幣323,609,000元，主要為上述福建LNG接收站項目的主要工程。

或然負債

於2007年3月31日，本集團並無重大或然負債。

結算日後事項

於結算日後，本集團並無任何重大事項，詳情請參考綜合財務報表附註40。

僱員

於2007年3月31日，本集團共有906名僱員，其中4名駐於香港，其餘駐於中國大陸。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。如有需要，本集團會為僱員提供培訓。

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 period under review.

PROSPECTS

Gas Supply Business

It is expected that the economy of the PRC will sustain continuous, rapid and healthy development during the "11th-Five Year Plan" period. As the city gas is monopolistic in nature, its market is relatively stable in the long run. The rapid growth in economy will continue to promote long-term and strong growth in energy consumption, particularly clean energy. With the constant rise in the level of industrialisation and urbanisation in the PRC, the prospects of the city piped gas business will be encouraging. Following the increase in the number of new projects undertaken by the Group and the continuous increase in the level of industrialisation and urbanisation in the regions in which the Group operates, the connection and sales of piped gas will continue to grow.

As natural gas resources are relatively scarce in Yunnan, Guizhou and the western region of Hunan, bottled LPG will become a long-term option available for household customers for a certain period. As a result, the number of users of bottled LPG will be stable and the market prospect is promising. The development of LPG will be benefited with the Group's edges in storage, delivery, wholesaling and retailing services of LPG in the afore mentioned regions of the PRC and the Group's solid relationship with upstream gas suppliers.

購買、出售及購回本公司之上市證券

報告期內，本公司及任何其附屬公司概無購買、出售及購回任何本公司上市證券。

前景展望

燃氣供應業務

預計「十一五」期間，中國經濟將保持持續、快速、健康發展。由於城市燃氣自然壟斷之特徵，使其市場相對長期穩定。經濟的高速增長將使能源消費需求尤其是清潔能源消費需求保持長期旺盛增長趨勢，加之中國的工業化和城市化進程和水平不斷提升，城市管道燃氣業務前景廣闊。隨著本集團燃氣新項目的增加及營運區域的城市氣化率水平不斷提高，本集團管道燃氣接駁及銷售業績將持續增長。

在雲南、貴州及湖南西部地區天然氣資源相對匱乏，瓶裝液化石油氣將在一定時期內作為居民可選能源長期存在，用戶相對穩定，市場前景廣闊。本集團在上述地區液化氣市場具有儲運、批發、零售一體化之優勢，並且與上游氣源保持良好合作關係，將有助於液化石油氣業務的發展。

Management Discussion and Analysis

管理層討論及分析

Lottery Business

Since the official launch of lottery in 1987 in the PRC, the sales of lottery has been increased by more than 1,000 times over the past 20 years and the sales volume of which has climbed to the leading level in the world. In 2006, the sales volume of the lottery market in the PRC amounted to RMB81.8 billion, representing an increase of 14% as compared with the sales volume in 2005. The sales of lottery in the PRC has scaled a new height, of which the sales of welfare lottery in aggregate accounted for RMB49.56 billion, representing 61% of the lottery market in the PRC and a growth of over 20%. As the continuous economic development in the PRC has stimulated the growth in per capital income and the consumption power of the domestic residents, the directors are of the view that the lottery market in the PRC will sustain its continual and rapid development. Upon the launch of supply of video lottery system and equipment after the approval has been acquired, the business will bring promising return and sufficient cash flow to the Group.

Looking ahead, the Group will expand into industries with relatively higher entry requirements as well as abundant revenue and cash return, such as the lottery industry, after sustaining stable development in our gas business in order to strive for better profit and return for our shareholders and to develop the Group into a conglomerate. In line with the Group's development strategy, a special resolution will be proposed by the board of directors at the forthcoming annual general meeting to change the Company's name to "Chinese People Holdings Company Limited".

Dr. Mo Shikang

Managing and Executive Director

Beijing, 27 July 2007

彩票業務

中國自1987年正式發行彩票以來，20年間彩票銷售增長了1,000多倍，彩票銷售額已攀升至世界前列。2006年中國彩票市場銷售額達818億元，比2005年銷售額增長14%，創造中國彩票發行以來的最高銷售紀錄，其中福利彩票全年共銷售人民幣495.6億元，佔全國彩票市場份額的61%，增長幅度超過20%。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，董事預期中國彩票市場未來將持續、高速發展，視頻彩票系統及設備供應業務獲得審批並開展後，將會為本集團帶來豐厚回報及充足之現金流。

展望未來，本集團將在穩步發展燃氣業務的基礎上，還將拓展進入壁壘相對較高且收益及現金回報豐厚的行業，如彩票行業，為股東帶來更大的收益與回報，將集團發展成為控股型綜合性企業。因此，為配合集團的發展路向，董事會將提請在應屆的股東週年大會上通過將公司名稱更改為「中民控股有限公司」。

莫世康 博士

董事總經理兼執行董事

北京，2007年7月27日