MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's consolidated loss attributable to equity holders for the year ended 31 December 2006 amounted to HK$132.7 million, which represented a slight improvement on the net loss of HK$159.8 million reported in the previous corresponding period. Increase in revenue was mainly attributable to the sales of natural gas which contributed from the newly constructed compressed natural gas ("CNG") refueling stations, as well as the CNG equipment related income for providing solutions to equipment and gas operators.

The Group recorded a gross profit from operating activities of HK$42.5 million for the year, mainly due to the increase in gas stations operated. The reported loss for the year was mainly due to the one-off provision of approximately HK$168.8 million made in relation to the Group's restructuring of its subsidiaries' non-profitable investments acquired in prior periods. This provision does not adversely affect the Group's existing operations and the board of directors of the Company (the "Board") believes this restructuring is an exception and creates a stronger balance sheet for the Group to expand its business further in the People's Republic of China (the "PRC"). Besides, due to the adoption of new accounting standards, an employee share options expense amounted to approximately HK$7.5 million was recorded in administrative expenses during the year.

The Group has focused on the CNG vehicles refueling stations business since January 2005 and its business achievements up-to-date is respectable. After the Group's restructuring and its one-off provision, the Group is in better position to achieve its business roadmap.

OPERATIONAL REVIEW

During the year, the Group has successfully teamed up with Zhengzhou Public Bus Co. Limited and Xuzhou Public Bus Co. Limited by setting up joint ventures with them to secure 20 years bus fuel gas usage contracts.

In addition, the Group has successfully established presence and increased its retail penetrations in various cities in the PRC, including Guangzhou, Changchun, Jinan, Chengdu, and Henan provinces. Although the result for the year 2006 has not yet reflected the full capacity of these new projects, the Board expects these new projects should contribute respectable profit in the near future. Going forward, the Group continues to focus on the vehicles gas consumption market and targets to complete more mother and daughter stations. The next few years will be a great leap period for the Group and the Board is confident that the Group is well positioned to capture this growing market in the PRC.

BUSINESS OUTLOOK

The Group will continue to focus its activities of gas related business and expand its natural gas business in 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 an increasingly popular energy source 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

During the year ended 31 December 2006, the financial position of the Group was strengthened by the net proceeds of approximately HK$137 million received from the issuance of 265,000,000 Company's shares in March and August 2006, respectively, and subsequent to the balance sheet date, the Company further raised HK$109.2 million (before issue expenses) by issuing 42,500,000 new shares with consideration of HK$23.4 million, and by issuing convertible bonds with principal amounts of HK$85.8 million to existing shareholders. The proceeds will be used for the expansion of the Group's business.

At 31 December 2006, total borrowings of the Group were approximately HK$84 million, of which HK$50 million were related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi ("RMB"). Shareholders' equity was HK$421.1 million. Accordingly, the gearing ratio of the Group as at 31 December 2006 was 20%.

During the year ended 31 December 2006, the Group was not materially exposed to foreign currency risk.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2006 (period ended 31 December 2005: Nil).

STAFF BENEFIT

At 31 December 2006, the Group had a total of 689 employees. The total employees' remuneration for the year amounted to approximately HK$22.7 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 was no major change on staff remuneration policies during the year.

CHARGE ON GROUP ASSETS

At 31 December 2006, the Group had pledged equity interests of certain subsidiaries of the Company and the office premises in Hong Kong for the loans granted from a local financial institution.

CONTINGENT LIABILITIES AND LITIGATION

At 31 December 2006, the Group granted the corporate guarantees of HK$9 million and HK$100 million to an associate and an independent third party, respectively. The Company also granted the corporate guarantees of HK$26.3 million to certain subsidiaries. In addition, the Company is currently a defendant in lawsuit brought by a third party alleging the Company for the debt amounted to HK$2.1 million under a loan agreement dated 12 October 2004 together with the interest thereon since 12 February 2005. The Company is in the course of defending such litigation and the related liabilities had been accrued for in the financial statements at the balance sheet date.