

INTERIM DIVIDEND

The Directors resolved not to recommend the payment of an interim dividend for the six months ended 30 September, 2004 (six months ended 30 September, 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued to consolidate its investment in piped natural gas business in China and to capture external funding through the introduction of strategic investors to the Company. With the efforts of the Directors and staff, the Group's natural gas business has made considerable progress.

BUSINESS REVIEW

For the six months ended 30 September, 2004, turnover of the Group amounted to HK\$187,724,000 (six months ended 30 September, 2003: HK\$83,444,000). Profit attributable to the shareholders was HK\$66,049,000 (six months ended 30 September, 2003: loss of HK\$19,057,000). Earnings per share was HK3.86 cents (loss per share for the six months ended 30 September, 2003: HK1.57 cents).

The Group had secured a number of natural gas projects during the period under review and pipeline networks of some of the projects were under construction and connection fee and gas sales fee were charged. Meantime, the Company successfully launched various fund raising exercises to meet the requirement of capital needs for the Group's natural gas projects.

Construction of Piped Gas Networks

During the period under review, the Group had built gas pipeline network of approximately 909 km (including branch and customer pipeline network), 62,950 domestic households and 17 industrial users completed the connection works.

As at 30 September, 2004, the Group accumulated approximately 3,127 km of gas pipeline network, accumulated natural gas connected domestic household reached 329,942 households, representing 9.4% of the Group's overall domestic households available for connection and accumulated natural gas connected industrial users reached 411 users. The Group's piped gas connection fee income amounted to approximately HK\$141,109,000 and gas connection fee income accounted for 75.2% of the Group's total turnover.

Sale of Piped Gas

During the period under review, coal gas sales income of Wuhu Zhongran and Huainan Zhongran and natural gas sales income of Beijing Zhongran Xiangke were recorded. The Group sold in total 28,890,000 m³ of gas (comprising coal gas and natural gas) of which 15,270,000 m³ of gas to domestic households and 13,620,000 m³ to industrial and commercial users. As at 30 September, 2004, gas sales income was HK\$36,478,000, representing approximately 19.4% of the Group's total turnover for the period under review.