

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited consolidated net profit attributable to equity holders for the six months ended 30th June, 2006 amounted to HK\$14.7 million, which represented a significant improvement on the net loss of HK\$175.7 million reported for the corresponding period in the previous year. Turnover for the half-year of 2006 increased to HK\$82.6 million, an increase of approximately 100.5% compared with the previous corresponding period of HK\$41.2 million. Increase in turnover was mainly attributed from the sales of natural gas contributed from the newly constructed compressed natural gas ("CNG") refueling stations, as well as selling of gas related products and technical services to equipment and gas operators.

The Group recorded a profit before taxation of HK\$17 million for the period under review while registered a loss of HK\$176.9 million in the previous corresponding period. Except from the impairment losses recognised in previous corresponding period discussed below, the increase in profit in current period is mainly due to improvement in gross profit but offset by increase in administrative expenses amounted to HK\$7.3 million. Owing to the adoption of new accounting standards, a share options expense amounted to \$6.2 million was recorded in administrative expenses.

The Group only focuses on the vehicles natural gas business since January 2005 and provided for certain non-core businesses for the six months ended 30th June, 2005. As a result, the Group made provisions of HK\$137.9 million in respect of investment in CMEP Limited, an entertainment business and HK\$28 million in respect of interest in an associate which is principally engaged in bio-agricultural business for the six months ended 30th June, 2005.

OPERATIONAL REVIEW AND BUSINESS OUTLOOK

The Group will continue to focus its activities of vehicles natural gas business and expand its natural gas business in the People's Republic of China (the "PRC"). The use of CNG in the PRC is becoming more popular, partly due to government policies in the PRC in promoting natural gas as a more environmental friendly energy source and partly due to the fact that natural gas is more cost-efficient than other energy sources such as petroleum. In addition to the use of CNG in households and for industrial purposes, CNG has also become increasingly popular energy sources for motor vehicles because it is a cheaper and cleaner substitute of petroleum. The Group will continue to construct more CNG refueling stations in various cities in the PRC. Leveraging on its experience and management expertise, the Group will further consolidate its leading marketplace in the PRC in future.

During the period under review, the Group has successfully teamed up with a number of city public bus companies including Zhengzhou City Public Transport Corporation and Xuzhou City Public Transport Co. Limited by setting up joint ventures with them to secure for 20 years bus fuel gas usage contract.

In addition, the Group successfully launched 2 new CNG mother stations and 18 new CNG daughter stations in various cities in the PRC during the period under review. Although the result for first half of 2006 has not reflected the full capacity of these new stations, these new stations should contribute respectable profit in future. Going forward, the Group's targets to complete more mother stations and daughter stations in second half of 2006. The next few years will be a fast growing period for the Group and the Board of Directors (the "Board") is confident that the Group is well positioned to capture this growing market in the PRC.

FINANCIAL RESOURCES

During the six months ended 30th June, 2006, the financial position of the Group was strengthened by the net proceeds of approximately HK\$50 million received from the placement of 100,000,000 Company's shares in March 2006 and subsequent to the interim reporting date, the Company further raised HK\$87 million by issuing 165,000,000 Company's new shares. The proceeds will be used for the expansion of Group's business.

As at 30th June, 2006, total borrowings of the Group were HK\$82.1 million, of which HK\$41.8 million were related to bank borrowings at operating subsidiaries level funding for the local PRC operations. Shareholders' equity was HK\$472.7 million. Accordingly, the gearing ratio of the Group as at 30th June, 2006 was 17.4%.

During the six months ended 30th June, 2006, the Group was not materially exposed to exchange risk.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2006. (six months ended 30th June, 2005: nil).

STAFF BENEFIT

As at 30th June, 2006, the Group had a total of 406 employees. The total employees' remuneration for the six months ended 30th June, 2006 amounted to approximately HK\$13.3 million. The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. There has been no major change on staff remuneration policies during the period.

CHARGES ON GROUP ASSETS

The Group had no charges on assets as at 30th June, 2006.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30th June, 2006.

LITIGATION

The Company was served on a writ of summons under High Court Action No. 1938 of 2005 (the "Action") in October 2005 wherein the plaintiff, an independent third party, claimed against the Company for the sum of HK\$2,150,000 being an alleged debt due and owing by the Company under a loan agreement entered into between the Company and the plaintiff dated 12th October, 2004 together with interest thereon since 12th February, 2005. The Company disputes such claims and is in the course of defending the Action.

The Company in October 2005 commenced High Court Action No. 2001 of 2005 against Mr. Zhang Jiahua and Ms. Wen Fu Rong, the defendants, for sums including HK\$12,000,000 and HK\$2,300,000, and interest, due and owing to the Company under two loan agreements entered into between Mr. Zhang Jiahua, Ms. Wen Fu Rong and the Company. In January 2006, the Company obtained judgment against the defendants for the sums of HK\$2,436,109.59 and HK\$12,508,931.51 plus further interest, and indemnities and costs to be assessed. The Company is taking enforcement action against the defendants in respect of the judgment.

Speed Wealth Enterprises Limited ("Speed Wealth") (a wholly owned subsidiary of the Company) in November 2005 commenced High Court Action No. 2302 of 2005 against Mr. Zhang Jiahua and Ms. Wen Fu Rong seeking various remedies in respect of the breach (relating to failure and refusal of Mr. Zhang Jiahua and Ms. Wen Fu Rong to prepare financial statements and to convene shareholders' meetings of Solution Technology Limited) of a shareholders agreement dated 29th March, 2004. Speed Wealth and the defendants are shareholders in an investment holding company, Solution Technology Limited. Speed Wealth is the beneficial owner of 49% of the shares in Solution Technology Limited, and each of the defendants is a beneficial owner of 25.5% of the shares. The writ of summons has been served upon the defendants. The defendants have not yet acknowledged service. Speed Wealth's claims in this litigation action are different from the Company's claims in High Court Action No. 2001 of 2005. The claims in the two actions are in respect of different causes of action arising out of different contracts. The Board considers that there is no material impact on the Group as a result of the breach.