



華 燊 燃 氣 控 股 有 限 公 司
WAH SANG GAS HOLDINGS LIMITED

Annual Report 1999-2000



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies list on GEM with neither track record of profitability nor any obligation forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to highmarket volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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EXECUTIVE DIRECTORS

Shum Ka Sang, *Chairman and Chief Executive Officer*
Wang Guanghao, *Honorary Chairman*
Choi Yat Choy
Shen Yi
Chen Cuiwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cui Shuming
Ji Xiaowei

COMPLIANCE OFFICER

Shum Ka Sang

QUALIFIED ACCOUNTANT

Kwong Sze Tu, Paul, ACCA, AHKSA

COMPANY SECRETARY

Kwong Sze Tu, Paul, ACCA, AHKSA

AUTHORISED REPRESENTATIVES

Shum Ka Sang
Choi Yat Choy

MEMBERS OF THE AUDIT COMMITTEE

Cui Shuming
Ji Xiaowei
Chen Cuiwan

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WEBSITE

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BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

HKSCC Registrars Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

STOCK EXCHANGE LISTING

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

STOCK CODE

8035

SPONSOR

Oriental Patron Asia Limited
GEM – Registration Sponsor
42nd Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo
27th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

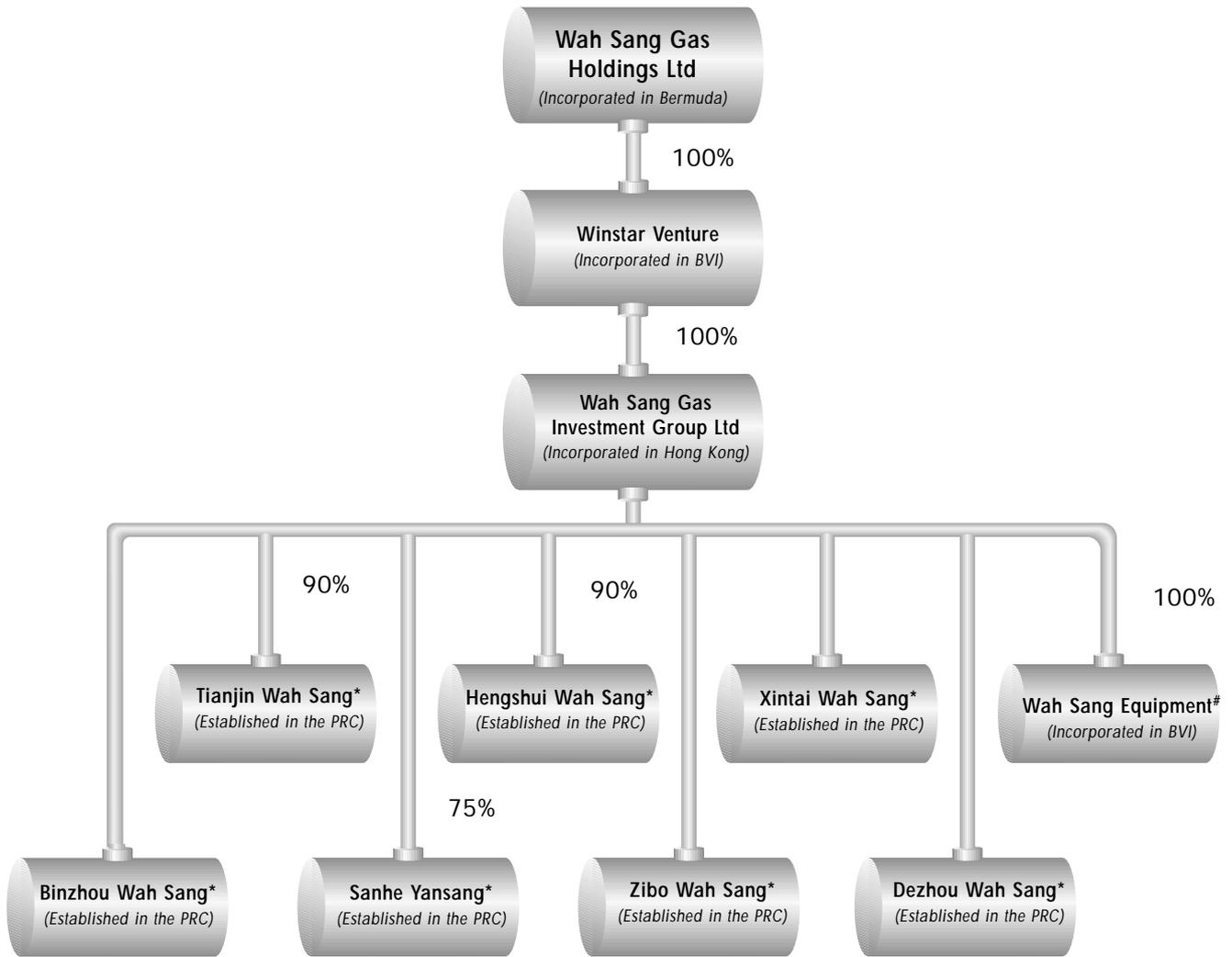
PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
The Ka Wah Bank Centre
232 Des Voeux Road Central
Hong Kong

Bank of China
395 Hennessy Road
Hong Kong

Standard Chartered Bank
4-4A Des Voeux Road
Central
Hong Kong

The Agricultural Bank of China
No. 61 Beijing Road
Nankai District
Tianjin
PRC



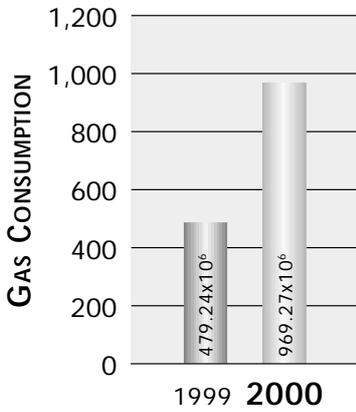
Notes

* formed to sell gas fuel, contract pipeline network construction and sell LPG equipment and appliances.

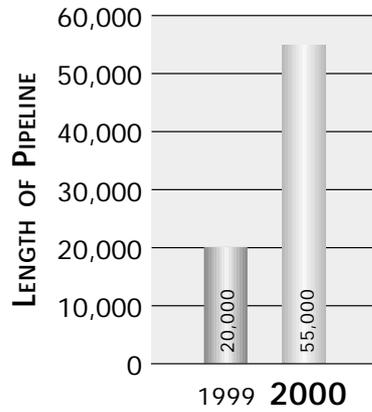
formed to act as the sourcing arm of the Group for LPG equipment.

OPERATION FIGURES

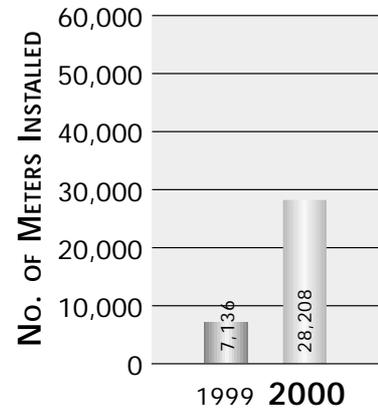
Mega-joules



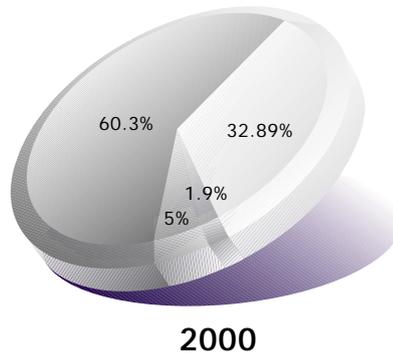
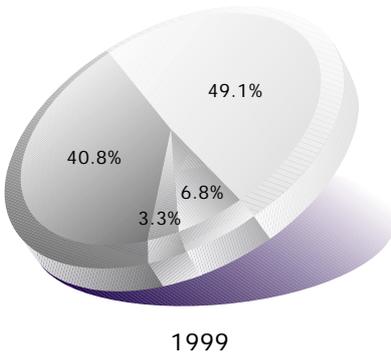
Metres



Units

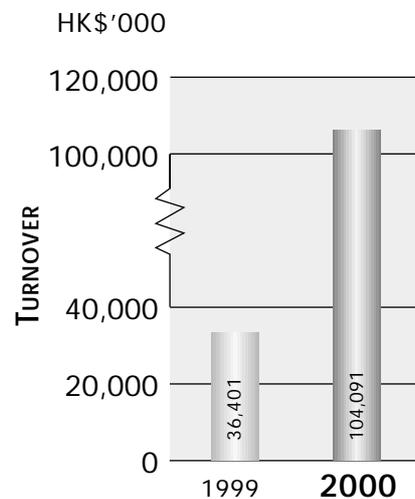
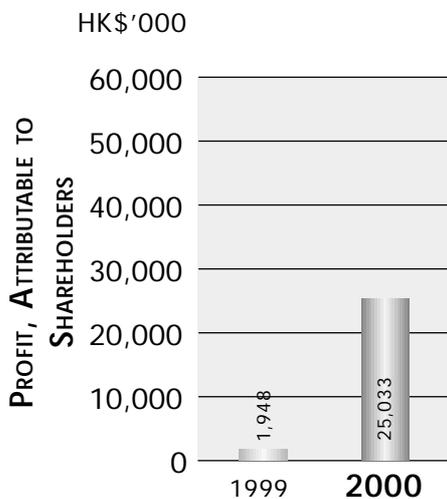


SALES BREAKDOWN



- Wholesale and Retail
- Construction of Pipeline Network
- Provision of Piped Gas
- Others

FINANCIAL FIGURES





On behalf of the Board of Directors, I am pleased to present the annual report of Wah Sang Gas Holdings Limited (the "Group") for the year ended 31st March, 2000.

RESULTS

For the year ended at 31st March, 2000, the Group recorded a consolidated turnover of HK\$104,091,000 (1999: HK\$36,401,000) and consolidated net profit attributable to shareholders of HK\$25,033,000 (1999: HK\$1,948,000), representing a growth of 1.9 times and 11.9 times respectively.

DIVIDEND

As stated in the prospectus, the Directors of the Group do not recommend payment of final dividend and the retained profit will be used for future operation and development of the Group's business.

LISTING ON THE GROWTH ENTERPRISE MARKET (THE "GEM")

With strong support from the shareholders, the Group successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 16th March, 2000 and became the only gas enterprise listed on GEM. The Group's initial public offering achieved 12 times subscription and recorded a closing price of HK\$6.35 per share on the first day of trading, posting an increase of more than 3.8 times over the offering price of HK\$1.3 per share.

I am very delighted at the successful listing of the Group's shares on the GEM. In addition, it was very encouraging that the shares performed actively and the share price increase on the first day of dealing was among the best performer on GEM. I am confident of the prospects of the Group and will devote great efforts in strengthening the Group's business for further growth. The Group will also consolidate its position as the leading supplier of piped gas in towns, small cities and suburban areas of larger cities in the PRC.

SIGNIFICANT GROWTH IN 2000

I would like to take this opportunity to give a brief summary of the Group's major developments for year ended 31st March 2000.

Connection Fees

The Group receives one-off connection fees from property developers or property management companies in respect of connecting the users to the Group's piped gas networks. The Group recorded a sustainable growth in its connection fee revenues from Tianjin City, Hebei Province and Shandong Province. Zibo City and Dezhou City of Shandong Province also commenced to generate connection fee revenues in 2000. For the year ended 31st March, 2000, the Group has installed meters for approximately 28,208 households, an increase of 3.0 times over 1999.

Piped Gas

The Group operates piped gas networks to deliver its liquefied petroleum gas ("LPG") and mixed gas to end-users. The Group supplies piped gas through its 24 gas stations in Tianjin City, Hebei Province and Shandong Province. The total length of main pipelines amounts to approximately 55 kilometers, representing an increase of 1.8 times over 1999. Users' consumption of piped gas in 2000 increased by approximately 1.8 times over the previous year to 63.01×10^6 mega-joules.

In 2000, the Group successfully expanded into five new markets for its piped gas, namely Qihe County of Shandong Province, Xintai City, Jiyang County, Binzhou City and Zhouzhou City of Hebei Province. Accordingly, the designed user capacity reached approximately 400,000 households, posting an increase of 160,000 households over 1999.

LPG Retailing and Wholesaling

In anticipation of rapidly increasing demand for gas refueling in rural area around cities, four gas stations are equipped with gas refueling facilities for the provision of the Group's wholesaling and retailing services of LPG. Currently, the wholesaling and retailing services are mainly provided in two forms, namely:

- directly delivered to the places designated by wholesale customers by using gas tank trucks, which will then be filled into the customers gas storage facilities; and
- sold in bottled form and are refueled at the Group's designated gas refueling stations.

The LPG retailing and wholesaling businesses rose by an encouraging 98.5% from 456.61×10^6 mega-joules in 1999 to 906.26×10^6 mega-joules in the current year.



FINANCIAL POSITION

As at 31st March, 2000, the total assets and total liability of the Group amounted to HK\$161,515,000 and HK\$64,895,000 respectively. As at 31st March, 2000, the Group had a cash balance of HK\$32,403,000. The Group currently maintains health financial position and has sufficient pool of funds for existing plans.

BUSINESS DEVELOPMENT

Expansion of Existing Business

Exploration of New Markets

In March 2000, in view of the Group's successful operations in the PRC, its subsidiary company Tianjin Wahsang Gas Enterprise Co., Ltd. was recommended by Tianjin Port Free Trade Zone Administrative Commission (天津港保稅區管委會) to various provinces in western China as the key enterprise used by Tianjin City for the purpose of realizing the central government's strategy of "connecting the east and west" (東西聯合). The Group has, together with the delegates of the people's government of Tianjin City, made a visit to Sichuan Province in respect of the relevant project. The Group is now holding discussions on the project and will carry out in-depth market research into various provinces in the western PRC.

Procuring Industrial/Commercial Users of Piped Gas

Besides domestic users, the Group introduced piped gas supply services into industrial areas to service industrial and commercial customers. As industrial and commercial customers normally have higher gas consumption rate, the Group aims to develop this sector in the coming years to establish an industrial/commercial customers base to a scale that allows the group's operations to achieve economic efficiency.

New Business Opportunities

With our mission of providing safe and reliable gas supply, the Group will commit itself to the following strategic objectives:

Gas Vehicles

In recent years, the number of vehicles in the cities of the PRC has increased continually and air pollution has become a severe problem. To improve air quality, the State government has devised a preliminary plan of converting the vehicle fuel in cities from petroleum to gas, it is expected that the preliminary plan will be implemented in major cities such as Beijing, Shanghai and Tianjin.

The growing popularity of gas vehicles coupled with the emergence of the related ancillary services, posed a new business opportunity for the group with rapid growth and promising profitability.

Tianjin government has undertaken to grant the Group a license to construct and operate gas and petroleum refueling stations for gas vehicles. The Group is conducting feasibility studies into the construction and operation of gas refueling stations in Tianjin and will develop such business in appropriate cities as soon as practicable.

Piped Natural Gas

The western China have rich supply of natural gas. To make better use of these resources, the State Government commenced the project of "transmitting gas from the west to east" (西氣東輸) early this year. Several thousand of kilometers of pipelines will be built to connect districts in the western China to districts in the south-east China where economies are prosperous but resources are limited.

To enhance the Group's leading position in competitive markets, it has approached a number of natural gas companies in China to discuss the formation of strategic alliances between the Group and natural gas transportation engineering companies. To capitalize on its advantages in market operation, construction and management of gas network in cities, the Group is considering the possibility of developing piped gas operations along the districts to which natural gas pipeline are extended. In April 2000, the Group entered into a cooperative agreement with Tianjin City Tanggu Town Gas Company (天津市塘沽區煤氣公司) in relation to the supply of natural gas to Tianjin Port Free Trade Zone.

CORPORATE PHILOSOPHY

Based on our strategical analysis, the Group is confident of its strengths in the gas industry. To ensure the Group retaining its leading position in the industry, it will maintain its competitive edges through the following strategies:

Research on Environmental Protection Technologies

The Group has set up a committee for Technologies Environmental Protection to search for low cost but practical technologies. In addition, it continues to explore innovative gas applications for cleaner environment. The Group also endeavors to maintain its leading role in research of scientific technologies among its Chinese counterparts, thus ensuring its corporate development and gas quality.

Scientific Management

The Group bases its management philosophy on people. The Group emphasises in building it's own culture and makes great steps in cultivating such corporate culture. One of the key aspects includes human resources training and continue upgrading of training programmes for station managers and staff. In this regard, the Group has formulated a series of implementation proposals in respect of training for its senior management, financial staff, station managers and junior staff. The continuing efforts made to improve various management systems lay a solid foundation for corporate development.

Team Spirit

To cultivate a stronger sense of team spirit, the Group has introduced a proposal to encourage the team spirit of co-operation and positive attitude. Our team is organised to accomplish the objectives of the corporation. The Group firmly believes that team spirit will make our staff put the Group's interests as first priority.



YEAR 2000 ISSUE

The year 2000 problem arises primarily because some system engineers tended to use only two digits to represent the year in databases to save storage space in the past as the cost of computer data storage had been high then. However, the production costs of data storage have been decreased with the advances in technology and with the increasing caution towards the year 2000 problem, recently developed products in the market are all fully year 2000 compliant.

The Group's LPG equipment and other gas supply equipment are mechanical equipment rather than computerised equipment and hence not subject to year 2000 issue. The Group's internal computer system is primarily used for office automation and does not contain databases critical to its gas supply operation. The Group has implemented a year 2000 compliance plan which includes the replacement of some of the Group's existing computers with new ones and the testing of computer systems in early November 1999. The Group has conducted an assessment on its internal computer that they are year 2000 compliant. As at 31st March, 2000, the Group has not experienced any major year 2000 problem.

FUTURE PROSPECTS

The PRC economy is entering into a new era and the Group is well positioned to capitalise the huge market potential.

The Group is confident that it can maintain its rapid customers' growth rates in the years to come.

In line with the Group's principle of providing services to, and being accountable to our shareholders, the Group will persist with its prudent policy of operation and management. The value of our Group lies in our performance and not based on concept. We strive for rapid enhance of shareholders' value under proper risk management. We are ready for future challenges and confident of future prospects.

APPRECIATION

I would like to take this opportunity to express sincere thanks to all members of the Board of Directors and staff for their dedication and contribution to the Group's impressive performance for the financial year 2000.

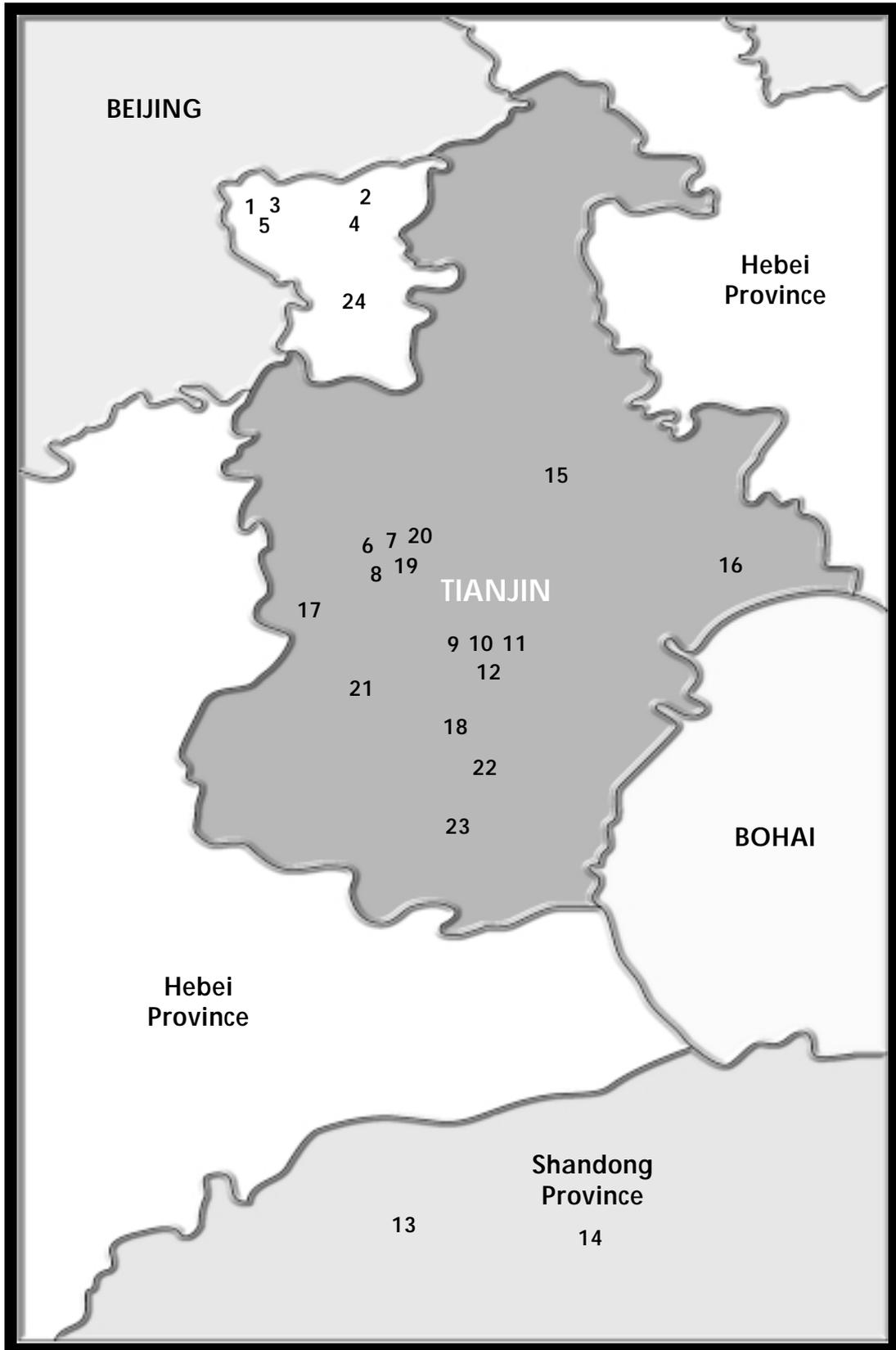
Shum Ka Sang

Chairman

Hong Kong, 26th June, 2000



Distribution of Major Operation Gas Stations





Index of the Major Gas Stations

- | | |
|---|--|
| 1. Yanjiao LPG-AIR Station | 16. Ninghe LPG Station |
| 2. Guoshui LPG Station | 17. Wangqingtuo LPG-AIR
Storage Depot |
| 3. Sanhe Coal-power Plant
District LPG Station | 18. Dasi LPG Station |
| 4. Kangju LPG Station | 19. Yucai Road LPG Station |
| 5. Xingong LPG Station | 20. Wuqing LPG-AIR Station |
| 6. Guangsha LPG-AIR Station | 21. Xiezhuang LPG Station |
| 7. Hepingli LPG-AIR Station | 22. Wangcun LPG-AIR Station |
| 8. Xixian LPG-AIR Station | 23. Zhongtang LPG Station |
| 9. Nankai LPG Station | 24. Xianghe LPG-AIR Station |
| 10. Xilou LPG Station | |
| 11. Taierzhuang LPG Station | |
| 12. Tabei LPG Station | |
| 13. Qihe LPG-AIR Station | |
| 14. Huantai LPG-AIR Station | |
| 15. Baodi LPG-AIR Station | |



To provide a safe, reliable supply of gas,
and excellent services to customers.

To be the leader in the PRC
urban gas fuel industry.

To improve the living environment
and upgrade the standard of living
for the PRC residents.

The history of Wah Sang Gas can be traced back to 1994. Most of its businesses were concentrated in fast-growing districts in China. The Group's mission is to provide a safe and reliable supply of gas fuel and excellent service to customers.



In 2000, based on the estimation and analysis of the prospects for the gas industry in the PRC, the Group operated under its strategic plans to accelerate the business development of piped mixed gas supply, enter the business of piped natural gas supply, expand the sale on LPG and launch new businesses in emerging markets.

FINANCIAL POSITION

The Board of Directors is pleased to announce that as at 31st March, 2000, the Group recorded its net profit attributable to shareholders of HK\$25,033,000, with profit of HK 17.00 cents per share.

MARKET OVERVIEW

According to the statistics compiled by Ministry of Construction's statistics, the population using piped gas in the PRC amounted to 100 million only. There are over 1.1 billion people who are still awaiting the connection of piped gas. However, only a few enterprises are able to supply piped gas in small to medium cities, so that there was a huge gap between market demand and supply.

In light of this, the Group provided four main services to customers through its eight subsidiaries. These services included construction of gas pipeline networks; provision of piped gas to domestic users; wholesale and retail of LPG by way of refueling bottles or tanks for domestic, industrial and commercial customers; and sale of LPG equipment and domestic gas appliances for domestic use.

CONSTRUCTION OF GAS PIPELINE NETWORKS

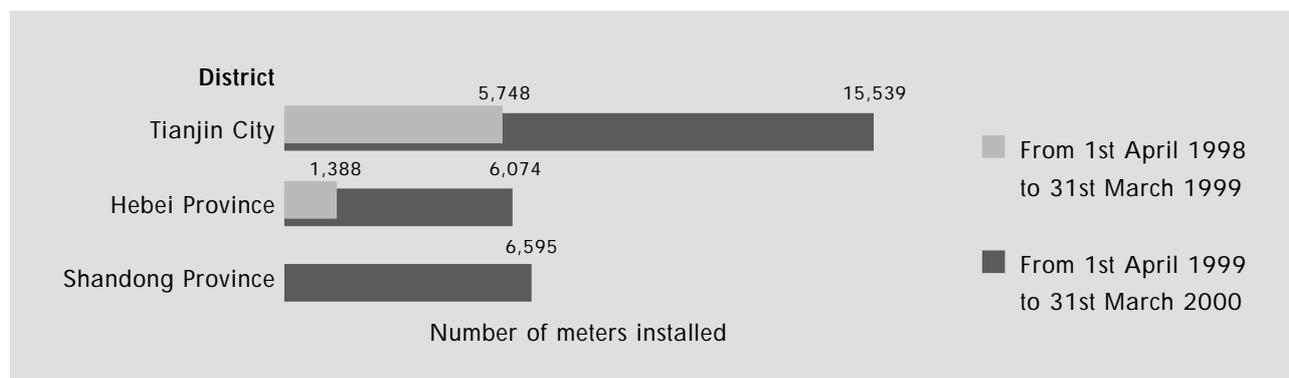
The Group received one-off fee (as a "connection fee") from property developers or property management companies in respect of connecting the users to the Group's gas pipeline networks. The network was mainly laid in towns, small cities and suburban areas of larger cities, where there is a significant potential demand for pipeline network fuel.



In the past year, the Group's recorded sustainable growth in its connection fee revenues from Tianjin City and Hebei Province. Besides, Zibo City and Dezhou City of Shandong began to generate connection fee revenues in late 1999. For the financial year 2000, the Group has installed meters for approximately 28,208 households, an increase of 3 times over the previous year.

CONSTRUCTION OF GAS PIPELINE NETWORKS *(Continued)*

In view of the growth in Shandong Province, the Group expedited its efforts in the region to consolidate our foundation and business development.



Regarding new markets development, the Group successfully expanded into five new markets for its piped gas in 2000, namely Qihe County, Xintai City, Jiyang County and Binzhou City of Shandong Province and Zhouzhou City of Hebei. The designed capacities are shown as follows:

District	Gas Types	Date of Signing	Design Capacity
<i>Shandong Province</i>			
- Qihe County	Mixed gas	June 1999	10,000 Households
- Xintai City	Mixed gas	June 1999	30,000 Households
- Jiyang City	Mixed gas	July 1999	20,000 Households
- Binzhou City	Mixed gas	March 2000	60,000 Households
<i>Hebei Province</i>			
- Zhouzhou City	Mixed gas	July 1999	40,000 Households

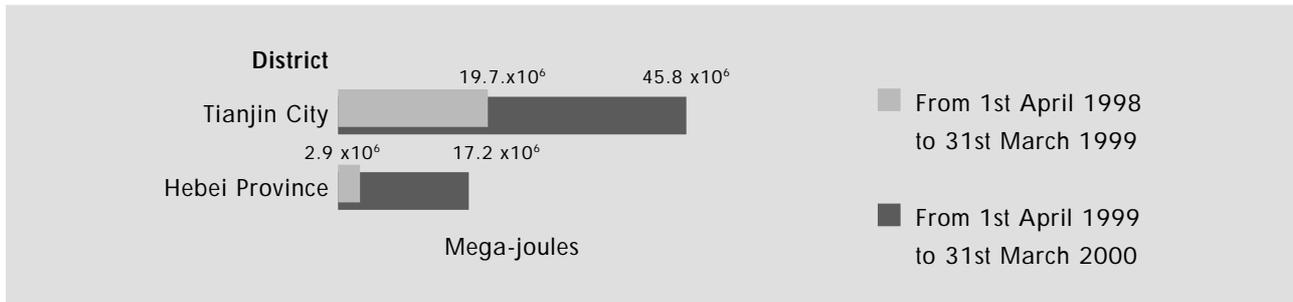
Hence, the contracted design capacity of the Group grew to approximately 400,000, an increase by 160,000 over the previous year, and the total number of meters installed also grew to approximately 41,000 units.

PROVISION OF PIPED GAS

With years of experience in conducting fuel gas business in China, the Group successfully established a good reputation and was considered as one of the leaders in the industry. The brand name of Wah Sang is well praised by regional governments and residents, thus, resulting a speeding development of piped gas business in Tianjin City, Hebei Province and Shandong Province.

PROVISION OF PIPED GAS (Continued)

Over the last year, the Group's total length of main pipelines increased from 20 kilometers in 1999 to approximately 55 metres, representing an increase of 1.8 times. Users' consumption of piped gas in 2000 increased to 63.01×10^6 mega-joules, representing an increase of 1.8 times. The distribution of piped sale districts are shown as follows:



Pemstar (Tianjin) Industrial Company Limited (鹏斯特(天津)实业有限公司) ("Pemstar") contracted the Group as its piped gas supplier and a gas station in Wuqing was built to supply mixed gas for the Gorup's industrial customers. Pemstar is a professional package provider to Motorola (China) Electronics Company Limited, supplying all its products to Motorola's mobile phone factory in Tianjin. In April 2000, the Group has also reached an agreement with Korean-based Tianjin Samsung Company Limited to supply industrial gas to the company by pipes from the same gas station. This made Group achieved its objective to become a provider of industrial gas and signified that both our equipment design and gas quality had met the international recognized standards.

In carrying forward traditional mixed gas and LPG business, at the same time, the Group had set the development of business in the natural piped gas supply in schedule and had a satisfactory progress. In March 2000, Tianjin Port Free Trade Zone Administrative Commission has granted the Group an operation right of piped natural gas supply to the Tianjin Port Free Trade Zone by setting up a Joint Venture. In April 2000, the Group has obtained the right to utilise Boxi natural gas in Tanggu by linking it to Tianjin Port Trade Zone from Tanggu Town Gas Company, the former state-owned monopolist of natural gas business in Tanggu, Tianjin.

The development of natural gas project in the Tinajin Port Free Trade Zone will bring an extremely brilliant prospect for the Group to fully enter the natural gas provider industry.

LPG RETAILING AND WHOLESALING

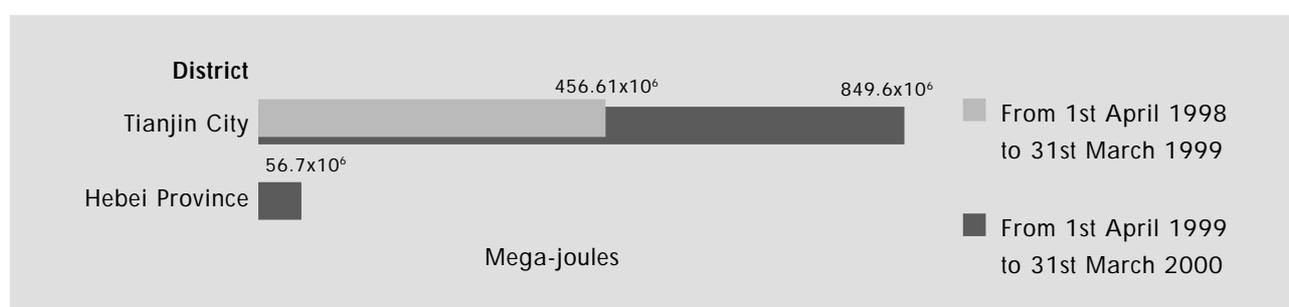
The Group focused on areas with average annual GDP reaching US\$300 (about RMB2,500) per year where piped gas is still not available. The Group established four stations of proper size to operate wholesale and retail business of LPG, and extended sales networks deep into large rural areas through allied gas depots. As some of current mixed gas stations of the Group provides gas refuelling services which are able to produce bottled gas, thus, it strengthens our competitive edges by maintaining low cost.

LPG RETAILING AND WHOLESALING *(Continued)*

In anticipation of rapidly increasing demand for gas refuelling in rural areas around cities, currently, the wholesaling and retailing services are mainly provided in two forms, namely:

- directly delivered to places designated by wholesale customers by using gas tanks trucks, which will then be filled into the customers' gas storage facilities; and
- sold in bottled form and are refueled at the Group's designated gas refueling stations.

It was encouraging that the Group's retail and wholesale volume of LPG supply reached 906.26×10^6 , an increase of 98.5%.


Comparison between Business Objectives and Actual Business Progress

	2000 Business Objectives	2000 Actual Businesses
Sales		
<i>Piped gas fuel</i>		
• Gas consumption (mega-joules)		
– Domestic	58.88×10^6	60.86×10^6
– Commercial/industrial	0	2.15×10^6
• Total no. of meters installed (units)		
– Domestic	27,000	28,208
• LPG refuelling		
– Retail (mega-joules)	206.72×10^6	208.23×10^6
– Wholesale (mega-joules)	708.33×10^6	698.03×10^6
<i>Pipeline network construction</i>		
– Estimated total length of main pipelines in operation (m.)	58,400	54,951

LPG RETAILING AND WHOLESALING *(Continued)*

	2000 Business Objectives	2000 Actual Businesses
Subcontracting		
– No. of contractual arrangements made for construction of branch pipeline networks	101	108
Others		
– Geographic coverage for sales of gas fuel	<ul style="list-style-type: none"> • Tianjin City (seven districts) • Hebei Province (four districts) • Shandong Province (four districts) 	<ul style="list-style-type: none"> • Tianjin City (six districts) • Hebei Province (four districts) • Shandong Province (four districts)
Operational Facilities		
No. of gas processing stations		
• in operation	<ul style="list-style-type: none"> • Tianjin City-14 • Hebei Province-6 • Shandong Province-2 	<ul style="list-style-type: none"> • Tianjin City-14 • Hebei Province-6 • Shandong Province-2
• under construction	<ul style="list-style-type: none"> • Tianjin City-1 • Hebei Province-1 • Shandong Province-2 	<ul style="list-style-type: none"> • Tianjin City-1 • Hebei Province-1 • Shandong Province-2
No. of storage depots		
• in operation	2	2
• under construction	1	1
Purchases and Supplies		
No. of suppliers		
• LPG/propane/butane	11	11
• Heavy oil	2	2
LPG equipment and domestic gas appliance		
No. of suppliers	9	9

LPG RETAILING AND WHOLESALING *(Continued)*

	2000 Business Objectives	2000 Actual Businesses
Sales and Marketing		
Market development	Signed five master agreements	Made contracts with five districts, namely Binzhou City, Qihe County, Xintai City, Qiyang City and Zhouzhou City
Market research	Conduct market researches for various districts in Tianjin City, Hebei Province, Shandong Province and Fujian Province	Completed market researches for 11 districts in Tianjin City, Hebei Province, Shandong Province, Fujian Province and Heilongjiang Province
Plant and Machinery		
Gas mixing machines	20	14
Tanks	31	27
Compressors	10	10
Management System		
Human Resources		
Management	19	18
Sales and Marketing	17	15
Engineering	18	19
Gas station operation	158	119
Purchases and supplies	26	20
Finance	18	15
Administration	18	15
Total	274	221

Reasons for differences between business objectives and actual businesses:

1) *Sales: Piped gas fuel and LPG refueling*

a) Commercial/industrial

With the proven equipment design and favourable market environment, the Group successfully provided piped gas to industrial customers ahead of schedule in 2000.



b) LPG wholesaling

Target wholesale customers of LPG were mainly those industrial customers in areas where piped gas services has not been extended to. In 2000, wholesale refueling business fell behind the year's business objective by 1.5%. The main reason was that the Group was able to provide piped gas to certain industrial customers ahead of schedule in March 2000, as a result several industrial and commercial wholesale customers switched to use piped gas services from the Group.

2) *Sales: Pipeline network construction*

The total length of pipes in operation was shorter than the business objective, mainly because of delayed works in Hangu district of Tianjin (for details please read (3) Sales: others).

3) *Sales: others*

As at 31st March 2000, the Group completed 14 districts for supply of fuel gas. The distribution is shown as follows:

Tianjin City: Hexi District, Wuqing District, Baodi District, Xiqing District, Ninghe County, Dagang District

Hebei Province: Sanhe City, Yanjiao Economic and Technological Development Zone, Zhouzhou City, Huanghua City

Shandong Province: Qihe County, Xintai City, Zibo City, Jiyang City



Reasons for difference between business objectives and actual businesses: (Continued)

In addition, the Group entered into a master agreement with an associate enterprise of Municipal Government of Hangu City, Tianjin in March 2000 to solely provide exclusive construction development of piped gas project and operate management service. The gas supply to Hangu City was expected to commence at the end of March 2000. The Group earmarked about HK\$6,500,000 out of the proceeds from the initial public offering to set up Hangu Mixed Gas Station in Hangu District. Usage included the acquisition of an existing gas station currently owned and operated by an independent third party, the construction of a main pipe and the acquisition of relevant LPG equipment.



As certain key terms regarding the acquisition of an existing gas station currently owned and operated by an independent third party and the arrangement of its existing staff has not been reached by the relevant parties the gas supply plan for Hangu was not able to materialise by the end of March 2000. The implementation plan for Hangu gas supply is still under negotiation with the relevant party however, the Directors will also actively develop new markets to ensure the Group's rapid growth in the long run.

4) *Sales and marketing promotion*

a) *Market development*

In 2000, the Group successfully secured five contracts with various city governments. Because of certain key business terms has not been concluded in a piped gas supply agreement with Yucheng Government by March 2000, such agreement is now indefinitely delayed. The design capacity for piped gas supply in Yucheng to 4,000 households only, the Directors believe business development of the Group will not be materially affected.

In order to mitigate the effects brought by the delay in the Yucheng agreement, the Group signed a master agreement to supply piped gas to Binzhou City in 2000 to maintain its market share.

Reasons for difference between business objectives and actual businesses: *(Continued)*

5) *Machinery and facilities*

a) Gas mixing machines and tanks

The number of machinery and facilities was less than those stated in business objective mainly because of the delay of the Hangu District. (for details, please read (3) Sales: others) and jiyang project.



PROCEEDS FROM ISSUANCE OF NEW SHARES

As at 31st March 2000, the Group utilises approximately HK\$5,900,000 in accordance with the Group's developed plan set out in Prospectus, which includes the enhancement of existing gas operation and development of gas projects.

As at 31st March 2000, the proceeds were applied as follows:

- 1) as to approximately HK\$1,000,000 for expansion of Xintai mixed gas station;
- 2) as to approximately HK\$1,000,000 for expansion of Qihe mixed gas station;
- 3) as to approximately HK\$3,000,000 for expansion of Huantai mixed gas station; and
- 4) as to approximately HK\$900,000 for establishment of Wuqing gas storage station;

REASONS FOR DIFFERENCE BETWEEN USAGE OF PROCEEDS AND FORECAST USAGE

Hangu Mixed Gas Station

The reasons for delay in the development of funding for the development in Hangu mixed gas station are set out in the “Comparison between Business Objectives and Actual Business Progress” paragraph.

Jiyang Mixed Gas Station

An amount of HK\$700,000 was applied to Jiyang mixed gas station for enhancement of facilities in May 2000 instead of the originally proposed date of 31st March 2000.

Mixed Gas Stations in Qihe and Huantai of Shandong

In view of smooth progress of mixed gas stations in Qihe and Huantai of Shandong, the Group accelerated construct its construction plan to enhance support in these areas

OUTLOOK

The Group will continue to develop into new markets. In launching a series of items, the Group will put more efforts in environment friendly projects.



GAS VEHICLES

The development of gas vehicles has become a market trend in recent years, especially following the implementation of supplemental fuel duty, use of gas vehicles will likely increase significantly. Hence, seeing that gas vehicles a solution to improve air pollution problems and make cities to become more environmentally friendly, the Group will actively conduct researches to explore the feasibility of operating gas vehicles refueling stations in Tianjin City.

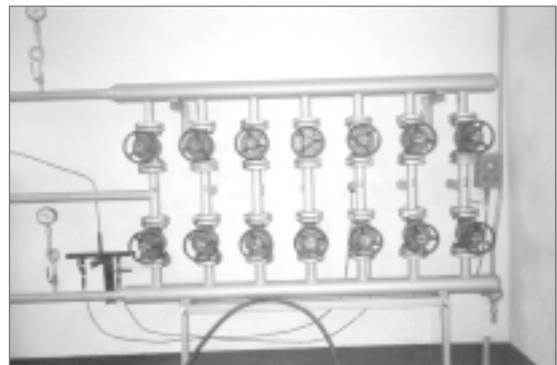
DUAL-PURPOSE STATIONS

Currently, the Group mainly adopts LPG as its key fuel. As the State Government is carrying on the project of transmitting gas from the west to east (西氣東輸), natural gas supply will increase. In view of possible sufficient natural gas supply at lower cost, the Group has taken the compatibility of different gases into account in designing and installing equipment and pipeline networks of gas stations.



The present design of mixed gas station is capable of processing LPG as well as liquefied natural gas. It means that the design of pipeline networks is cater for the change of natural gas in future. As of the all main pipeline networks, branch pipeline networks networks of users, kitchen appliances, heaters or other daily gas appliances, will require no adjustment on the event that LPG is replaced by liquefied natural gas. Hence, no addition investment required in pipeline networks for the customers.

The establishment of current mixed gas stations, firstly, will settle the problem for districts too remote to be connected with natural gas networks. Secondly, when natural pipeline networks extend to the districts with gas supply, the original investment will not be wasted and the investment in natural gas business will be saved.



It is challenging task for the management to maintain the Group's rapid growth. However, we have full confidence in constantly improving our management and safety awareness to ensure the rapid development of the Group's business.

EXECUTIVE DIRECTORS

SHUM Ka Sang, aged 51, is the Founder, Chairman and Chief Executive Officer of the Company, an Executive Director and the Compliance Officer of the Company for the purpose of the GEM Listing Rules. He is responsible for the formulation of corporate strategy and the future business development of the Group, and is the General Manager of the Group. He is also the Chairman and a Director of Wah Sang Development. He is a standing member of the Hebei Committee of the Chinese People's Political Consultative Conference, a member of the Chinese Overseas and the Deputy President of the Tianjin Association of Enterprises with Foreign Investments.

WANG Guanghao, aged 61, is the Honorary Chairman of the Company and an Executive Director. He joined the Group in November 1998 and is, together with Mr Shum, responsible for formulating the Group's corporate strategy and its future business development. He is also the Chairman, General Manager and Executive Director of Tianjin Development, a company listed on the Main Board. He graduated from Tianjin Mechanical Engineering Institute in 1962 and is a Senior Engineer. Prior to May 1996, he was the Deputy Commissioner and Commissioner of the Tianjin Mechanic Bureau and Tianjin Technology Supervision Bureau, the Deputy Director of Tianjin Foreign Economic Trade Commission and the Director of the Foreign Investment Office of the Tianjin Municipal People's Government.

CHOI Yat Choy, aged 32, is an Executive Director and the Deputy General Manager. He is responsible for the management and implementation of the Group's investments in the PRC, and the development of the Group's business in Shandong Province, the PRC. He is also the General Manager of Zibo Wah Sang, Dezhou Wah Sang and Xintai Wah Sang, appointed by the foreign party of the joint venture enterprises. He graduated from the Department of Business Administration of Hong Kong Shue Yan College in 1992. Prior to joining the Group in April 1998, he had over 8 years' experience in project investment in the PRC and PRC trading.

SHEN Yi, aged 33, is an Executive Director. He is also the General Manager of Tianjin Representative Office, appointed by the Group. He is responsible for the management and implementation of the Group's investment in the PRC, the safety supervision of the Group's projects, securing LPG supply and the operation of the Group's business in Tianjin and Hebei province. Prior to joining the Group in June 1994, he worked for Tianjin LPG Group and has over 10 years' experience in the gas fuel industry in the PRC.

CHEN Cuiwan, aged 54, is Executive Director and the Finance Director of the Group. She joined the Group in November 1998. She is also an Executive Director of Tianjin Development, a company listed on the Main Board. She graduated from Tianjin Foreign Trade School in the PRC in 1964, and Tianjin Economics and Finance Institute in 1990. She is now a Senior Economist. Before November 1994, she was appointed as the Department Chief, Deputy General Manager and General Manager of Tianjin Stationery and Sports Goods Import and Export Corporation, mainly managing financial matters.



INDEPENDENT NON-EXECUTIVE DIRECTORS

CUI Shuming, aged 63, is an Independent Non-Executive Director appointed by the Company in November 1999. Mr. Cui graduated from Renmin University of China in 1965 and is now a Non-Executive Director of Cheung Tai Hong Holdings Limited and an Independent Non-Executive Director of Wellner Holdings Limited, both being companies listed on the Main Board. He is also the honorary Chairman of the Hong Kong Banking Chinese Members Association. Prior to assuming his current office, Mr. Cui was the Vice General Manager of Jiangsu Branch of the Bank of China, an Executive Director of The National Commercial Bank, Limited and the General Manager of the Hong Kong Branch of The National Commercial Bank, Limited, and a Director and Executive Vice President of CITIC Ka Wah Bank Limited.

JI Xiaowei, aged 41, is an Independent Non-Executive Director appointed by the Company in November 1999. Prior to assuming her current office, she was a Department Manager of banking business at the Head Office of the Bank of China, and a Vice President of a licenced bank in Hong Kong.

SENIOR MANAGEMENT

WANG Jiandong, aged 37, is a Director of Tianjin Representative Office and Tianjin Wah Sang Energy Development, appointed by the Chinese party of the joint venture enterprise. He is also a Director and the Vice General Manager of Tianjin Jiljan, and the Secretary for the Board of Directors of Tsinlien Group Limited, the window company for the Tianjin Municipal Government in Hong Kong. He joined the Group in July 1999.

FAN Bao Qi, aged 53, is the Chief Engineer of the Group and the General Manager of Technology Development Department of Tianjin Representative Office, appointed by the Goup. Prior to joining the Group in March 1994, he had 20 years of experience in the gas fuel industry in the PRC.

KWONG Sze Tu, Paul, aged 26, is the Assistant Financial Controller and Company Secretary of the Company. He holds a Bachelor of Arts in Accountancy Degree from City University of Hong Kong and is an Associate Member of the Association of Chartered Certified Accountants in England. He holds membership in the Hong Kong Society of Accountants and affiliate membership in the Hong Kong Securities Institute. He Joined the Group in December 1999.

MA Pak Yuen, aged 38, is the Assistant to General Manager of the Company. He holds certificate in commerce from the London Chamber of Commerce. Prior to joining the Group in April 1994, he worked as a Senior Officer of the finance department of an international banking group and engaged in the business of exporting electronics and hi-tech products to the PRC.

LI Tong, aged 33, is the Assistant Financial Controller of the Company and the General Manager of Financial Department of Tianjin Representative Office, appointed by the Group. She holds a Bachelor's degree in Economics from Tianjin Finance and Economics Institute and is a member of the Association of Certified Public Accountants and of the Association of Certified Valuers in the PRC. Prior to joining the Group in April 1998, she worked for an accountancy firm in the PRC and had 9 years of experience in accountancy.



Directors, Senior Management and Staff

LIU Sen, aged 48, is the Deputy General Manager of Investment Department of our Group, and the Assistant General Manager of Tianjin Representative Office, appointed by the Group. He holds a MBA Master Degree at Murdoch University, Australia in 1999. He is a Senior Economist. Prior to joining the Group in April 2000, he had over 15 years of experience in Enterprise Management and Project Investment.

CHEN Wei, aged 37, is the General Manager of the Supply Development of Tianjin Representative Office, appointed by the Group. He graduated in Tianjin Gas Professional Middle Institute in 1986. Prior to joining the Goup in November 1995, he had over 10 years of experience in the gas fuel industry in the PRC.

SIA Bo, aged 36, is the General Manager of the Station Management Department of Tianjin Representative Office, appointed by the Group. He holds the History Master Degree from Nankai University in 1993 and he is a Research Assistant. Prior to joining the Group in March 1999, he had over 7 years of experience in Enterprise Management.

YOU Wei, aged 33, is the General Manager of Sales and Marketing of Tianjin Representative Office, appointed by the Goup. He holds a bachelor's degree major in coal chemical engineering from Shanghai Huadong Petrochemical Institute and is an Engineer. Prior to joining the Group in October 1996, he had 8 years of experience in the gas fuel industry in the PRC.

ZHANG Hong Chang, aged 42, is the General Manager of Engineering Department of Tianjin Representative Office, appointed by the Group. He is a Senior Engineer. He graduated from the faculty of mechanics of the Tianjin University in 1983. He joined the Group in Aptil 1999.

RAO Peng, aged 31, is the General Manager of Administration Department of Tianjin Representative Office, appointed by the Group. He holds the Economist Bachelor Degree from Wasi Da University (Japan) in 1996. He had more than 9 years of experience in Human Resources Management.



The directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2000.

Reorganisation

Pursuant to the Group reorganisation ("Reorganisation") in preparation for the public listing of the Company's shares, the Company acquired the entire issued capital of Winstar Venture Limited, the former holding company of the Group, on 26 February 2000 and thereby became the holding company of the Group. The shares of the Company have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM") since 16 March 2000.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group's activities during the year.

Segmental information

The Group's turnover and contribution to profit from operating activities for the year ended 31 March 2000 were all derived from the People's Republic of China (the "PRC"). An analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year ended 31 March 2000 is as follows:

	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000
By principal activity:		
Sale of liquefied petroleum gas ("LPG") and piped gas	39,300	(6,214)
Gas pipeline construction	62,775	38,968
Sale of equipment and others	2,016	(48)
	<u>104,091</u>	<u>32,706</u>

Results and dividends

The Group's profit for the year ended 31 March 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 64.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

OPERATING RESULTS

	Year ended 31 March		
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<u>104,091</u>	<u>36,401</u>	<u>21,291</u>
PROFIT BEFORE TAX	32,706	3,011	1,534
Tax	<u>(3,128)</u>	<u>(188)</u>	<u>(32)</u>
PROFIT BEFORE MINORITY INTERESTS	29,578	2,823	1,502
Minority interests	<u>(4,545)</u>	<u>(875)</u>	<u>(710)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>25,033</u>	<u>1,948</u>	<u>792</u>

ASSETS AND LIABILITIES

	31 March	
	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	161,515	61,177
TOTAL LIABILITIES	(64,895)	(60,417)
MINORITY INTERESTS	<u>(8,879)</u>	<u>(4,605)</u>
NET ASSETS/(LIABILITIES)	<u>87,741</u>	<u>(3,845)</u>

Note: The summary financial information for the each of the two years ended 31 March 2000 has been taken from the financial statements of the Group for the year ended 31 March 2000. The pro forma combined results of the Group for the year ended 31 March 1998 has been taken from the Company's prospectus dated 7 March 2000 and include pro forma adjustments relating to the elimination of certain profit and loss items in respect of transactions unrelated to the on-going businesses of the Group.



Fixed assets

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries, all of which were acquired pursuant to the Reorganisation, are set out in note 12 to the financial statements.

Bank loans

Details of the bank loans of the Group are set out in note 15 to the financial statements.

Share capital

Details of movements in the Company's share capital, together with reasons therefor, are set out in note 18 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Reserves

Details of movements in the reserves of the Company and the Group are set out in note 19 to the financial statements.

Distributable reserves

At 31 March 2000, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$47,547,000. In addition, the Company's share premium account, in the amount of approximately HK\$20,215,000 may be distributed in the form of fully paid bonus shares.

Pension scheme

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 27% of the total sales for the year and sales to the largest customer included therein amounted to 9%. Purchases from the Group's five largest suppliers of LPG accounted for 88% of the total purchases of LPG for the year and purchases from the largest supplier included therein amounted to 72%. Subcontracting fees paid to the Group's five largest pipeline subcontractors accounted for 95% of the total subcontracting fees incurred for the year and subcontracting fees paid to the largest pipeline subcontractor included therein amounted to 28%.

None of the directors of the Company or any of their associates or any shareholder (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers, suppliers and subcontractors.

Directors

The directors of the Company from 25 October 1999 (date of incorporation) to the date of this report were as follows:

Executive directors:

Shum Ka Sang (<i>Chairman</i>)	(<i>appointed on 28 October 1999</i>)
Wang Guanghao (<i>Honorary Chairman</i>)	(<i>appointed on 28 October 1999</i>)
Choi Yat Choy	(<i>appointed on 28 October 1999</i>)
Shen Yi	(<i>appointed on 28 October 1999</i>)
Chen Cuiwan	(<i>appointed on 28 October 1999</i>)

Independent non-executive directors:

Cui Shuming	(<i>appointed on 28 October 1999</i>)
Ji Xiaowei	(<i>appointed on 28 October 1999</i>)

In accordance with clauses 86 and 87 of the Company's bye-laws, Mr. Shen Yi and Ms. Chen Cuiwan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.



Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 24 to 26 of the Annual Report.

Directors' service contracts

Each of Mr. Shum Ka Sang, Mr. Choi Yat Choy and Mr. Shen Yi has entered into a service contract with the Company for a term of three years commencing on 1 January 2000. The contract shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, such notice not to be given by such director at any time before six months prior to the expiry of the initial term of three years.

The other two executive directors and the two independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's bye-laws.

Apart from the foregoing, no director proposed for re-election at the forthcoming general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' rights to acquire shares

Under the terms of the Company's share option scheme adopted by the Company on 26 February 2000, the board of directors of the Company may, at their discretion, invite any employee of the Company or any of its subsidiaries, including any executive director, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 16 March 2000.

Pursuant to the aforementioned share option scheme, subsequent to the balance sheet date, the Company has granted options to certain directors to subscribe for shares of the Company. Details of which are as follows:

Name	Number of shares subject to options outstanding at the date of this report
Shum Ka Sang	2,550,000
Wang Guanghao	1,200,000
Choi Yat Choy	2,200,000
Shen Yi	2,200,000
Chen Cuiwan	1,200,000

Directors' rights to acquire shares (Continued)

The above options were granted on 5 May 2000, at an exercise price of HK\$6.10. The option can be exercised at any time in the next five years commencing on 6 November 2000. Save as disclosed above and other than in connection with the Reorganisation in preparation for the Company's initial public offering, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Directors' interests in shares

As at 31 March 2000, the interests of the directors in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of issued ordinary shares of HK\$0.10 each in the Company			
	Personal	Family	Corporate	Other
Mr. Shum Ka Sang	4,365,000	–	82,935,000 (Note)	–

Note: At 31 March 2000, Mr. Shum Ka Sang was a substantial shareholder of Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development"), which beneficially held 82,935,000 shares representing a 44.23% interest in the Company.

Save as disclosed above and as disclosed under the heading "Directors' rights to acquire shares" in this report, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' interests in contracts

Save as disclosed under the heading "Connected transactions" in this report, no director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.



Remuneration of directors and senior employees

Details of directors' remuneration are disclosed in note 7 to the financial statements.

During the year ended 31 March 2000, the remuneration of all 7 directors (1999: 7) fell within the band of NIL to HK\$1 million. There were three executive directors receiving individual emoluments of approximately HK\$525,000 (1999: Nil), HK\$187,000 (1999: HK\$84,000) and HK\$410,500 (1999: HK\$290,000), respectively. No remuneration was paid to other executive directors during the year. Each of two independent non-executive directors received individual emoluments of approximately HK\$5,000 (1999: Nil).

The five highest-paid employees of the Group included three directors for the year ended 31 March 2000 and two directors for the year ended 31 March 1999. The emoluments paid to the remaining highest-paid, non-director employees during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	394	290
Pension costs	9	29
	<u>403</u>	<u>319</u>

The number of highest-paid, non-director employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2000	1999
Nil – HK\$1,000,000	<u>2</u>	<u>3</u>

During the year ended 31 March 2000, no emoluments were paid by the Group either to the directors, or to the other highest-paid, non-director employees as a bonus, as inducement to join the Group, or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 March 2000.

Details of the options granted to the directors during the year are disclosed under the heading "Directors' rights to acquire shares" in this report.

Substantial shareholders

As at 31 March 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage
Mr. Shum Ka Sang	82,935,000	44.23%
	(corporate interest – note)	
	4,365,000	2.33%
	(personal interest)	
Santa Resources Limited	58,200,000	31.04%
Wah Sang Gas Development	82,935,000	44.23%

Note: As at 31 March 2000, Wah Sang Gas Development was owned as to 90% by Mr. Shum Ka Sang. The corporate interest disclosed under Mr. Shum Ka Sang represents his deemed interests in the shares of the Company by virtue of its interest in Wah Sang Gas Development.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out under the heading “Directors’ interests in shares” in this report, had registered an interest in the share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance.

**Connected transactions**

On 1 November 1999, the Company entered into a licence and sharing of services agreement with Wah Sang Properties Investment Limited ("Wah Sang Properties"). Pursuant to the agreement and a further supplemental agreement, Wah Sang Properties agreed to license a portion of office premises for the use of the Group for a term commencing from 18 February 2000 and expiring on 17 August 2000 at a fixed monthly licence fee of HK\$14,406 exclusive of rates, government rent and charges. Mr. Shum Ka Sang has beneficial interest in Wah Sang Properties.

On 1 November 1999, the Company entered into a licence agreement with Wah Sang Trading Company Limited ("Wah Sang Trading") whereby Wah Sang Trading agreed to grant to the Group a licence to use the trademark (which has been registered under the name of Wah Sang Trading) for an initial term of 20 years at a total fee of HK\$1 payable by the Company.

During the year, Tsinlien Group Company Limited has provided corporate guarantees of RMB32 million (approximately HK\$30 million) to the Group as security for its bank loans. Tsinlien Group Company Limited is the ultimate holding company of Santa Resources Limited, a substantial shareholder of the Company.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 24 to the financial statements.

Purchase, redemption or sale of listed securities

Neither the Company, nor any of the subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 16 March 2000 (date of listing of the Company's shares on the GEM) to 31 March 2000.

Sponsor's interests

The Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), were interested in 3,900,000 shares of the Company as at 31 March 2000.

Pursuant to the agreement dated 1 November 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive fees for acting as the Company's retained sponsor for the period from 16 March 2000 to 31 March 2002.

Audit committee

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group.

The audit committee comprises three members, namely Mr. Cui Shuming and Ms. Ji Xiaowei, both being independent non-executive directors, and Ms. Chen Cuiwan, an executive director. Two meetings have been held by the committee members up to the date of this report.

Year 2000 Issue

The year 2000 problem arises primarily because some system engineers tended to use only two digits to represent the year in databases to save storage space in the past as the cost of computer data storage had been high then. However, the production costs of data storage have decreased with the advances in technology and with the increasing caution towards the year 2000 problem, recently developed products in the market are all fully year 2000 compliant.

The Group is not threatened by the year 2000 problem as the liquefied petroleum equipment and other gas supply equipment of the Group is machinery equipment instead of computerised equipment. The Group's internal computer systems are mainly used for office automation and contain no important databases of supply business. The Group has confirmed that its internal computers are 2000 compliant. Up to 31 March, 2000, the Group has not encountered any material year 2000 problem.

Auditors

Ernst & Young retire and a resolution for their appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Shum Ka Sang
Chairman

Hong Kong
26 June 2000

To the members

Wah Sang Gas Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 39 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG

Certified Public Accountants

Hong Kong

26 June 2000

Consolidated Profit and Loss Account



Year ended 31 March 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
TURNOVER	4	104,091	36,401
Cost of sales		<u>(59,280)</u>	<u>(26,850)</u>
Gross profit		44,811	9,551
Other revenue		542	409
Selling and distribution costs		(747)	(556)
General and administrative expenses		<u>(9,507)</u>	<u>(5,232)</u>
PROFIT FROM OPERATING ACTIVITIES		35,099	4,172
Finance costs	5	<u>(2,393)</u>	<u>(1,161)</u>
PROFIT BEFORE TAX	6	32,706	3,011
Tax	8	<u>(3,128)</u>	<u>(188)</u>
PROFIT BEFORE MINORITY INTERESTS		29,578	2,823
Minority interests		<u>(4,545)</u>	<u>(875)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>25,033</u>	<u>1,948</u>
DIVIDENDS	9	<u>-</u>	<u>6,413</u>
EARNINGS PER SHARE	10	<u>17.00 cents</u>	<u>1.34 cents</u>



Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Surplus on revaluation of properties	19	3,852	–
Exchange differences on translation of the financial statements of foreign entities	19	<u>111</u>	<u>51</u>
Net gains not recognised in the profit and loss account		3,963	51
Net profit for the year attributable to shareholders		<u>25,033</u>	<u>1,948</u>
Total recognised gains and losses		28,996	1,999
Goodwill eliminated directly against reserves	19	<u>(175)</u>	<u>–</u>
		<u>28,821</u>	<u>1,999</u>

Consolidated Balance Sheet



31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	70,376	43,028
CURRENT ASSETS			
Inventories	13	1,922	810
Trade receivables		47,166	6,605
Prepayments and other receivables		9,648	3,641
Amount due from a related company	14	-	5,403
Cash and bank balances		32,403	1,690
		<u>91,139</u>	<u>18,149</u>
CURRENT LIABILITIES			
Short term bank loans	15	36,476	22,565
Trade payables		13,140	8,265
Deferred income	16	591	1,606
Other payables and accruals		9,719	1,439
Taxes payable		4,299	1,133
Amounts due to related companies	14	670	1,409
		<u>64,895</u>	<u>36,417</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>26,244</u>	<u>(18,268)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		96,620	24,760
NON-CURRENT LIABILITIES			
Loans from shareholders	17	-	24,000
MINORITY INTERESTS		<u>8,879</u>	<u>4,605</u>
		<u>87,741</u>	<u>(3,845)</u>
CAPITAL AND RESERVES			
Share capital	18	18,750	200
Reserves	19	68,991	(4,045)
		<u>87,741</u>	<u>(3,845)</u>

Shum Ka Sang
Director

Choi Yat Choy
Director



Consolidated Cash Flow Statement

Year ended 31 March 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	20(a)	915	(623)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		80	409
Interest paid		(2,372)	(1,152)
Dividends paid		-	(6,413)
Net cash outflow from returns on investments and servicing of finance		<u>(2,292)</u>	<u>(7,156)</u>
TAX			
Profits taxes paid:			
Hong Kong		-	(32)
Mainland China		(720)	-
Total profits taxes paid		<u>(720)</u>	<u>(32)</u>
INVESTING ACTIVITIES			
Purchases of fixed assets		(20,323)	(17,036)
Acquisition of minority interest		(13)	-
Proceeds from disposal of fixed assets		-	206
Net cash outflow from investing activities		<u>(20,336)</u>	<u>(16,830)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		<u>(22,433)</u>	<u>(24,641)</u>
FINANCING ACTIVITIES			
Proceeds from issue of share capital	18(f)	48,750	-
Share issue expenses	19	(9,985)	-
New bank loans	20(b)	13,911	24,815
Repayment of bank loans	20(b)	-	(8,144)
Contributions from minority shareholders		470	-
Additional loans from shareholders		-	6,030
Net cash inflow from financing activities		<u>53,146</u>	<u>22,701</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		30,713	(1,940)
Cash and cash equivalents at beginning of year		1,690	3,630
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>32,403</u></u>	<u><u>1,690</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u><u>32,403</u></u>	<u><u>1,690</u></u>

31 March 2000

	<i>Notes</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Interests in subsidiaries	12	<u>82,617</u>
CURRENT ASSETS		
Other receivables		<u>3,968</u>
CURRENT LIABILITIES		
Other payables and accruals		<u>288</u>
NET CURRENT ASSETS		
		<u>3,680</u>
		<u>86,297</u>
CAPITAL AND RESERVES		
Share capital	18	18,750
Reserves	19	<u>67,547</u>
		<u>86,297</u>

Shum Ka Sang
Director

Choi Yat Choy
Director

31 March 2000

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 25 October 1999 under the Companies Act 1981 of Bermuda. On 26 February 2000, pursuant to a reorganisation to rationalise the Group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM"), the Company acquired the entire issued share capital of Winstar Venture Limited, the then holding company of the subsidiaries included in the Group reorganisation, and thereby became the holding company of the Group. Further details of the Group reorganisation and the principal steps thereof are set out in notes 12, 18 and 19 to the financial statements and in the paragraph headed "Corporate reorganisation" in the prospectus issued by the Company dated 7 March 2000.

The shares of the Company were listed on the GEM with effect from 16 March 2000.

2. CORPORATE INFORMATION

The principal activities of the Group are the construction of gas pipelines, and the production and sale of liquefied petroleum gas ("LPG") and piped gas.

In the opinion of the directors, the ultimate holding company of the Company is Wah Sang Gas Development Group (Cayman Islands) Limited, which is incorporated in Cayman Islands with limited liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong ("HK GAAP") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except with respect to certain fixed assets as further explained below.

Basis of consolidation and presentation

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group reorganisation for both financial years presented, rather than from the date of their acquisition through the Group reorganisation on 26 February 2000. Accordingly, the consolidated results of the Group for the years ended 31 March 1999 and 2000 include the results of the Company and its subsidiaries as listed in note 12 to the financial statements with effect from 1 April 1998 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 March 1999 has been prepared on the assumption that the above Group reorganisation had been completed at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation and presentation *(Continued)*

As the Company was incorporated on 25 October 1999, no comparative balance sheet of the Company at 31 March 1999 has been presented in these financial statements.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminution in values, when they are written down to values determined by the directors.

Joint venture companies

Joint venture companies are independent business entities established and operating in the PRC. The joint venture agreements and related constitutions stipulate the capital contributions of the joint venture parties, the duration of the joint ventures and the basis on which assets are to be realised upon their dissolution. The profits and losses from operations and any distribution of surplus assets are shared between the joint venture partners either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

The Group's joint venture companies are accounted for as subsidiaries as the Group has effective unilateral control over the financial and operating policies of joint venture companies.

Fixed assets and depreciation

Fixed assets, other than land and buildings with ownership certificates, are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Land and buildings with ownership certificates are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Changes in the values of leasehold land and buildings are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amounts are reduced to their recoverable amounts. Recoverable amount is the amount which the Group expects to recover from the future use of an asset on a discounted cash flows basis and includes its residual value on disposal. The amount of the reduction to recoverable amount is charged to the profit and loss account.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less its estimated residual value, over its estimated useful life. The estimated useful lives of the different categories of fixed assets are as follows:

Land use rights	Over the term of the lease
Buildings	30 years
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment	5 years
Motor vehicles	5 years

Construction in progress

Construction in progress represents gas station structures, machinery and pipelines and other fixed assets under construction/installation and is stated at cost. Cost comprises direct costs of construction, installation and testing. Construction in progress is transferred to the appropriate category of fixed assets when it is completed and ready for its intended use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Construction contract work in progress and profit recognition

Construction contract work in progress is stated at cost plus estimated attributable profits less foreseeable losses and progress payments received and receivable. Cost mainly comprises charges from subcontractors.

Where progress payments received and receivable on contracts exceed the costs incurred to date less foreseeable losses, the surplus is shown in the balance sheet as deferred income.

The estimated attributable profit from construction contracts is recognised under the percentage of completion method when the outcome of contracts can be ascertained with reasonable certainty and the stage of contract completion at the balance sheet date can be measured reliably. In absence of these conditions, profits on construction contracts are recognised when the contracts are completed.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange prevailing at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are dealt with in the exchange fluctuation reserve.

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Pension costs

The Group operates a defined contribution pension scheme in Hong Kong for certain of its employees, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When a Hong Kong employee leaves the scheme prior to his/her interest in the employers' contributions vesting fully, the forfeited contributions may be used to reduce the ongoing contributions payable by the Group. During the year and as at 31 March 2000, there were no material forfeited contributions, which arose upon employees leaving the pension scheme, available to reduce the contributions payable in future periods.

The Group joins pension schemes operated by the PRC government for certain of its PRC employees. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Employers' contributions are vested fully once contributions are made.

For those employees who have not joined the pension scheme, the Group has accrued for future pension costs based on a percentage of their salaries. The related assets have not been separated from those of the Group.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) LPG sales, piped gas sales and equipment sales – when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) Gas pipelines construction – when the outcome of contracts can be ascertained with reasonable certainty and the stage of completion at the balance sheet date can be measured reliably, on the percentage of completion method which is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. In the absence of these conditions, the revenue of the relevant contract will be recognised when the contracts are completed;



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (iii) Interest income – on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (iv) Government subsidy – on cash receipt basis.

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired at the date of acquisition. Goodwill is eliminated against reserves at the time of acquisition.

4. TURNOVER AND REVENUE

The Group's turnover represents the invoiced value of construction services performed, and gas and equipment sold, net of value-added tax ("VAT"), business tax and government surcharges, and after allowance for goods returned and trade discounts.

Revenue from the following activities has been included in the Group's turnover:

	2000 HK\$'000	1999 HK\$'000
Sale of LPG and piped gas	39,300	19,046
Gas pipelines construction	62,775	14,854
Sale of equipment and others	2,016	2,501
	<u>104,091</u>	<u>36,401</u>

Revenue arising from government subsidy and interest income is disclosed in note 6 below. The government subsidy represents a refund of business tax from the finance bureau in Tianjin Port Bonded Area. The refund was made in accordance with a government investment incentive scheme.

5. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Bank charges	21	9
Interest expense on short term bank loans	2,372	1,152
	<u>2,393</u>	<u>1,161</u>

31 March 2000

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
Staff costs (including directors' remuneration in note 7):		
Wages and salaries	3,536	2,352
Pension costs	333	200
	<u>3,869</u>	<u>2,552</u>
Cost of gas and equipment sold	36,764	19,975
Depreciation	2,021	1,351
Operating lease rentals in respect of leasehold land and buildings	500	572
Auditors' remuneration	560	78
Deficit on revaluation of land and buildings	718	-
Provision for bad and doubtful debts	353	157
Interest income	(80)	(409)
Government subsidy	(462)	-
	<u><u>36,764</u></u>	<u><u>19,975</u></u>

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Rules Governing the Listing of Securities on the GEM and Section 161 of the Companies Ordinance is as follows:

	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	10	-
	<u>10</u>	<u>-</u>
Other emoluments for executive directors:		
Salaries	1,099	351
Pension costs	24	23
	<u>1,123</u>	<u>374</u>
	<u><u>1,133</u></u>	<u><u>374</u></u>



8. TAX

	2000 HK\$'000	1999 HK\$'000
Current year provision:		
Hong Kong	-	-
Mainland China	<u>3,128</u>	<u>188</u>
Tax charge for the year	<u><u>3,128</u></u>	<u><u>188</u></u>

The Group did not have assessable profits arising in Hong Kong during the year ended 31 March 2000. Taxes on profits assessable elsewhere in the PRC have been calculated based on existing legislation, interpretations and practices at the prevailing rates of tax.

The Group did not have any significant unprovided deferred tax liabilities for the year.

The revaluation of the Group's land and buildings does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

9. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. The dividends of approximately HK\$6.4 million paid in the year ended 31 March 1999 were paid by a subsidiary of the Group to its then shareholders prior to the Group reorganisation as set out in note 1 to the financial statements. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of these financial statements.

For dividend purposes, the amount which the Group's PRC subsidiaries can legally distribute by way of a dividend is determined by reference to their profits as reflected in their PRC statutory financial statements which are prepared in accordance with accounting principles and financial regulations applicable to PRC joint ventures ("PRC GAAP"). These profits differ from those that are reflected in this report which are prepared in accordance with HK GAAP.

With effect from the listing of the Company's shares on the GEM on 16 March 2000, the directors intend to distribute dividends based on the lower of the Group's profits determined under PRC GAAP and HK GAAP.

31 March 2000

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of approximately HK\$25,033,000 (1999: HK\$1,948,000) and the weighted average of 147,250,000 shares (1999: 145,500,000 shares) in issue during the year ended 31 March 2000.

The number of shares used to calculate the 1999 basic earnings per share represents the pro forma issued share capital of the Company on the basis that the Reorganisation had been completed on 1 April 1998. No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares.

11. FIXED ASSETS

Group

	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Gas pipelines HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 April 1999	14,475	13,717	4,907	356	1,683	10,512	45,650
Additions	2,988	1,965	-	305	1,772	18,778	25,808
Deficit on revaluation	(1,241)	-	-	-	-	-	(1,241)
Surplus on revaluation	3,915	-	-	-	-	-	3,915
Transfer	6,102	7,439	11,112	-	-	(24,653)	-
At 31 March 2000	26,239	23,121	16,019	661	3,455	4,637	74,132
Analysis of cost or valuation:							
At cost	2,488	23,121	16,019	661	3,455	4,637	50,381
At 31 March 2000 valuation	23,751	-	-	-	-	-	23,751
	<u>26,239</u>	<u>23,121</u>	<u>16,019</u>	<u>661</u>	<u>3,455</u>	<u>4,637</u>	<u>74,132</u>
Accumulated depreciation:							
At 1 April 1999	466	1,183	184	128	661	-	2,622
Provided during the year	477	900	229	79	336	-	2,021
Deficit on revaluation	(522)	-	-	-	-	-	(522)
Write-back on revaluation	(365)	-	-	-	-	-	(365)
At 31 March 2000	56	2,083	413	207	997	-	3,756
Net book value:							
At 31 March 2000	26,183	21,038	15,606	454	2,458	4,637	70,376
At 31 March 1999	14,009	12,534	4,723	228	1,022	10,512	43,028



11. FIXED ASSETS *(Continued)*

The Group's land and buildings are under medium term leases and are situated in the PRC.

The Group's land and buildings with ownership certificates were valued at 31 March 2000 by Chesterton Petty Ltd., Chartered Estate Surveyor, on an open market value existing use basis. A revaluation surplus of approximately HK\$4,280,000 and a revaluation deficit of approximately HK\$719,000 resulting from the above valuations have been credited to the fixed asset revaluation reserve and charged to the profit and loss account for the year, respectively. The Group's land and buildings as at 31 March 1999 were stated at cost less accumulated depreciation.

Had the revalued land and buildings been carried at historical cost less accumulated depreciation, their carrying values as at 31 March 2000 would have been approximately HK\$20,189,000. The additional annual depreciation arising from the revaluation is approximately HK\$107,000.

At 31 March 2000, certain land and buildings and machinery and equipment of the Group with an aggregate net book value of approximately HK\$5.9 million were pledged to banks to secure general banking facilities granted to the Group.

12. INTERESTS IN SUBSIDIARIES

	2000 HK\$'000
Unlisted shares, at cost	47,747
Due from subsidiaries	34,870
	<hr/>
	82,617
	<hr/> <hr/>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

31 March 2000

12. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries, all of which were acquired pursuant to the Group reorganisation as described in note 1 to the financial statements, are as follows:

Company	Place and date of incorporation/ registration	Issued and paid-up capital/ registered capital	Attributable equity interest	Principal activities
Winstar Venture Limited	BVI 1 September 1999	US\$200 Ordinary	100%	Investment holding
Wah Sang Gas Investment Group Limited ("Wah Sang Gas") (formerly known as Wah Sang Securities Limited)	Hong Kong 15 April 1992	HK\$2 Ordinary HK\$29 million Non-voting deferred (note b)	100%	Investment holding and sale of equipment
Tianjin Wahsang Gas Enterprise Co., Ltd. ("Tianjin Wahsang")	PRC 16 March 1994	US\$3 million (note c)	90%	Construction of gas pipelines, production and sale of gas
Zibo Wah Sang Gas Co., Ltd. ("Zibo Wah Sang")	PRC 7 April 1999	HK\$25 million (note d)	90%	Construction of gas pipelines, production and sale of gas
Sanhe Yansang Gas Development Co., Ltd. ("Sanhe Yansang")	PRC 31 October 1996	RMB7,602,112 (note c)	75%	Construction of gas pipelines, production and sale of gas
Dezhou Wah Sang Gas Co., Ltd. ("Dezhou Wah Sang")	PRC 28 September 1999	RMB5 million (note e)	(note e)	Construction of gas pipelines, production and sale of gas



12. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

- (a) Except for Winstar Venture Limited, which is held directly by the Company, all the above subsidiaries are held indirectly by the Company.
- (b) The non-voting deferred shares carry no right to dividends, no right to attend or vote at general meetings and no right to receive any surplus assets in a return of capital in winding-up.
- (c) Tianjin Wahsang and Sanhe Yansang are Sino-foreign equity joint ventures and have tenures of 50 years.
- (d) Zibo Wah Sang was a Sino-foreign equity joint venture with a tenure of 50 years. In January 2000, the Group and the PRC joint venture partner of Zibo Wah Sang entered into a supplementary agreement to change Zibo Wah Sang from an equity joint venture to a co-operative joint venture. Pursuant to the supplementary joint venture agreement, the Group's share of the registered capital of Zibo Wah Sang will increase from 90% to 100% and the PRC joint venture partner will be responsible for market development and the provision of certain operating facilities as specified in the agreement. The PRC joint venture partner will be entitled to receive certain payments from Zibo Wah Sang based on its activity level and the Group is entitled to receive the remaining profits and is responsible for all losses, if any, of Zibo Wah Sang. On dissolution of the joint venture, the Group shall be entitled to 100% of the remaining net assets. The agreement has been approved by the relevant PRC authorities on 28 March 2000.

At the date of the directors' approval on these financial statements, Zibo Wah Sang had outstanding registered capital contribution of approximately HK\$17.3 million which is due solely from the Group in accordance with the aforesaid agreement. The outstanding registered capital has to be paid on or before 6 April 2002.

- (e) Dezhou Wah Sang is a Sino-foreign co-operative joint venture with a tenure of 50 years. At the date of the directors' approval on these financial statements, Dezhou Wah Sang had outstanding registered capital contribution of RMB3.19 million which is due solely from the Group. The outstanding capital has to be paid by March 2001. The PRC joint venture partner is responsible for procuring a 980 sq.m. office premise for the use of Dezhou Wah Sang during the joint venture tenure.

Pursuant to the joint venture agreement, for the period from 28 September 1999 to 31 December 2001, the PRC joint venture partner is entitled to receive certain payments from Dezhou Wah Sang based on its activity level and the Group is entitled to receive the remaining profits and is responsible for all losses, if any, of Dezhou Wah Sang. Thereafter, the Group and the PRC joint venture partner will share the profits or losses of Dezhou Wah Sang in the ratio of 95 to 5. On dissolution of the joint venture, the Group and the PRC joint venture partner will share the remaining net assets in the ratio of 90 to 10.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

31 March 2000

13. INVENTORIES, AT COST

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials	1,274	439
Equipment held for sale and others	648	371
	<u>1,922</u>	<u>810</u>

14. DUE FROM/TO RELATED COMPANIES

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group	31 March 2000 HK\$'000	Maximum outstanding during the year HK\$'000	1 April 1999 HK\$'000
	Tianjin Wah Sang International Trading Ltd.	<u>–</u>	<u>5,403</u>

The above amount was unsecured, interest-free and fully settled during the year.

The amounts due to related companies are unsecured, interest-free, and have no fixed terms of repayment.

15. SHORT TERM BANK LOANS

As at 31 March 2000, the short term bank loans bore interest at rates ranging from 7.0% to 8.7% per annum and were secured by:

- (i) certain machinery and equipment of the Group with an aggregate net book value of approximately HK\$1.8 million;
- (ii) certain land and buildings of the Group with an aggregate net book value of approximately HK\$4.1 million; and
- (iii) corporate guarantees of approximately HK\$30 million (RMB32 million) executed by Tsinlien Group Company Limited. Tsinlien Group Company Limited is the ultimate holding company of Santa Resources Limited, a substantial shareholder of the Company.



16. DEFERRED INCOME

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Progress payments received	1,187	3,022
Less: Contract costs incurred to date	(596)	(1,416)
	<u>591</u>	<u>1,606</u>

17. LOANS FROM SHAREHOLDERS

The loans from shareholders as at 31 March 1999 were unsecured and interest-free and owed by Wah Sang Gas to its then shareholders. Pursuant to an ordinary resolution passed on 27 July 1999, the loans were capitalised and converted into additional share capital of Wah Sang Gas.

18. SHARE CAPITAL

The following changes in the authorised and issued share capital of the Company took place during the period from 25 October 1999 (date of incorporation) to 31 March 2000:

- (a) On 25 October 1999 (date of incorporation), the authorised share capital was HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each, all of which were allotted and issued nil paid on 28 October 1999;
- (b) On 26 February 2000, the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 499,000,000 ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the then existing issued share capital of the Company;
- (c) On 26 February 2000, pursuant to the Group reorganisation described in note 1 to the financial statements, the Company acquired the entire issued share capital of Winstar Venture Limited in consideration for (i) the allotment and issue of 1,000,000 shares, all credited as fully paid, and (ii) the crediting as fully paid at par the 1,000,000 shares which were allotted and issued nil paid on 28 October 1999;
- (d) On 15 March 2000, the Company issued 143,500,000 shares of HK\$0.10 each at par credited as fully paid to its then shareholders, in proportion to their then shareholdings, by way of capitalisation of the sum of HK\$14,350,000 standing to the credit of the share premium account arising from the share placement (the "Placing") mentioned in (f) below;
- (e) On 15 March 2000, the Company issued 4,500,000 shares of HK\$0.10 each at par to Oriental Patron Asia Limited ("Oriental Patron") for professional services rendered. The shares were credited as fully paid by the capitalisation of HK\$450,000 from the share premium account arising from the Placing; and
- (f) On 15 March 2000, pursuant to the listing on the GEM, the Company issued by way of share placement 37,500,000 shares of HK\$0.10 each at HK\$1.30 per share for a total cash consideration of HK\$48,750,000 before the related issue expenses, for working capital and capital expenditure purposes.

31 March 2000

18. SHARE CAPITAL (Continued)

The following is a summary of the above movements in the authorised and issued share capital of the Company:

	Number of shares authorised '000	Number of shares issued '000	Paid-up nominal value HK\$'000
On incorporation, shares issued nil paid	1,000	1,000	–
Increase in authorised share capital	499,000	–	–
On acquisition of Winstar Venture Limited:			
Consideration shares issued	–	1,000	100
Incorporation shares credited as fully paid	–	–	100
Capitalisation issue to be paid up from the share premium arising from the Placing	–	143,500	–
Pro forma share capital of the Group at 31 March 1999	500,000	145,500	200
Shares issued to Oriental Patron for services rendered, to be paid up from the share premium arising from the Placing	–	4,500	–
New issue on the Placing	–	37,500	3,750
Capitalisation of share premium for unpaid shares	–	–	14,800
Balance at 31 March 2000	<u>500,000</u>	<u>187,500</u>	<u>18,750</u>

On 26 February 2000, the Company approved a share option scheme (the "Scheme") under which the board of directors of the Company may, at their discretion, invite any executive director of the Company or employee of the Group to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The Scheme became effective upon the listing of the Company's shares on the GEM on 16 March 2000. During the year, no share option was issued.



19. RESERVES

Group	Share premium HK\$'000	Contributed surplus HK\$'000 (note a)	Fixed assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Enterprise development fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1998	-	4,800	-	290	-	-	(4,721)	369
Translation difference on consolidation	-	-	-	51	-	-	-	51
Net profit for the year	-	-	-	-	-	-	1,948	1,948
Profit appropriations (note c)	-	-	-	-	783	885	(1,668)	-
Dividends	-	-	-	-	-	-	(6,413)	(6,413)
At 31 March 1999 and at 1 April 1999	-	4,800	-	341	783	885	(10,854)	(4,045)
Conversion of shareholders' loans	-	24,000	-	-	-	-	-	24,000
Issue of shares	45,000	-	-	-	-	-	-	45,000
Share issue expenses	(9,985)	-	-	-	-	-	-	(9,985)
Capitalisation issue of shares	(14,800)	-	-	-	-	-	-	(14,800)
Surplus on revaluation	-	-	3,852	-	-	-	-	3,852
Translation difference on consolidation	-	-	-	111	-	-	-	111
Net profit for the year	-	-	-	-	-	-	25,033	25,033
Goodwill eliminated (note d)	-	-	-	-	-	-	(175)	(175)
At 31 March 2000	<u>20,215</u>	<u>28,800</u>	<u>3,852</u>	<u>452</u>	<u>783</u>	<u>885</u>	<u>14,004</u>	<u>68,991</u>

Company	Share premium HK\$'000	Contributed surplus HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000
Issue of shares	45,000	-	-	45,000
Share issue expenses	(9,985)	-	-	(9,985)
Capitalisation issue of shares	(14,800)	-	-	(14,800)
Contributed surplus arising from acquisition of subsidiaries	-	47,547	-	47,547
Net loss for the period	-	-	(215)	(215)
At 31 March 2000	<u>20,215</u>	<u>47,547</u>	<u>(215)</u>	<u>67,547</u>

31 March 2000

19. RESERVES (Continued)

Notes:

- (a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation as set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.
- (b) The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a Company may make distributions to its members out of its contributed surplus under certain circumstances.
- (c) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of directors) of their profit after tax (as determined in accordance with PRC GAAP), if any, to the statutory reserve and the enterprise development fund. Subject to certain restrictions set out in the relevant PRC regulations, the statutory reserve can be used to offset against accumulated losses or for the issuance of bonus shares. The enterprise development fund can be used for the future development of the subsidiaries or for the issuance of bonus shares. Neither the statutory reserve, nor the enterprise development fund is available for distribution.
- (d) Goodwill of HK\$175,000 arising on the acquisition of a 10% equity interest in Sanhe Yansang from its minority shareholder was eliminated against the Group's retained profits for the year ended 31 March 2000.

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow/(outflow) from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before tax	32,706	3,011
Deficit on revaluation of leasehold land and buildings	718	-
Provision for bad and doubtful debts	353	157
Interest income	(80)	(409)
Interest expense	2,372	1,152
Depreciation	2,021	1,351
Gain on disposal of fixed assets	-	(46)
Decrease/(increase) in amount due from a related company	5,403	(2,517)
Increase in trade receivables	(40,914)	(3,284)
Increase in prepayments and other receivables	(6,661)	(1,730)
Decrease/(increase) in inventories	(1,112)	310
Increase in trade payables	4,875	2,982
Increase/(decrease) in amounts due to related companies	(739)	452
Increase/(decrease) in deferred income, other payables and accruals	1,973	(2,052)
	<u>1,973</u>	<u>(2,052)</u>
Net cash inflow/(outflow) from operating activities	<u>915</u>	<u>(623)</u>



20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Bank loans HK\$'000	Loans from shareholders HK\$'000	Minority interests HK\$'000
At 1 April 1998	200	5,894	17,970	3,723
Cash inflow from financing activities, net	-	16,671	6,030	-
Share of profit after tax of subsidiaries	-	-	-	875
Share of changes in reserves	-	-	-	7
At 31 March 1999 and 1 April 1999	200	22,565	24,000	4,605
Cash inflow from financing activities, net	38,765	13,911	-	470
Conversion into share capital	-	-	(24,000)	-
Share of profit after tax of subsidiaries	-	-	-	4,545
Share of changes in reserves	-	-	-	453
Withdrawal of contribution by minority shareholders	-	-	-	(656)
Acquisition of minority interest	-	-	-	(538)
At 31 March 2000	<u>38,965</u>	<u>36,476</u>	<u>-</u>	<u>8,879</u>

(c) Major non-cash transactions

- (i) The reorganisation of the Group in preparation for the public listing of the Company's shares involved the acquisition of certain subsidiaries by the issuance of new shares in the Company (See note 1 to the financial statements).

Further details of the Group reorganisation and the principal steps thereof are set out in the paragraph headed "Corporate reorganisation" in the prospectus issued by the Company dated 7 March 2000.

- (ii) Pursuant to an ordinary resolution of Wah Sang Gas passed on 27 July 1999, the shareholders' loans in an aggregate amount of HK\$24 million owed by Wah Sang Gas to its then shareholders were capitalised and converted into additional share capital of Wah Sang Gas (see note 17 to the financial statements).



Notes to Financial Statements

31 March 2000

21. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no material contingent liabilities.

22. COMMITMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Capital commitments in respect of gas pipelines, machinery and equipment:		
Authorised, but not contracted for	-	-
Contracted, but not provided for	<u>31,840</u>	<u>2,706</u>
	<u><u>31,840</u></u>	<u><u>2,706</u></u>

	Group	
	2000	1999
	HK\$'000	HK\$'000
Commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	167	226
In the second to fifth years, inclusive	<u>24</u>	<u>-</u>
	<u><u>191</u></u>	<u><u>226</u></u>

	Group	
	2000	1999
	HK\$'000	HK\$'000
Commitments in respect of capital contributions to joint ventures established in the PRC contracted, but not provided for	<u>57,342</u>	<u>2,250</u>

As at 31 March 2000, the Company did not have any material commitments.



23. RELATED PARTY TRANSACTIONS

In addition to the related companies' balances as disclosed in note 14 above, the Group also had the following transactions with related companies during the year:

CONTINUING TRANSACTIONS

Name of related party	Nature of transactions	2000 HK\$'000	1999 HK\$'000
Wah Sang Properties Investment Limited (note a)	License fee for office premises and related services (note b)	219	27

DISCONTINUED TRANSACTIONS

Name of related party	Nature of transactions	2000 HK\$'000	1999 HK\$'000
Tianjin Liquefied Petroleum Gas Group Co., Ltd. (note c)	Purchase of liquefied petroleum gas (note b) Interest income (note d)	158 22	202 102
Wah Sang Gas Development Group (Cayman Islands) Limited (note a)	Payment of subcontracting charges (note b)	-	2,940
Wah Sang Trading Company Limited (note a)	Rental of office premises (note b)	-	320
Tianjin Wah Sang Property Management Co., Ltd. (note a)	Rental of office premises (note b)	-	217

31 March 2000

23. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) Wah Sang Gas Development Group (Cayman Islands) Limited is the ultimate holding company of the Company. Mr. Shum Ka Sang, a director and a substantial shareholder of Wah Sang Gas Development Group (Cayman Islands) Limited, has beneficial interests in Wah Sang Trading Company Limited, Wah Sang Properties Investment Limited and Tianjin Wah Sang Property Management Co., Ltd.
- (b) These transactions were conducted on the basis of rates agreed between the Group and the related companies, and in the case of the licence fee for the office premises and related services, in accordance with the terms of the licence agreement between the Company and Wah Sang Properties dated 1 November 1999 and a further supplemental agreement, as from 18 February 2000.
- (c) Prior to July 1999, Tianjin Liquefied Petroleum Gas Group Co., Ltd. had a 10% interest in Tianjin Wahsang. In July 1999, Tianjin Liquefied Petroleum Gas Group Co., Ltd. disposed of its interest in Tianjin Wahsang to a company related to Tsinlien Group Company Limited.
- (d) Interest income received from Tianjin Liquefied Petroleum Gas Group Co., Ltd. was at an annual rate of 4.032% (1999: 4.62%) per annum during the year.

In the opinion of the directors, all the above transactions were conducted in the normal course of the Group's business.

24. POST BALANCE SHEET EVENT

On 5 April 2000, pursuant to the over-allotment arrangement, the Company further issued 5,600,000 shares of HK\$0.10 each at HK\$1.30 per share for a total cash consideration of HK\$7,280,000 for working capital purposes.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 June 2000.

Notice of Annual General Meeting



NOTICE is hereby given that an annual general meeting of Wah Sang Gas Holdings Limited (the "Company") will be held at Coral Room One, 3rd Floor, Furama Hotel, 1 Connaught Road Central, Hong Kong on 25th July, 2000 at 3:00 p.m. for the purpose of considering and, if thought fit, inter alia, passing the following resolutions as an ordinary resolution of the Company:

1. To receive and consider the audited pro forma combined financial statements and the reports of the directors and auditors of the Company for the year ended 31st March, 2000.
2. To re-elect retiring directors and authorise the Directors to fix their remuneration.
3. To appoint auditors and authorise the Directors to fix their remuneration.
4. By way of special business, to consider and, if thought fit, pass with or without alterations, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) **THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:
 - (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
 - (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company



Notice of Annual General Meeting

repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution).

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company, the Companies Act of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to the holdings of shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).

(2) **THAT:**

- (a) subject to paragraph (b) below the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its Shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited, the Companies Act of Bermuda and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

Notice of Annual General Meeting



- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent, of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (c) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company, Companies Act of Bermuda or any other applicable law of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.
- (3) **THAT** the Directors of the Company be and they are hereby authorised to exercise the authority referred to in the paragraph (a) of Resolution no. 4(1) above and in the paragraph (a) of Resolution no. 4(2) above.

By order of the Board

Shum Ka Sang

Chairman

Hong Kong, 26th June, 2000



Notice of Annual General Meeting

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong liaison office:

Unit 1904, 19th Floor
Causeway Bay Plaza II
483 Lockhart Road
Causeway Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited to the Company's Hong Kong branch share registrar, HKSCC Registrars Limited of 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.