



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

ANNUAL REPORT 2000-2001



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CORORATE INFORMATION

EXECUTIVE DIRECTORS

Shum Ka Sang, *Chairman*
Wang Guanghao, *Honorary Chairman*
Kong Siu Keung
Choi Yat Choy
Shen Yi
Chen Cuiwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Eng Leong
Cui Shuming

COMPLIANCE OFFICER

Kong Siu Keung, *FCCA*

QUALIFIED ACCOUNTANT

Kong Siu Keung, *FCCA*

COMPANY SECRETARY

Kong Siu Keung, *FCCA*

AUTHORISED REPRESENTATIVES

Shum Ka Sang
Choi Yat Choy

MEMBERS OF THE AUDIT COMMITTEE

Ng Eng Leong
Chen Cuiwan
Cui Shuming

REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

WEBSITE

www.wahsanggas.com.hk

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

Hong Kong 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 – Registered 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
40th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

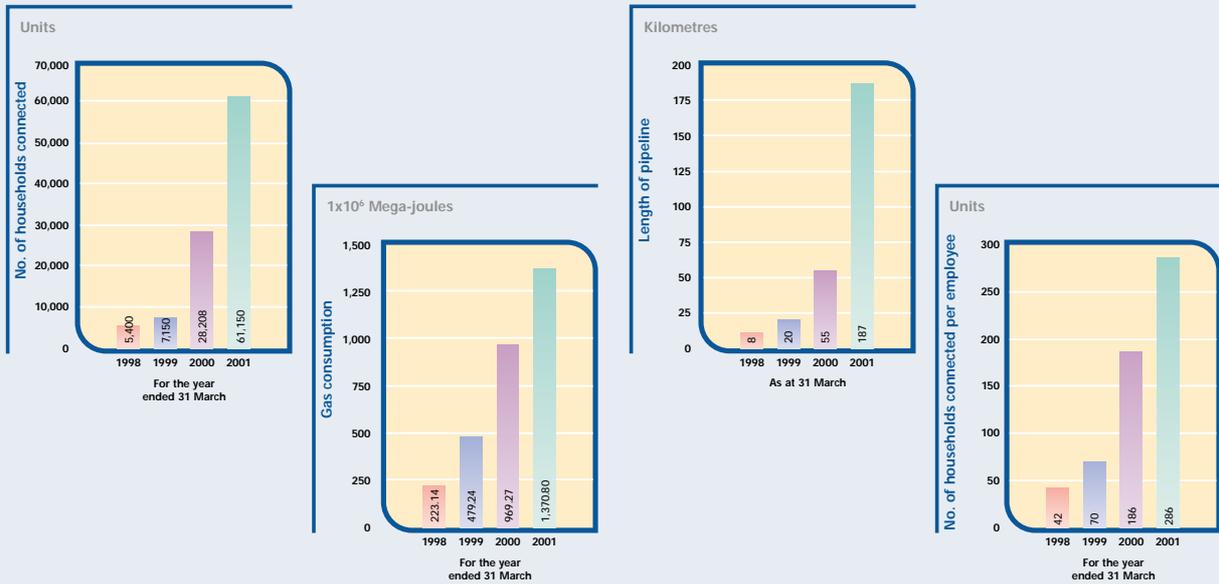
The Agricultural Bank of China
No. 61 Beijing Road
Nankai District
Tianjin
PRC

China Construction Bank
No.19 one plus Nanjing Road
Hexi District
Tianjin
PRC

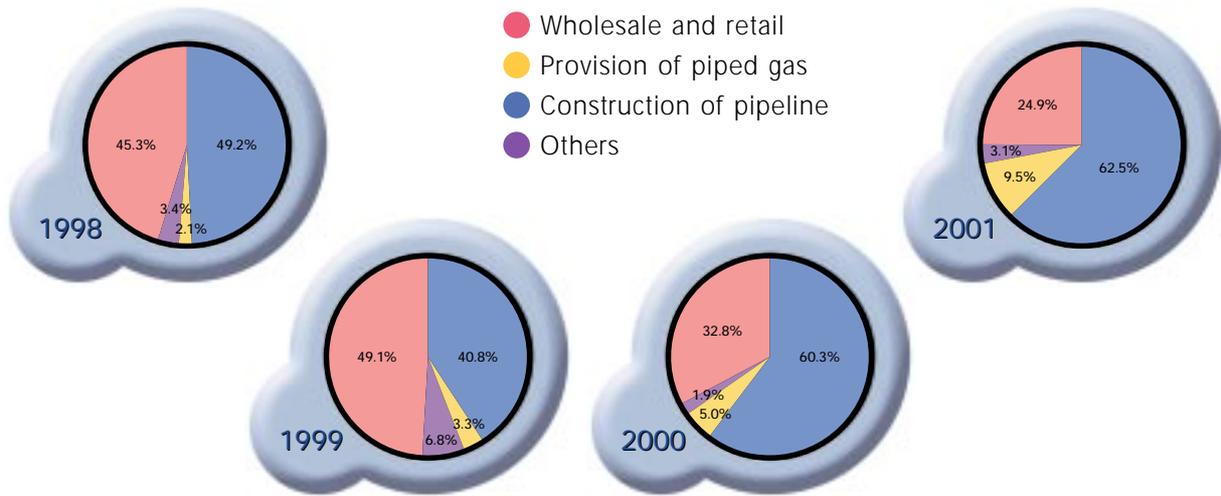


OPERATION AND FINANCIAL SUMMARY

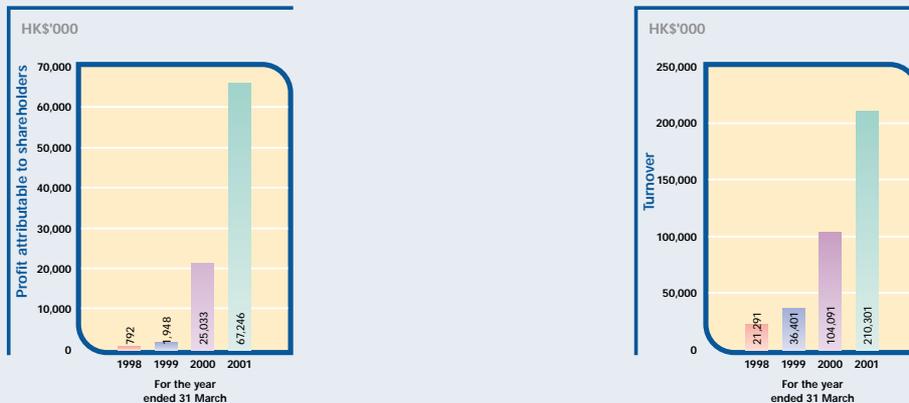
OPERATION FIGURES



SALES BY PRODUCTS



FINANCIAL FIGURES



Dedicated to Innovation and Improvement





CHAIRMAN'S STATEMENT



I am pleased to announce that the Group has attained remarkable results for the year ended 31 March 2001. Profit attributable to shareholders increased sharply from HK\$25.0 million to HK\$67.2 million, representing a growth of 1.7 times over the previous year. Earnings per share increased from HK17.00 cents to HK34.76 cents, representing a growth of approximately 100% over the previous year. The encouraging results were attributable to the tremendous efforts made by the management in maximising the return of shareholders.

MARKET ENVIRONMENT

Environmental protection

In view of the serious air pollution caused by the coal-based primary energy structure, the PRC government has shown an enormous concern for environmental protection. Seven cities in China are ranked among the ten most polluted cities in the world. Recently, the central government has strongly promoted the usage of LPG and natural gas, which are currently two of the cleanest fossil fuels available in the PRC. At present, the consumption of natural gas and LPG accounted for less than 21% of the total energy consumption in the PRC, which is significantly lower than the world average of 63%. These statistics represent a significant potential growth in the consumption of natural gas and LPG in the PRC.



CHAIRMAN'S STATEMENT

West-to-East gas transmission plan



At present, the PRC government is planning for the construction of a large pipeline to transmit natural gas from the Western to Eastern part of China. The plan is to have the main pipeline extend from Xinjiang to Shanghai and connect to certain major provinces and cities along the route, such as the Qinghai Province, Sichuan Province, Lanzhou City and Wuhan City. This huge infrastructure project represents that the PRC government is making great reform on the coal-based energy utilization structure and providing a clear support to the upstream

development of natural gas. In order for the plan to succeed, the development of the natural gas downstream market will definitely be necessary. With the downstream market development in the PRC as the main focus of the Group, the aforesaid project will create great market potentials and business opportunities to the Group.

Huge growth potential in small and medium sized cities

While the PRC economy keeps growing, it is expected that small and medium sized cities would show huge growth potential in terms of population and economies besides major cities. In 1994, only 29% of the PRC population lived in urban areas. This figure is expected to reach 35% and 40% in 2010 and 2020 respectively. The increase represents the continuous growth of economies and living standards of the PRC cities. While local governments of small and medium sized cities are actively introducing foreign investment and upgrading economic conditions, they pay particular attention and support to the development of local infrastructure projects and provide favourable policies to attract foreign investment. Since the major target markets of the Group are small and medium sized cities in China with significant development potential, the growth of economic levels in such areas and support of local governments would create a huge room for future business development of the Group.



CHAIRMAN'S STATEMENT

Concern for safety

In view of the increasing number of accidents related to infrastructure facilities in China, the PRC government has shown great concern for the safety of local infrastructure projects in recent years. The Group always emphasizes the principle of safe gas supply so as to provide a safe and reliable piped gas service for customers. All the members of the Safety and Technology Committee set up by the Group are experienced professionals in the piped gas industry. They continuously conduct research on developing and implementing safety measures, actively promote awareness of safety, ensure the maintenance of safety standards, and prevent any accidents. No serious accident has ever happened since the establishment of the Group. This excellent record has attained recognition in the industry and provided an absolute confidence to local governments, greatly benefiting the market development of the Group.



BUSINESS REVIEW



Striving to maximising profit and efficiency of the Group, management continued to adhere to the corporate culture of "Dedicated to innovation and improvement". During the year, the Group succeeded in expanding market shares in the Northern part of China and continued to effectively control capital expenditures and operating costs required to provide quality services of gas supply in each location.

Connection fees

The Group receives one-off connection fees from property developers or property management companies in respect of the construction of pipelines connecting each household to the Group's main pipeline networks. At the beginning of the year, there were 22 stations providing piped gas in Tianjin City, Hebei Province and Shandong Province. During the year, an addition of 9 piped gas stations have been built in certain cities and counties in Tianjin City, Hebei Province and Shandong Province. With the eager support of the local governments to develop piped gas infrastructures, the Group has completed connection for 61,150 households during the year, representing a growth of 1.2 times from the previous year.



CHAIRMAN'S STATEMENT

Piped gas

During the year, the piped gas provided by the Group was principally in the form of a mixture of LPG and air ("mixed gas"). The Group operates pipeline networks through which mixed gas is transmitted from the Group's 31 piped gas stations for the consumption of residential and industrial customers. The total length of the main pipeline networks of the Group reached 187 kilometres as at 31 March 2001, representing a growth of 2.4 times over the previous year. During the year, the consumption of piped gas by residential and industrial customers reached 282.70×10^6 mega-joules and 95.50×10^6 mega-joules respectively, representing a growth of 3.6 times and 43.4 times respectively over the previous year.

During the year, we have completed the construction of gas supply infrastructures in 9 additional cities and counties, which included Ninghe, Wuqing and Tianjin Port Free Trade Zone of Tianjin City, Zhuozhou and Sanhe of Hebei Province, and Guangrao, Binzhou, Xintai, Jiyang of Shandong Province. The production capacities of these infrastructures are designed to serve approximately 150,000 households in aggregate.

Wholesale and retail of LPG

As supported by our strong sales network in the Northern part of the PRC and the long-established business relationship with the major LPG suppliers, the Group also provides LPG wholesaling and retailing services to customers.

During the year, the sales volume of wholesale and retail of LPG reached 992.60×10^6 mega-joules in aggregate, representing a growth of 10% over the previous year.



Sale of gas appliances



In order to provide a wide range of gas-related services to the customers, the Group is also engaged in the retail of domestic gas appliances manufactured by local suppliers in the PRC.

Given the continuing expansion of the Group's sales network via the establishment of new gas stations in the PRC, the sales volume of domestic gas appliances reached 25,127 units during the year, representing a growth of 5.6 times over the previous year. As a gesture of goodwill, we also provide timely inspection and repairing services to our gas customers who are using the gas appliances sold by the Group. The Group's reputation of providing quality services has been further solidified.





CHAIRMAN'S STATEMENT

SUCCESSFUL ISSUANCE OF NEW SHARES IN FEBRUARY 2001

On 12 February 2001, the Company successfully issued 3,500,000 new shares at a price of HK\$6.00 per share. Apart from providing new funding for the Group to establish new gas stations in Shandong Province and Hebei Province, the issuance of new shares has also broadened the shareholder base of the Company.

BUSINESS DEVELOPMENT

Expansion of geographic coverage

Prior to the completion of the West-to-East gas transmission pipeline project, the supply of natural gas in the Northern part of the PRC is still very limited. In light of this opportunity, we continued to explore markets and provide piped gas in mixed gas in areas along the proposed route of the aforementioned gas transmission pipeline where the supply of natural gas is not yet available. The mixed gas supply infrastructures of the Group are designed to be compatible with natural gas because the heating value of mixed gas is equal to that of natural gas. In this respect, the application of mixed gas will be switched to natural gas once the supply of natural gas is secured upon the completion of the West-to-East gas transmission pipeline project. During the year, we have met with the local government of certain potential markets in Hebei Province, Shandong Province and Jiangsu Province. Letters of intent have been concluded with the local government of certain cities.

Development of industrial and commercial customer base



Foreseeing the significant potential growth in the demand of gas fuel resulting from the fast-growing economy and the favourable investment environment as contributed by China's imminent entry into the World Trade Organization, the Group is actively engaged in the development of industrial markets in the PRC. During the year, the Group has conducted studies on the economic growth and technical requirements of the major economic development zones in certain cities. Certain potential profitable markets have already been identified and further negotiations with the local governments are currently in progress. The Group's market

development strategy is to grow our business under a balanced portfolio of residential, commercial and industrial customers.

Diversification of energy sources

In order to offer competitive prices to our customers and secure a healthy gross profit margin, the Group has recently started to use natural gas in certain locations in Tianjin City and Hebei Province where this is justified on the grounds of lower cost. For those locations where the application of natural gas is not cost-effective, LPG remains the primary source of raw materials used to provide mixed gas to our customers. Within these locations, the mixed gas facilities can also support the provision of retailing and wholesaling services. The effective combination between the application of LPG and natural gas is an important element for the steady increase of the Group's piped gas revenue in the PRC.

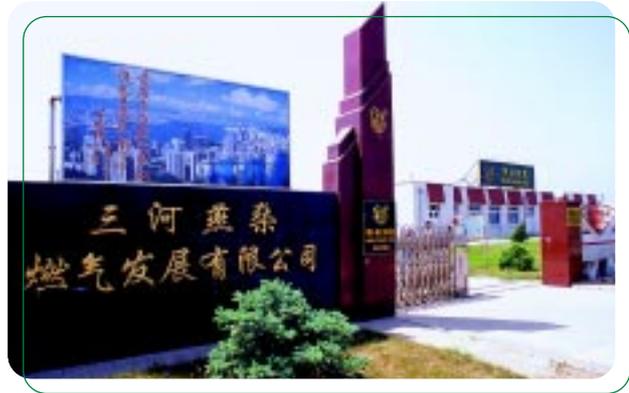


CHAIRMAN'S STATEMENT

Development of natural gas business

Satisfactory progress has been achieved by the Group in its bid to develop piped natural gas supply services in appropriate local areas while developing piped mixed gas business.

Recently, test-running of supplying natural gas as piped gas through the subsidiary companies in Yanjiao and Qinhuangdao of Hebei Province to local households has been successful. It laid a significant foundation for the Group to diversify its energy supply in the future, as well as enhancing the economies of scale of the Group.



Apart from households, industrial customers were served by the piped natural gas supply of the Group through its expansion of service into industrial areas. The Group has recently started to supply natural gas in Tianjin Port Free Trade Zone and the industrial zone in Wuqing of Tianjin City. Considerable amount of income and profit is expected to be derived from this business shortly.

Development of gas vehicles

As the PRC government shows growing concern for air pollution, certain policies have been introduced in major cities to encourage the use of gas vehicles. Foreseeing the promising potential growth in this business, the Group is actively engaged in meetings with the local government of certain cities to explore the possibility of operating LPG refueling stations. Since the development of gas vehicles in each city is highly dependent on the central policy of the PRC government, the feasibility of such business is still subject to further study and analysis.

CORPORATE CULTURE



To maintain a strong competitive position in the industry, the Group continues to carry forward the corporate culture of "Dedicated to innovation and improvement", to attract people who suit our corporate culture, and to provide quality services to our customers.



CHAIRMAN'S STATEMENT

RESEARCH AND DEVELOPMENT



Our in-house research and development division has been conducting studies on the possibilities of using different environmentally friendly energy sources to provide gas service to our customers. As discussed above, effective diversification of energy sources is one of the major objectives of the division.

In order to strengthen the profitability and competitiveness of the Group, the division is also actively engaged in the continuous improvement of operating efficiency, particularly in gas processing, storage and transportation methods. In the long run, the Group will also conduct research via our in-house division and work with various external professionals on the development of other energy sources in the PRC.

SCIENTIFIC MANAGEMENT

Facing the rapid expansion of existing operations, the Group has been focusing on improving the management structure so as to strengthen our operating efficiency. In view of the need for a professional management, the Group has been recruiting appropriate people with solid experience to head our major departments.

In addition, our management team is also actively involved in training programs organised by certain professional institutes. We have also actively consulted external professional advisers to improve the quality of our management team and structure. In order to enhance communication and achieve a better understanding, meetings are held regularly between the senior management of the major departments to resolve business and management issues.

FOCUS ON QUALITY SERVICE

To strengthen the competitiveness of the Group, we have paid considerable efforts during the year in improving the quality of services provided to our customers.

Central service centre in each of the gas stations is established to handle enquiries, emergency reports and safety seminars. In conjunction with the recent growth in the sales of gas appliances, our service centre is also engaged in the provision of after-sales inspection and repairing services to our customers. Through our distribution network in the PRC, our well-trained employees conduct surveys on a regular basis to identify the local customers' needs of gas-related services in each location. Such practice is believed to be helpful for the Group to improve the quality of services and explore business opportunities. During the year, the Group has obtained an ISO 9002 certification which reflects the Group's commitment to quality service.





CHAIRMAN'S STATEMENT

OPERATION PHILOSOPHY



The operation philosophy of the Company –“Safe products and quality service mean customer satisfaction”– was further acknowledged by general users. At the turn of the new century, just as the economy of the PRC was blooming, the Group was already well-equipped with an operation system of a conglomerate in respect of its corporate culture to human resources, safety control to innovation of technology, and operation structure to long-term strategies.

OUTLOOK

The Group has achieved remarkable results during the year. As the economy of the PRC continues to grow at a rapid pace, the business prospects of the Group are very optimistic.

The Group will strive to maintain its leading position in the gas fuel industry in small and medium sized cities in China, continue to explore investment opportunities, improve the profitability of the Group and maintain stable profit growth. The Directors believe that, with clearly defined development strategies, the Group will certainly be able to strengthen its competitiveness, procure continuous business growth and increase the shareholders' value.

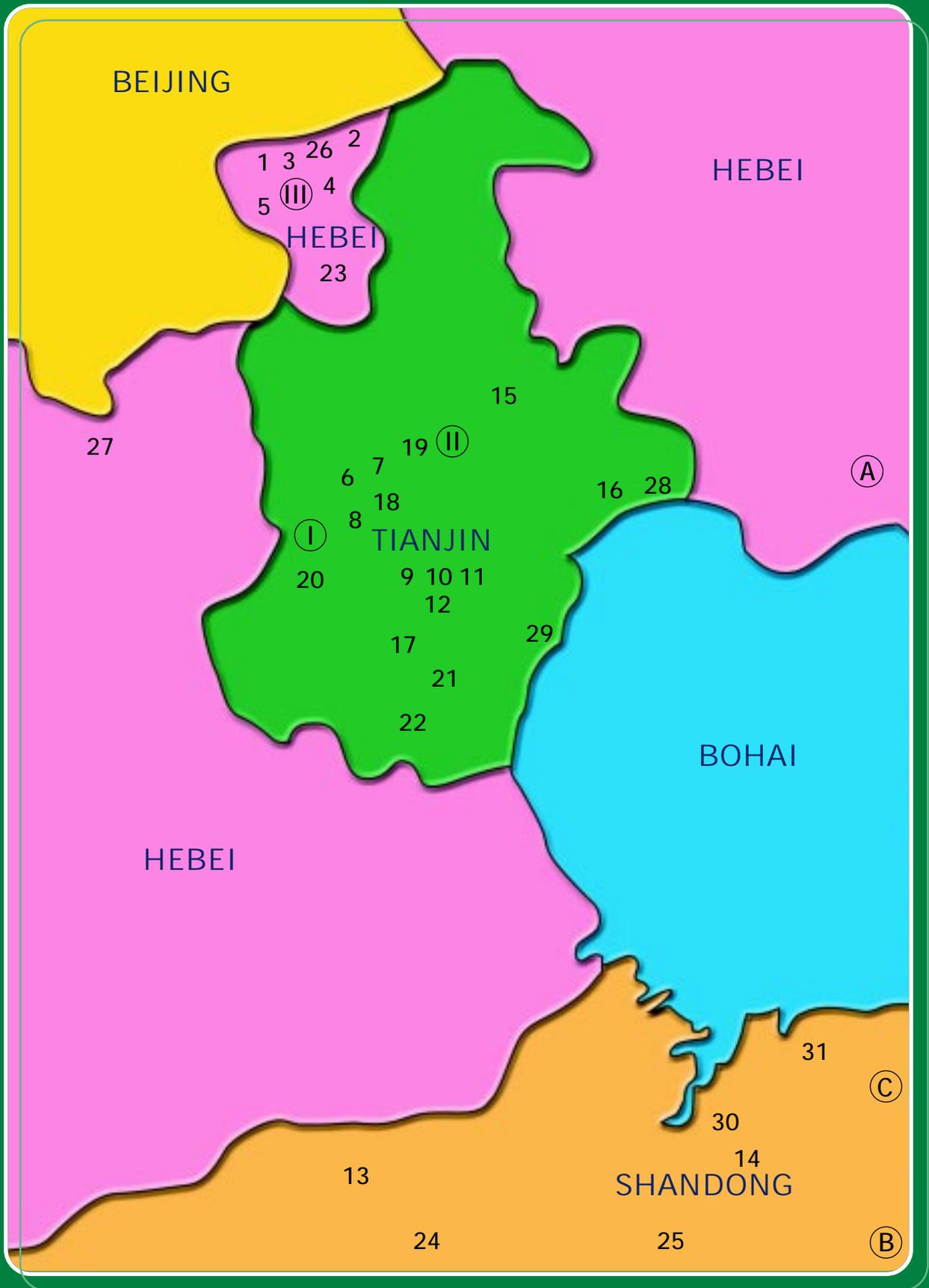
Finally, on behalf of the board of directors, I would like to thank all our shareholders for their support and our employees for their dedicated efforts in contributing to the success of the Group.

Shum Ka Sang
Chairman

20 June , 2001



DISTRIBUTION OF MAJOR GAS STATIONS





DISTRIBUTION OF MAJOR GAS STATIONS

Gas stations in operation

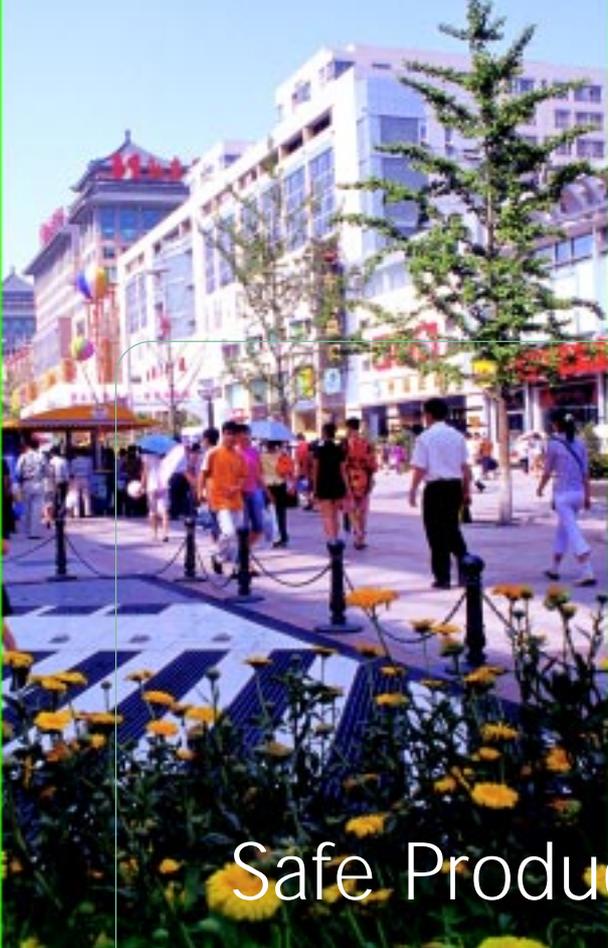
1. Yanjiao
2. Guoshui
3. Sanhe Coal-power Plant District
4. Kangju
5. Xinggong
6. Guangsha
7. Hepingli
8. Xixian
9. Nankai
10. Xilou
11. Taierzhuang
12. Tabei
13. Qihe
14. Huantai
15. Baodi
16. Ninghe Binxin
17. Dasi
18. Yucai Road
19. Wuqing
20. Xiezhuang
21. Wangcun
22. Zhongtang
23. Xianghe
24. Jiyang
25. Xintai
26. Sanhe
27. Zhuozhou
28. Ninghe
29. Tianjin Port Free Trade Zone
30. Binzhou
31. Guangrao

Stations under construction

- A. Qinhuangdao
- B. Jiaonan
- C. Changle

Storage depots

- I. Wangqingtuo
- II. Wuqing
- III. Yanjiao



Safe Products and
Quality Service
Mean Customer Satisfaction





BUSINESS REVIEW



RESULT HIGHLIGHTS

The results of the Group for the year ended 31 March 2001 are summarised below:

- Turnover increased to approximately HK\$210.3 million, representing a growth of 1.0 time over the previous year;
- Profit from operating activities increased to approximately HK\$74.1 million, representing a growth of 1.1 times over the previous year; and
- Net profit attributable to shareholders increased to approximately HK\$67.2 million, representing a growth of 1.7 times over the previous year.



TURNOVER

The Group is principally engaged in the business of gas fuel supply in the PRC and its main activities include the following:

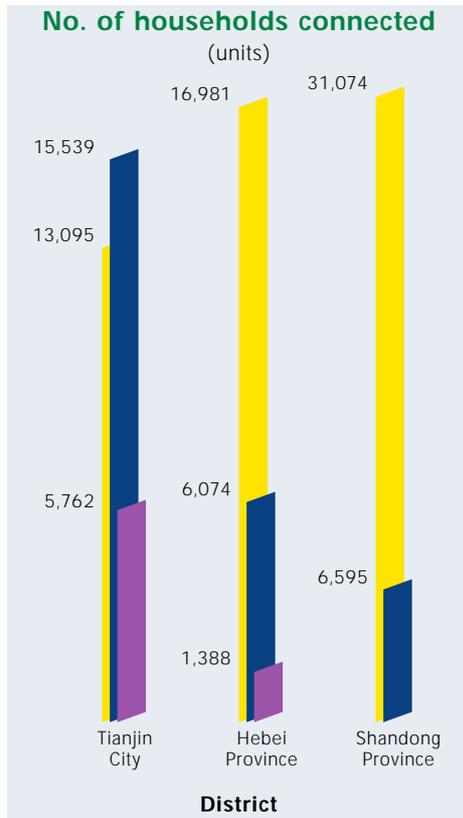
- construction of gas pipeline networks;
- provision of piped gas for domestic and industrial customers;
- wholesale and retail of LPG for domestic, industrial and commercial customers; and
- sale of gas appliances.

Turnover of the Group for the year is analysed as follows:

	For the year ended	
	31 March 2001	31 March 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gas pipeline construction	131,366	62,775
Sale of LPG and piped gas	72,341	39,300
Sale of gas appliances and others	6,594	2,016
	<u>210,301</u>	<u>104,091</u>



BUSINESS REVIEW



■ For the year ended 31 March 2001
■ For the year ended 31 March 1999
■ For the year ended 31 March 2000

Construction of gas pipeline networks

The Group receives connection fee from property developers or property management companies for the construction of gas pipelines which connect each household to the Group's main gas pipeline networks. At the beginning of the year, there were 22 piped gas stations situated in Tianjin City, Hebei Province and Shandong Province. During the year, an addition of 9 piped gas stations have been constructed in certain cities and counties in Tianjin City, Hebei Province and Shandong Province.

During the year under review, the Group recorded a growth of 1.1 times in revenue of connection fee for the completion of connection for approximately 61,150 households, representing an increase of 1.2 times over the previous year.

During the year under review, the Group has successfully secured monopoly-right agreements with local governments to operate piped gas business in the following areas:

- Ninghe of Tianjin City and Guangrao of Shandong Province where construction of gas stations has been completed during the year;
- Qinhuangdao of Hebei Province, and Changle and Jaonan of Shandong Province where gas stations are under construction as at 31 March 2001; and
- Jiaxiang, Boxing, Weishan, Jiaozhou of Shandong Province; and Yizheng of Jiangsu Province where gas stations have yet to be built.

The designed capacity of the gas stations built and to be built in the above locations is estimated to cover approximately 200,000 households in aggregate.

As of the date of this report, the Group has secured monopoly-right agreements, including the aforementioned new projects, to provide gas for approximately 700,000 households in aggregate, representing an increase by approximately 75% over the previous year.

Provision of piped gas

As the reputation of the Group was well-recognised by local governments and residents in the past few years, there was a tremendous growth in the number of piped gas customers in Tianjin City, Hebei Province and Shandong Province. The Group's quality service has also attracted a large number of industrial customers in the same areas.

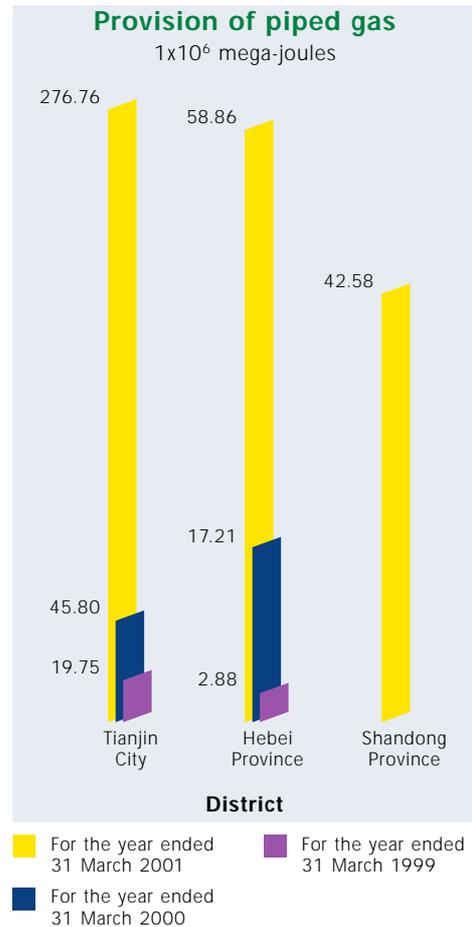
The Group's total length of main pipeline networks increased from approximately 55 kilometres as at 31 March 2000 to approximately 187 kilometres as at 31 March 2001, representing an increase of 2.4 times over the previous year. During the year under review, consumption of piped gas by residential and industrial customers increased to approximately 282.70 x 10⁶ mega-joules and 95.50 x 10⁶ mega-joules respectively, representing a growth of 3.6 times and 43.4 times respectively over the previous year.

Wholesale and retail of LPG

As supported by our strong sales network in the Northern part of the PRC and the long-established business relationship with the major LPG suppliers, the Group also provides wholesaling and retailing services to customers via the following:

- (i) Sale of LPG via gas cylinders to the residential customers where the supply of piped gas has not yet been extended;
- (ii) Delivery of LPG via tank trucks to the storage facilities of local gas distributors, industrial and commercial customers; and
- (iii) Refueling of gas cylinders brought from customers at the gas stations and storage depots operated by the Group.

During the year, the sales volume of wholesale and retail of LPG reached 992.60 x 10⁶ mega-joules in aggregate, representing a growth of 10% over the previous year.





BUSINESS REVIEW



Sale of gas appliances

The Group is also engaged in the retail of domestic gas appliances manufactured by local suppliers in the PRC via our sales network established by the various gas stations. The sales volume of domestic gas appliances increased to 25,127 units during the year, representing a growth of 5.6 times over the previous year.



Financial position

As at 31 March 2001, the total assets and total liabilities of the Group amounted to approximately HK\$300.8 million and HK\$107.9 million respectively. The cash balance of the Group as at the same date amounted to approximately HK\$31.7 million. The Group has the financial strength necessary to carry out the existing business plans and development.

ISSUANCE OF NEW SHARES

On 5 April 2000, pursuant to the over-allotment arrangement, the Company issued 5,600,000 shares at a unit price of HK\$1.30 per share. On 12 February 2001, the Company successfully further issued 3,500,000 new shares at a price of HK\$6.00 per share. The proceeds were used for the establishment of new gas stations in Hebei Province and Shandong Province.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

Set out below is a summary of the actual business progress of the Group as measured against the business objectives up to 31 March 2001 as set out in the Group's prospectus dated 7 March 2000 (the "Prospectus"):

	As at 31 March 2001	
	Business objectives as set out in the Prospectus	Actual business progress
SALES		
Piped gas fuel		
• Gas consumption (mega-joules)		
– Domestic	306.99 x 10 ⁶	282.70 x 10 ⁶
– Commercial/Industrial	9.01 x 10 ⁶	95.50 x 10 ⁶
• Total no. of households connected (unit) (measured by no. of meters installed)		
– Domestic	41,900	61,150
LPG refueling		
• Retail (mega-joules)	245.0 x 10 ⁶	238.80 x 10 ⁶
• Wholesale (mega-joules)	837.0 x 10 ⁶	753.80 x 10 ⁶
Pipeline network construction		
• Total length of main pipelines to be constructed (metres)	46,100	50,000
• Total length of main pipelines in operation (metres)	179,700	187,061
Others		
• Geographic coverage for sales of gas fuel	<ul style="list-style-type: none"> • Tianjin City – 7 • Hebei Province – 4 • Shandong Province – 4 	<ul style="list-style-type: none"> • Tianjin City – 7 • Hebei Province – 4 • Shandong Province – 6

As at 31 March 2001

**Business objectives as
set out in the Prospectus** **Actual business progress**

OPERATION FACILITIES

No. of gas processing stations

• in operation	<ul style="list-style-type: none"> • Tianjin – 15 • Hebei Province – 7 • Shandong Province – 4 	<ul style="list-style-type: none"> • Tianjin – 17 • Hebei Province – 8 • Shandong Province – 6
• under construction	0	3

No. of storage depots

• in operation	4	3
• under construction	0	0

PURCHASES & SUPPLIES

• Renew LPG purchase agreements	• LPG purchase agreements have been renewed
• Engage additional LPG suppliers in Shandong Province	• Additional LPG suppliers in Shandong Province have been engaged

No. of suppliers

• LPG/propane/butane	9	9
• Heavy oil	2-3	2

**LPG equipment and domestic
gas appliance**

• No. of suppliers	8	12
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SUBCONTRACTING

• No. of contractual arrangements made for construction of branch pipeline networks	6	16
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BUSINESS REVIEW

As at 31 March 2001

**Business objectives as
set out in the Prospectus**

Actual business progress

SALES & MARKETING

Market development

- | | |
|--|---|
| <ul style="list-style-type: none"> • Concentrate marketing effort on development of piped gas fuel in Weifang district, Shandong Province • Sign monopoly-right agreements for the development of piped gas fuel in Jindong Peninsula, Qingdao and Yantai in Shandong Province | <ul style="list-style-type: none"> • Marketing effort has been concentrated in Hebei Province, Shandong Province and Jiangsu Province • Monopoly-right agreements have been signed for the development of piped gas fuel in certain districts in Shandong Province and Jiangsu Province |
|--|---|

Market research

- | | |
|--|--|
| <ul style="list-style-type: none"> • Conduct a market researches for Weifang district in Shandong Province, Hebei Province and Guangxi Autonomous | <ul style="list-style-type: none"> • Market researches for several districts in Hebei Province, Shandong Province and Jiangsu Province have been completed. |
|--|--|

PLANT & MACHINERY

• Gas mixing machines	34	36
• Tanks	48	61
• Compressors	14	19

MANAGEMENT SYSTEM

- | | |
|---|--|
| <ul style="list-style-type: none"> • Obtain ISO 9000 certification | <ul style="list-style-type: none"> • ISO 9002 certification has been obtained |
|---|--|

HUMAN RESOURCES

• Management	20	18
• Sales and Marketing	20	19
• Engineering	19	21
• Gas station operation	215	217
• Purchases and supplies	28	28
• Finance	21	32
• Administration	22	22
	<hr/>	<hr/>
Total	<u>345</u>	<u>357</u>

Reasons for major difference between business objectives and actual business progress:

(1) Sales: Piped gas fuel

– Gas consumption: Domestic

Due to the unexpected delay in obtaining approval from the relevant authority in certain locations in Shandong Province and Hebei Province, the commencement date of supplying gas to the residential customers in these locations was postponed. Accordingly, there was a shortfall of approximately 8% in the sales volume of domestic piped gas compared with the business objectives as set out in the Prospectus.

– Gas consumption: Commercial/Industrial

With the proven equipment design and favourable market environment, the Group successfully provided piped gas to industrial customers ahead of schedule. The directors of the Group is confident that the development of industrial market will have a considerable contribution to the future revenue and earning quality of the Group.

(2) Sales: LPG refueling

– LPG wholesaling

The wholesale customers of LPG were mainly those industrial customers in the areas where piped gas services have not yet been extended to. During the year, wholesale refueling business fell behind the business objective by 9.9%. The main reason was that the Group succeeded in extending its pipeline network to certain industrial customers ahead of schedule. As a result, several industrial and commercial wholesale customers started to use piped gas earlier than expected.

PROCEEDS FROM ISSUANCE OF NEW SHARES

On 15 March 2000 and 5 April 2000, the Group issued 37,500,000 shares and 5,600,000 shares respectively at HK\$1.30 per share for a total cash consideration of HK\$56,030,000 in aggregate. During the year, the Group has utilised approximately HK\$14,800,000 in accordance with the Group's development plan for the following gas stations as set out in the Prospectus:

	For the year ended 31 March 2001	
	Planned use of proceeds as set out in the Prospectus	Actual use of proceeds
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Wuqing Gas Station	0.4	0.4
Zhuozhou Gas Station	5.4	5.4
Hengshui Gas Station	2.7	0.4
Qihe Gas Station	1.0	1.0
Huantai Gas Station	2.8	3.0
Jiyang Gas Station	1.1	1.4
Xintai Gas Station	3.2	3.2
	16.6	14.8
	16.6	14.8

Reason for major difference:

Hengshui Gas Station

As a result of the unexpected delay in obtaining approval from the relevant authority in Hengshui gas station, the construction of the gas station has been postponed.



DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

SHUM Ka Sang, aged 52, is the Founder, Chairman, Chief Executive Officer and an Executive Director of the Company. Mr. Shum is responsible for the formulation of corporate culture, corporate strategies and major decisions of the Group. Mr. Shum is also the Chairman and a Director of Wah Sang Gas Development Group (Cayman Islands) Limited. Mr. Shum 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 62, is the Honorary Chairman and an Executive Director of the Company. Mr. Wang 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. Mr. Wang is also the Chairman, General Manager and Executive Director of Tianjin Development Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Wang graduated from Tianjin Mechanical Engineering Institute in 1962 and is a senior engineer. Prior to May 1996, Mr. Wang 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.

KONG Siu Keung, aged 32, is an Executive Director and the Chief Financial Officer of the Company. Mr. Kong obtained his Bachelor of Business Administration degree from the Hong Kong Baptist College (now known as Hong Kong Baptist University) in 1992 and is a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in July 2000, Mr. Kong had over 8 years' experience of working in an international firm of accountants.

CHOI Yat Choy, aged 33, is an Executive Director and the Chief Marketing Officer of the Company. Mr. Choi is responsible for exploring business opportunities and developing the Group's business in the PRC. Mr. Choi graduated from the Department of Business Administration of Hong Kong Shue Yan College in 1992. Prior to joining the Group in April 1998, Mr. Choi had over 8 years of experience in trading and project investment in the PRC.

SHEN Yi, aged 34, is an Executive Director and the Chief Operating Officer of the Company. Mr. Shen is responsible for the management and implementation of the Group's investments in the PRC, the safety supervision of the Group's projects, securing LPG supply and monitoring the operation of the Group's business in the PRC. Prior to joining the Group in June 1994, he worked with Tianjin LPG Group and had over 10 years of experience in the gas fuel industry, particularly operation management, in the PRC.

CHEN Cuiwan, aged 55, is an Executive Director of the Company. Ms. Chen joined the Group in November 1998. Ms. Chen is also an Executive Director of Tianjin Development Holdings Limited. Ms. Chen graduated from Tianjin Foreign Trade School in 1964, and Tianjin Economics and Finance Institute in 1990. Ms. Chen is now a senior economist. Before November 1994, Ms. Chen 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.



DIRECTORS, SENIOR MANAGEMENT AND STAFF

INDEPENDENT NON-EXECUTIVE DIRECTORS

NG Eng Leong, aged 50, is an Independent Non-Executive Director appointed by the Company in October 2000. Mr. Ng is a fellow of The Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Society of Accountants. Mr. Ng is an Executive Director of China Foods Holdings Limited, a company listed on the Main Board of the stock exchange.

CUI Shuming, aged 64, 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 Wellnet Holdings Limited, both being companies listed on the Main Board of the Stock Exchange. Mr. Cui 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.

SENIOR MANAGEMENT

WANG Jiandong, aged 38, is the Director of Tianjin Wahsang Gas Enterprise Company Limited and Tianjin Wahsang Energy Development Company Limited, the wholly-owned subsidiaries of the Company. Mr. Wang joined the Group in July 1999 and is responsible for the coordination with the governmental authorities in Tianjin City. Mr. Wang graduated from Nankai University of Tianjin in 1989 and holds a Bachelor degree in Law and a Master degree in Economics.

FAN Bao Qi, aged 54, is the Chief Engineer of the Company and is responsible for the Group's technical research and development. Prior to joining the Group in March 1994, Mr. Fan had 20 years of experience in the gas fuel industry in the PRC.

KWONG Sze Tu, Paul, aged 27, is the Assistant Financial Controller of the Company. Mr. Kwong obtained his Bachelor of Arts in Accountancy degree from City University of Hong Kong in 1995. Mr. Kwong is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants, and is an affiliate member of the Hong Kong Securities Institute. Prior to joining the Group in December 1999, Mr. Kwong had over 4 years of experience of working in an international firm of accountants.

WANG Xuan, aged 26, is the Assistant Financial Controller of the Company. Ms. Wang graduated from University of International Business and Economic Accounting in 1997. Ms. Wang is a certified Public Accountant in the PRC and a Certified General Accountant in Canada. Prior to joining the Group in August 2000, Ms. Wang had 3 years' experience of working in an international firm of accountants.



DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT *(Continued)*

LIU Sen, aged 49, is the Director of Marketing Department of the Group and is responsible for market development in the PRC. Mr. Li obtained his Master of Business Administration degree from Murdoch University, Australia in 1999. Prior to joining the Group in April 2000, he had over 15 years of experience in enterprise management and project investment in the PRC.

LI Tong, aged 34, is the Assistant Director of Marketing Department of the Group and is responsible for project investment analysis. Ms. Li holds a Bachelor's degree in Economics from Tianjin Finance and Economics Institute and is a Certified Public Accountant in the PRC. Ms. Li is also a member of the Association of Certified Valuers in the PRC. Prior to joining the Group in April 1998, Ms. Li had 9 years of experience in audit, finance and accounting in the PRC.

YOU Wei, aged 34, is the Assistant Director of Marketing Department of the Group. Mr. You holds a bachelor's degree in coal chemical engineering from Shanghai Huadong Petrochemical Institute and is a qualified engineer. Prior to joining the Group in October 1996, Mr. You had over 8 years experience in the gas fuel industry in the PRC.

CHEN Wei, aged 38, is the Assistant Director of Operating Department of the Group and is responsible for monitoring the gas operations of the Group in the PRC. Mr. Chen graduated from Tianjin Gas Professional Middle Institute in 1986. Prior to joining the Group in November 1995, Mr. Chen had over 10 years of experience in the gas fuel industry in the PRC.

REN Qing Fu, aged 64, is the Head of the Safety and Technology Committee of the Group and is responsible for monitoring the safety of the gas stations of the Group. Mr. Ren is a senior engineer. Mr. Ren graduated from the Harbin Industry University in 1962. Prior to joining the Group in December 2000, Mr. Ren had over 40 years of experience in the gas fuel industry in the PRC.

TANG Zeng Le, aged 61, is the Senior Technical Consultant of the Group. Mr. Tang is a senior engineer. Mr. Tang graduated from the Harbin Industry University in 1964. Prior to joining the Group in April 2001, Mr. Tang had over 30 years of experience in the gas fuel industry in the PRC. Mr. Tang is a well-known expert in the country-wide natural gas planning in the PRC.

MA Pak Yuen, aged 39, is the Assistant Director of Machinery Purchasing Department of the Group and is responsible for purchasing of import machinery and equipment. Prior to joining the Group in April 1994, Mr. Ma worked with an international banking group and had several years of experience in trading of commercial products in the PRC.

LI Fu Sen, aged 44, is the Assistant Director of Purchasing Department of the Group and is responsible for purchasing LPG, natural gas and domestic appliances. Mr. Li graduated from the Tianjin University in 1983. Prior to joining the Group in February 2001, Mr. Li had over 10 years of experience in the gas fuel industry in the PRC.

SUN Yan, aged 34, is the Director of Personnel and Administration Department of the Group. Mr. Sun graduated from the Tianjin Finance and Economics Institute. Prior to joining the Group in 2000, Mr. Sun had over 10 years of experience in personnel and administration management in Sino-foreign enterprises.

LI Yi Ling, aged 26, is the Assistant Director of Personnel and Administration Department of the Group. Ms. Li graduated from the Tianjin Institute of Light Industry and International Trade in 1997. Prior to joining the Group in October 1998, Ms. Li had over 3 years of experience in administration in the PRC.



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 13 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 2001 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 2001 is as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit from operating activities <i>HK\$'000</i>
By principal activity:		
Sale of liquefied petroleum gas ("LPG") and piped gas	72,341	(4,201)
Gas pipeline construction	131,366	100,547
Sale of gas appliances and others	6,594	3,137
	<u>210,301</u>	<u>99,483</u>
Other expenses net of other revenue		<u>25,419</u>
		<u>74,064</u>

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 70.

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



REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below is as follows:

RESULTS

	Year ended 31 March			
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	210,301	104,091	36,401	21,291
Cost of sales	(110,818)	(59,280)	(26,850)	(14,303)
Gross profit	99,483	44,811	9,551	6,988
Other revenue	2,761	542	409	–
Selling and distribution costs	(2,787)	(747)	(556)	(274)
Administrative expenses	(24,277)	(8,457)	(5,075)	(3,609)
Other operating expenses	(1,116)	(1,071)	(157)	–
PROFIT FROM OPERATING ACTIVITIES	74,064	35,078	4,172	3,105
Finance costs	(3,291)	(2,372)	(1,161)	(1,571)
PROFIT BEFORE TAX	70,773	32,706	3,011	1,534
Tax	(231)	(3,128)	(188)	(32)
PROFIT BEFORE MINORITY INTERESTS	70,542	29,578	2,823	1,502
Minority interests	(3,296)	(4,545)	(875)	(710)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>67,246</u>	<u>25,033</u>	<u>1,948</u>	<u>792</u>



REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION *(Continued)*

ASSETS AND LIABILITIES

	2001	31 March	
	HK\$'000	2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	300,829	161,515	61,177
TOTAL LIABILITIES	(107,883)	(64,895)	(60,417)
MINORITY INTERESTS	(11,811)	(8,879)	(4,605)
NET ASSETS/(LIABILITIES)	<u>181,135</u>	<u>87,741</u>	<u>(3,845)</u>

Note: The summary financial information for each of the three years ended 31 March 2001 has been extracted from the audited financial statements of the Group. The pro forma combined results of the Group for the year ended 31 March 1998 has been extracted from the Company's prospectus dated 7 March 2000 and included pro forma adjustments relating to the elimination of certain profit and loss items in respect of transactions unrelated to the on-going business of the Group.

Fixed assets

Details of movements in the fixed assets of the Group are set out in note 12 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

Bank loans

Details of the bank loans of the Group are set out in note 16 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 17 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.



REPORT OF THE DIRECTORS

Purchase, redemption or sale of the Company's listed securities

On 12 February 2001, the Company issued 3,500,000 new shares to Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), at a price of HK\$6.00 per share. The issue price represented a discount of approximately 7% to the last closing price of HK\$6.45 per share as quoted on the Stock Exchange of Hong Kong Limited prior to 31 January 2001, being the date on which the terms of the issue were fixed.

Save as disclosed above, neither the Company, nor any of the subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group are set out in note 18 to the financial statements.

Distributable reserves

At 31 March 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$47,312,000. In addition, the Company's share premium account, in the amount of approximately HK\$45,274,000, may be distributed in the form of fully paid bonus shares.

Pension scheme and costs

Details of the pension scheme of the Group and the Group's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 25% (2000: 27%) of the total sales for the year and sales to the largest customer included therein amounted to 7% (2000: 9%).

Purchases from the Group's five largest suppliers of LPG accounted for 87% (2000: 88%) of the total purchases of LPG for the year and purchases from the largest supplier included therein amounted to 34% (2000: 72%).

Subcontracting fees paid to the Group's five largest pipeline subcontractors accounted for 56% (2000: 95%) of the total subcontracting fees incurred for the year and subcontracting fees paid to the largest pipeline subcontractor included therein amounted to 16% (2000: 28%).

None of the directors of the Company or any of their associates or any shareholders (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.



REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Shum Ka Sang (*Chairman*)
Wang Guanghao (*Honorary Chairman*)
Kong Siu Keung (appointed on 22 March 2001)
Choi Yat Choy
Shen Yi
Chen Cuiwan

Independent non-executive directors:

Ng Eng Leong (appointed on 3 October 2000)
Cui Shuming
Ji Xiaowei (resigned on 3 October 2000)

In accordance with clause 86(2) of the Company's bye-laws, Mr. Kong Siu Keung and Mr. Ng Eng Leong retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with clauses 87(1) and (2) of the Company's bye-laws, Mr. Cui Shuming retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

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 27 to 29 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

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

The 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.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors in the share capital of the Company or its associated corporation 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 of director	Personal	Number of shares held and nature of interest		
		Family	Corporate	Other
Mr. Shum Ka Sang (<i>Note</i>)	<u>4,365,000</u>	<u>–</u>	<u>82,935,000</u>	<u>–</u>

Note: At 31 March 2001, 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 42.18% interest in the Company.

Save as disclosed above and 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 interests in the equity of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors during the year and subsequent to the balance sheet date, the details of which are as follows:

Name of director	Number of share options granted during the year		Number of share options outstanding at 31 March 2001	Number of share options granted subsequent to 31 March 2001	Number of share options outstanding at the date of this report
	<i>Note 1</i>	<i>Note 2</i>			
Shum Ka Sang	2,550,000	–	2,550,000	1,000,000	3,550,000
Wang Guanghao	1,200,000	–	1,200,000	–	1,200,000
Kong Siu Keung	–	500,000	500,000	200,000	700,000
Choi Yat Choy	2,200,000	–	2,200,000	200,000	2,400,000
Shen Yi	2,200,000	–	2,200,000	300,000	2,500,000
Chen Cuiwan	1,200,000	–	1,200,000	–	1,200,000
	<u>9,350,000</u>	<u>500,000</u>	<u>9,850,000</u>	<u>1,700,000</u>	<u>11,550,000</u>

No share option was exercised by the directors to subscribe for a share in the Company during the year ended 31 March 2001.



REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Notes:

- (1) The share options were granted on 5 May 2000 at an exercise price of HK\$6.10 each. The option can be exercised at any time for a period of five years commencing on 6 November 2000.
- (2) The share options were granted on 8 July 2000 at an exercise price of HK\$6.60 each. The option can be exercised at any time for a period of five years commencing on 9 January 2001.
- (3) The share options were granted on 11 April 2001 at an exercise price of HK\$5.68 each. The option can be exercised at any time within five years commencing on 12 October 2001.

Save as disclosed above, 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 arrangements to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are as set out in note 17 to the financial statements.

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.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had interest in a business which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, 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 <i>(Note 1)</i>	82,935,000	42.18%
	<i>(corporate interest)</i>	
	4,365,000	2.22%
	<i>(personal interest)</i>	
Santa Resources Limited <i>(Note 2)</i>	58,200,000	29.60%
Wah Sang Gas Development	82,935,000	42.18%



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS *(Continued)*

- Note:* (1) At 31 March 2001, 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.
- (2) Santa Resources Limited is a wholly owned subsidiary of Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board operated by The Stock Exchange of Hong Kong Limited.

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 pursuant 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, corporate guarantees from Tsinlien Group Company Limited in connection with banking facilities granted to a subsidiary have been released. 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 23 to the financial statements.

SPONSOR'S INTERESTS

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 3,570,000 shares of the Company as at 31 March 2001.

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.



REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises three members, Mr. Ng Eng Leong and Mr. Cui Shuming, both being independent non-executive directors, and Ms. Chen Cuiwan, an executive director. Five meetings have been held by the committee members since the establishment of the committee in March 2000.

AUDITORS

Ernst & Young retire and a resolution for their reappointment 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

20 June 2001



REPORT OF THE AUDITORS



To the members

Wah Sang Gas Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 40 to 70 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 of the state of affairs of the Company and of the Group as at 31 March 2001 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

20 June 2001



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2001

		2001 HK\$'000	2000 <i>HK\$'000</i>
	<i>Notes</i>		
TURNOVER	3	210,301	104,091
Cost of sales		(110,818)	(59,280)
Gross profit		99,483	44,811
Other revenue		2,761	542
Selling and distribution costs		(2,787)	(747)
Administrative expenses		(24,277)	(8,457)
Other operating expenses		(1,116)	(1,071)
PROFIT FROM OPERATING ACTIVITIES	4	74,064	35,078
Finance costs	5	(3,291)	(2,372)
PROFIT BEFORE TAX		70,773	32,706
Tax	8	(231)	(3,128)
PROFIT BEFORE MINORITY INTERESTS		70,542	29,578
Minority interests		(3,296)	(4,545)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	<u>67,246</u>	<u>25,033</u>
Dividends	10	<u>—</u>	<u>—</u>
EARNINGS PER SHARE	11		
Basic		<u>34.76 cents</u>	<u>17.00 cents</u>
Diluted		<u>34.68 cents</u>	<u>N/A</u>



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2001

	<i>Note</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Surplus on revaluation of land and buildings	18	–	3,852
Exchange differences on translation of the financial statements of foreign entities	18	<u>179</u>	<u>111</u>
Net gains not recognised in the profit and loss account		179	3,963
Net profit for the year attributable to shareholders		<u>67,246</u>	<u>25,033</u>
Total recognised gains and losses		67,425	28,996
Goodwill eliminated directly against reserves	18	<u>–</u>	<u>(175)</u>
		<u>67,425</u>	<u>28,821</u>



CONSOLIDATED BALANCE SHEET

31 March 2001

		2001	2000
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	<u>164,225</u>	<u>70,376</u>
CURRENT ASSETS			
Inventories	14	2,106	1,922
Trade receivables		89,464	47,166
Prepayments and other receivables		13,049	9,648
Amount due from a related company	15	284	–
Cash and bank balances		<u>31,701</u>	<u>32,403</u>
		<u>136,604</u>	<u>91,139</u>
CURRENT LIABILITIES			
Trade payables		11,741	13,140
Tax payable		1,713	2,596
Other payables and accruals		13,116	12,013
Short term bank loans	16	80,658	36,476
Amount due to a related company	15	655	670
		<u>107,883</u>	<u>64,895</u>
NET CURRENT ASSETS		<u>28,721</u>	<u>26,244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		192,946	96,620
MINORITY INTERESTS		<u>11,811</u>	<u>8,879</u>
		<u>181,135</u>	<u>87,741</u>
CAPITAL AND RESERVES			
Issued capital	17	19,660	18,750
Reserves	18	<u>161,475</u>	<u>68,991</u>
		<u>181,135</u>	<u>87,741</u>

Shum Ka Sang
Director

Kong Siu Keung
Director



CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	26,850	915
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		472	80
Interest paid		(3,291)	(2,372)
Net cash outflow from returns on investments and servicing of finance		(2,819)	(2,292)
TAX			
Profits taxes paid:			
Hong Kong		–	–
Mainland China		(1,114)	(720)
Total profits taxes paid		(1,114)	(720)
INVESTING ACTIVITIES			
Purchases of fixed assets		(93,979)	(20,323)
Proceeds from disposal of fixed assets		526	–
Acquisition of minority interests		(471)	(13)
Net cash outflow from investing activities		(93,924)	(20,336)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(71,007)	(22,433)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	17(a) & (b)	28,280	48,750
Share issue expenses	18	(2,311)	(9,985)
New bank loans	19(b)	57,296	13,911
Repayment of bank loans	19(b)	(13,114)	–
Contributions from minority shareholders	19(b)	–	470
Net cash inflow from financing activities		70,151	53,146
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(856)	30,713
Cash and cash equivalents at beginning of year		32,403	1,690
Effect of foreign exchange rate changes, net		154	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		31,701	32,403
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		31,701	32,403



BALANCE SHEET

31 March 2001

	<i>Notes</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	13	<u>112,321</u>	<u>82,617</u>
CURRENT ASSETS			
Other receivables		<u>149</u>	<u>3,968</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>224</u>	<u>288</u>
NET CURRENT ASSETS/(LIABILITIES)			
		<u>(75)</u>	<u>3,680</u>
		<u>112,246</u>	<u>86,297</u>
CAPITAL AND RESERVES			
Issued capital	17	<u>19,660</u>	<u>18,750</u>
Reserves	18	<u>92,586</u>	<u>67,547</u>
		<u>112,246</u>	<u>86,297</u>

Shum Ka Sang
Director

Kong Siu Keung
Director



NOTES TO FINANCIAL STATEMENTS

31 March 2001

1. CORPORATE INFORMATION

The registered office of Wah Sang Gas Holdings Limited is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

2. 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 include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or up to their effective dates of acquisition or disposal, respectively.

The comparative 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 since 1 April 1999, 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 year ended 31 March 2000 include the results of the Company and its subsidiaries acquired through the Group reorganisation with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period. In the opinion of the directors, the comparative 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 intra-group transactions and balances have been eliminated in the preparation of the consolidated 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 diminutions in values, when they are written down to values determined by the directors.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

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

Joint venture companies

Joint venture companies are independent business entities established and operating in the People's Republic of China (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.

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 and is eliminated against reserves at the year of acquisition. On disposal of subsidiaries, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

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 when the fair value of the asset differs materially from its carrying amount. Where, in the opinion of the directors, the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date, no professional valuations are performed at that financial year end.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

2. 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 revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation 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 terms of the leases
Buildings	30 years
Leasehold improvements	3 years or over the terms of the leases, if shorter
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment	5 years
Motor vehicles	5 years

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.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account.

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 lessor 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.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

2. 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 any estimated costs 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.

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.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

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

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling 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 ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Pension costs

Up until 1 December 2000, the Group operated a defined contribution pension scheme in Hong Kong for certain of its employees, the assets of which were held separately from those of the Group in independently administered funds. Contributions were made based on a percentage of the eligible employees' salaries and charged to the profit and loss account as they became payable in accordance with the rules of the scheme. When a Hong Kong employee left the scheme prior to his/her interest in the employers' contributions vesting fully, the forfeited contributions were used to reduce the ongoing contributions payable by the Group.

On 1 December 2000, the defined contribution pension scheme was terminated with all the underlying assets of the scheme transferred to the Mandatory Provident Fund. Contributions are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

The Group has joined a mandatory central pension scheme organised by the PRC Government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employee's salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. The employer's contributions are vested fully once they are made.

For those employees who have not joined the retirement scheme, the Group has accrued for future pension costs based on a percentage of their salaries.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

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

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 gas appliances 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;
- (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.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

3. 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:

	2001	2000
	HK\$'000	HK\$'000
Sale of LPG and piped gas	72,341	39,300
Gas pipeline construction	131,366	62,775
Sale of gas appliances and others	6,594	2,016
	<hr/>	<hr/>
Turnover	210,301	104,091
Interest income	472	80
Government subsidy	2,052	462
Others	237	–
	<hr/>	<hr/>
Revenue	<u>213,062</u>	<u>104,633</u>

The government subsidy represents a refund of corporate income tax from the finance bureau in Tianjin Port Free Trade Zone. The refund was made in accordance with a government investment incentive scheme.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2001	2000
	HK\$'000	HK\$'000
Depreciation	3,656	2,021
Operating lease rentals:		
Leasehold land and buildings	912	500
Motor vehicles	120	–
Auditors' remuneration	600	560
Exchange losses, net	41	–
Staff costs (including directors' remuneration in note 6):		
Wages and salaries	8,308	3,536
Pension contributions	438	333
	8,746	3,869
Deficit on revaluation of land and buildings	–	718
Provision for bad and doubtful debts	1,116	353
and after crediting:		
Gains on disposal of fixed assets	216	–
Interest income	472	80
Government subsidy	2,052	462

5. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest expense on short term bank loans	3,291	2,372



NOTES TO FINANCIAL STATEMENTS

31 March 2001

6. 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:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Fees:		
Executive directors	—	—
Independent non-executive directors	<u>240</u>	<u>10</u>
	240	10
Other emoluments for executive directors:		
Salaries	2,847	1,099
Pension scheme contributions	<u>30</u>	<u>24</u>
	2,877	1,123
	<u>3,117</u>	<u>1,133</u>

The remuneration paid by the Group to the executive directors of the Company for the year ended 31 March 2001 analysed on an individual basis was as follows: HK\$1,279,000 (2000: HK\$525,000), HK\$503,000 (2000: HK\$187,000), HK\$469,000 (2000: HK\$411,000) and HK\$626,000 (2000: Nil). The remaining two executive directors did not receive any remuneration during the year (2000: Nil).

The remuneration paid by the Group to those independent non-executive directors of the Company for the year ended 31 March 2001 analysed on an individual basis was as follows: HK\$120,000 (2000: HK\$5,000), HK\$60,000 (2000: HK\$5,000) and HK\$60,000 (2000: Nil).

No emoluments were paid by the Group to those executive directors as a bonus, as an inducement to join the Group, or as compensation for loss of office.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's share, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the Section "Directors' rights to acquire shares" in the Report of the Directors on pages 35 to 36.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2000: three) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining one (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries and allowances	360	394
Pension scheme contributions	16	9
	<u>376</u>	<u>403</u>

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	<u>1</u>	<u>2</u>

8. TAX

	2001	2000
	HK\$'000	HK\$'000
Provision for tax in respect of profits for the year:		
Hong Kong	–	–
Mainland China	1,951	3,128
Overprovision in prior years	<u>(1,720)</u>	–
Tax charge for the year	<u>231</u>	<u>3,128</u>

The Group did not have assessable profits arising in Hong Kong during the year ended 31 March 2001. 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 did not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with the financial statements of the Company is HK\$20,000 (2000: HK\$215,000).

10. DIVIDENDS

No dividend has been paid or declared by the Company for the year.

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.

11. 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\$67,246,000 (2000: HK\$25,033,000), and the weighted average of 193,484,000 (2000: 147,250,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$67,246,000. The weighted average number of ordinary shares used in the calculation is 193,484,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 418,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted earnings per share for the year ended 31 March 2000 has not been calculated as no diluting events existed during that year.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

12. FIXED ASSETS

Group

	Land and buildings (with ownership certificates) <i>HK\$'000</i>	Land and buildings (others) <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Gas pipelines <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:									
At 1 April 2000	23,751	2,488	-	23,121	16,019	661	3,455	4,637	74,132
Additions	7,064	962	617	1,003	-	774	1,672	85,591	97,683
Disposals	-	-	-	(68)	-	(1)	(382)	-	(451)
Transfers	245	11,559	-	11,267	35,707	-	-	(58,778)	-
Exchange realignment	41	5	-	47	32	1	7	9	142
At 31 March 2001	<u>31,101</u>	<u>15,014</u>	<u>617</u>	<u>35,370</u>	<u>51,758</u>	<u>1,435</u>	<u>4,752</u>	<u>31,459</u>	<u>171,506</u>
Analysis of cost or valuation:									
At cost	7,350	15,014	617	35,370	51,758	1,435	4,752	31,459	147,755
At 31 March 2000 valuation	<u>23,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,751</u>
	<u>31,101</u>	<u>15,014</u>	<u>617</u>	<u>35,370</u>	<u>51,758</u>	<u>1,435</u>	<u>4,752</u>	<u>31,459</u>	<u>171,506</u>
Accumulated depreciation:									
At 1 April 2000	-	56	-	2,083	413	207	997	-	3,756
Provided during the year	583	164	103	1,175	865	159	607	-	3,656
Disposals	-	-	-	(2)	-	(1)	(138)	-	(141)
Exchange realignment	-	2	-	5	1	-	2	-	10
At 31 March 2001	<u>583</u>	<u>222</u>	<u>103</u>	<u>3,261</u>	<u>1,279</u>	<u>365</u>	<u>1,468</u>	<u>-</u>	<u>7,281</u>
Net book value:									
At 31 March 2001	<u>30,518</u>	<u>14,792</u>	<u>514</u>	<u>32,109</u>	<u>50,479</u>	<u>1,070</u>	<u>3,284</u>	<u>31,459</u>	<u>164,225</u>
At 31 March 2000	<u>23,751</u>	<u>2,432</u>	<u>-</u>	<u>21,038</u>	<u>15,606</u>	<u>454</u>	<u>2,458</u>	<u>4,637</u>	<u>70,376</u>

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

Certain buildings with a net book value of approximately HK\$386,000 are built on land which the Group is in the process of obtaining the land use right certificates.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

12. FIXED ASSETS (Continued)

Certain buildings with a net book value of approximately HK\$2,327,000 are built on land in the Tianjin City and Hebei Province, which the Group is permitted to use for industrial purposes for a period of 50 years pursuant to documents issued by the Tianjin Municipal and Hebei Province Land Administration Bureau.

The Group's land and buildings with ownership certificates were valued at 31 March 2000 by Chesterton Petty Ltd., a Chartered Estate Surveyor, on an open market value based on their existing use. A revaluation surplus of approximately HK\$4,280,000 and a revaluation deficit of approximately HK\$718,000 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 ended 31 March 2000, respectively. No revaluation of these assets has been carried out as at 31 March 2001 because the directors of the Company are of the opinion that the carrying amounts of these assets would not have differed materially had a valuation been performed at 31 March 2001.

Had the revalued land and buildings been carried at historical cost less accumulated depreciation, their carrying values as at 31 March 2001 would have been approximately HK\$19,631,000 (2000: HK\$20,189,000).

At 31 March 2001, certain land and buildings of the Group with an aggregate net book value of approximately HK\$14.5 million were pledged to secure general banking facilities granted to the Group (note 16).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	47,747	47,747
Due from subsidiaries	64,574	34,870
	<u>112,321</u>	<u>82,617</u>

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



NOTES TO FINANCIAL STATEMENTS

31 March 2001

13. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Winstar Venture Limited	British Virgin Islands ("BVI")	US\$200 Ordinary	100%	–	Investment holding
Wah Sang Gas Investment Group Limited ("Wah Sang Gas")	Hong Kong	HK\$2 Ordinary HK\$29 million Non-voting deferred (Note a)	–	100%	Investment holding and trading of equipment
Tianjin Wahsang Gas Enterprise Co., Ltd.* ("Tianjin Wahsang")	PRC	US\$3 million	–	90%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Zibo Wah Sang Gas Co., Ltd.* (note b) ("Zibo Wah Sang")	PRC	HK\$25 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Sanhe Yansang Gas Development Co., Ltd.* ("Sanhe Yansang")	PRC	RMB7,602,112	–	75%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Dezhou Wah Sang Gas Co., Ltd.* (note c) ("Dezhou Wah Sang")	PRC	RMB5 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances



NOTES TO FINANCIAL STATEMENTS

31 March 2001

13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xintai Wah Sang Gas Co., Ltd.* (note d) ("Xintai Wah Sang")	PRC	RMB17.5 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Binzhou Wah Sang Gas Co., Ltd.* (note e) ("Binzhou Wah Sang")	PRC	RMB22.5 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Qinhuangdao Wah Sang Gas Co., Ltd.* (note e) ("Qinhuangdao Wah Sang")	PRC	RMB10 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Qingdao Jiaonan Wah Sang Gas Co., Ltd.* (note f) ("Jiaonan Wah Sang")	PRC	RMB11.2 million	–	80%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Dongying Wah Sang Gas Co., Ltd.* (note g) ("Dongying Wah Sang")	PRC	HK\$12.6 million	–	100%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances



NOTES TO FINANCIAL STATEMENTS

31 March 2001

13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinan Wah Sang Gas Co., Ltd.* (note g) ("Jinan Wah Sang")	PRC	RMB1.5 million	–	97%	Construction of gas pipelines, production and sale of gas, and sale of gas appliances
Tianjin Wahsang Energy Development Co., Ltd.* ("Wah Sang Energy")	PRC	US\$1,188,000	–	99%	Construction of gas pipelines and production and sale of gas

* The company's name in English is a direct translation of its name in Chinese.

Notes:

- (a) 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.
- (b) Pursuant to a supplementary agreement entered into between the Group and the PRC joint venture partner in January 2000, Zibo Wah Sang was changed from a Sino-foreign equity joint venture to a co-operative joint venture and the Group's contribution to the registered capital of Zibo Wah Sang was increased from 95% to 100%. According to this supplementary agreement, the PRC joint venture partner is 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.
- (c) 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 a 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 a ratio of 90 to 10.
- (d) Xintai Wah Sang is a Sino-foreign co-operative joint venture with operating tenure of 50 years. Pursuant to the joint venture agreement, the Group would be responsible for a capital contribution of RMB17.5 million and the PRC joint venture partner would be responsible for providing 800 sq.m. office premises for the use of Xintai Wah Sang during the joint venture tenure.

Pursuant to the joint venture agreement, the Group and the PRC joint venture partner would share the profits of Xintai Wah Sang in a ratio of 95 to 5. On dissolution of the joint venture, the Group and the PRC joint venture partner would share the remaining net assets in a ratio of 95 to 5.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

13. INTERESTS IN SUBSIDIARIES (Continued)

(e) Both Binzhou Wah Sang and Qinhuangdao Wah Sang are Sino-foreign co-operative joint ventures with operating tenure of 50 years. According to the relevant joint venture agreements, the Group would be responsible for the capital contribution of RMB22.5 million and RMB10 million respectively, and no capital contribution would be conferred by the relevant PRC joint venture partners. Pursuant to the joint venture agreements, the PRC joint venture partners of these two companies are entitled to receive certain payments from these companies based on their activity level and the Group is entitled to receive the remaining profits and is responsible for all losses, if any, of these companies. On dissolution of these companies, the Group would be solely entitled to the remaining net assets of these companies, if any.

(f) Jiaonan Wah Sang is a Sino-foreign co-operative joint venture with operating tenure of 50 years. The Group would be responsible for the capital contribution of RMB8.96 million (representing 80% of the company's registered capital) and the PRC joint venture partner would be responsible for the remaining registered capital which was contributed in the form of providing a plot of land of approximately 10 acres.

Pursuant to the joint venture agreement, the PRC joint venture partner is entitled to receive certain payments from the company based on its activity level and the Group is entitled to receive the remaining profits and is responsible for all losses, if any, of Jiaonan Wah Sang. On dissolution of the joint venture, the PRC joint venture partner would get back the contributed land and the Group would be entitled to the remaining net assets.

(g) Both Dongying Wah Sang and Jinan Wah Sang are Sino-foreign co-operative joint ventures with operating tenure of 50 years. According to the relevant joint venture agreements, the Group would be responsible for the capital contribution of approximately HK\$12.6 million and RMB1.46 million respectively, and the PRC joint venture partners of these companies would both provide 200 sq.m. office premises to the companies. Pursuant to the joint venture agreements, the PRC joint venture partners of these two companies are entitled to receive certain payments from these companies based on their activity level and the Group is entitled to receive the remaining profits, and is responsible for all losses, if any, of these companies. On dissolution of these companies, the Group would solely be entitled to the remaining net assets of these companies, if any.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

14. INVENTORIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,246	1,274
Gas appliances held for sale and others	860	648
	2,106	1,922



NOTES TO FINANCIAL STATEMENTS

31 March 2001

15. 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 2001	Maximum amount outstanding during the year	1 April 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wah Sang Trading Co., Ltd.	<u>284</u>	<u>284</u>	<u>(670)</u>

The amount due from Wah Sang Trading Co., Ltd. arose from the sharing of rental expenses during the year. The amount is unsecured, interest-free and has no fixed term of repayment.

The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment.

16. SHORT TERM BANK LOANS

	2001	Group
	<i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Bank loans:		
Secured	10,174	6,393
Unsecured	70,484	30,083
	<u>80,658</u>	<u>36,476</u>

At 31 March 2001, the short term bank loans bore interest at rates ranging from 6.4% to 8.7% per annum and were secured by certain land and buildings of the Group with an aggregate net book value of approximately HK\$14.5 million.



NOTES TO FINANCIAL STATEMENTS

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17. SHARE CAPITAL

Shares

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
196,600,000 (2000: 187,500,000) ordinary shares of HK\$0.10 each	<u>19,660</u>	<u>18,750</u>

During the year, the following movements in share capital were recorded:

- (a) 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, before expenses, of HK\$7,280,000.
- (b) On 12 February 2001, the Company issued 3,500,000 new shares of HK\$0.10 each at HK\$6.00 per share to Pacific Top Holding Limited for a total cash consideration, before expenses, of HK\$21,000,000.

Share options

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. The Scheme will remain in force for the period from 16 March 2000 to 25 February 2010.

On 5 May 2000, the Company granted a total of 10,550,000 share options for nil consideration which entitle the holders to subscribe for shares of the Company at any time for a period of five years commencing on 6 November 2000. The subscription price per share payable upon the exercise of each option is HK\$6.10.

On 8 July 2000, the Company granted a total of 850,000 share options for nil consideration which entitle the holders to subscribe for shares of the Company at any time for a period of five years commencing on 9 January 2001. The subscription price per share payable upon the exercise of each option is HK\$6.60.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

17. SHARE CAPITAL *(Continued)*

Share options *(Continued)*

Due to the resignation of certain employees, a total of 100,000 share options granted to them on 8 July 2000 lapsed during the year.

The Company had 11,300,000 outstanding share options at the balance sheet date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 11,300,000 additional shares of HK\$0.10 each.

On 11 April 2001, the Company further granted a total of 1,700,000 share options for nil consideration which entitle the holders to subscribe for shares of the Company at any time for a period of five years commencing on 12 October 2001. The subscription price per share payable upon the exercise of each option is HK\$5.68.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

18. RESERVES

Group

	Share premium	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Statutory reserve	Enterprise development fund	Retained profits/ losses (accumulated)	Total
	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000 (note c)	HK\$'000 (note c)	HK\$'000	HK\$'000
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
Exchange realignments	-	-	-	111	-	-	-	111
Net profit for the year	-	-	-	-	-	-	25,033	25,033
Goodwill eliminated (note d)	-	-	-	-	-	-	(175)	(175)
At 31 March 2000 and 1 April 2000	20,215	28,800	3,852	452	783	885	14,004	68,991
Issue of shares	27,370	-	-	-	-	-	-	27,370
Share issue expenses	(2,311)	-	-	-	-	-	-	(2,311)
Exchange realignments	-	-	-	179	-	-	-	179
Net profit for the year	-	-	-	-	-	-	67,246	67,246
Transfer from retained profits	-	-	-	-	1,876	-	(1,876)	-
At 31 March 2001	<u>45,274</u>	<u>28,800</u>	<u>3,852</u>	<u>631</u>	<u>2,659</u>	<u>885</u>	<u>79,374</u>	<u>161,475</u>



NOTES TO FINANCIAL STATEMENTS

31 March 2001

18. RESERVES (Continued)

Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(note b)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000 and 1 April 2000	20,215	47,547	(215)	67,547
Issue of shares	27,370	–	–	27,370
Share issue expenses	(2,311)	–	–	(2,311)
Net loss for the year	–	–	(20)	(20)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>45,274</u>	<u>47,547</u>	<u>(235)</u>	<u>92,586</u>

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 on 26 February 2000 and 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, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of directors) of their profits 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. The enterprise development fund can be used for the future development of the subsidiaries. Both the statutory reserve and the enterprise development fund are not distributable unless the aforesaid PRC subsidiaries are dissolved.
- (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.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operating activities	74,064	35,078
Deficit on revaluation of land and buildings	–	718
Provision for bad and doubtful debts	1,116	353
Interest income	(472)	(80)
Depreciation	3,656	2,021
Gain on disposal of fixed assets	(216)	–
Decrease/(increase) in an amount due from a related company	(954)	5,403
Increase in trade receivables	(49,066)	(40,914)
Increase in prepayments and other receivables	(1,453)	(6,661)
Increase in inventories	(184)	(1,112)
Increase/(decrease) in trade payables	(1,399)	4,875
Increase/(decrease) in an amount due to a related company	655	(739)
Increase in other payables and accruals	1,103	1,973
Net cash inflow from operating activities	<u>26,850</u>	<u>915</u>



NOTES TO FINANCIAL STATEMENTS

31 March 2001

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

(b) Analysis of changes in financing during the year

	Share capital (including share premium) <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Loans from shareholders <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 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 interests	–	–	–	(538)
At 31 March 2000 and 1 April 2000	38,965	36,476	–	8,879
Cash inflow from financing activities, net	25,969	44,182	–	–
Acquisition of minority interests	–	–	–	(471)
Share of profit after tax of subsidiaries	–	–	–	3,296
Share of changes in reserves	–	–	–	107
At 31 March 2001	<u>64,934</u>	<u>80,658</u>	<u>–</u>	<u>11,811</u>

(c) Major non-cash transaction

During the year, as consideration for the use of land previously occupied by certain customers, amounts in total of approximately HK\$5,652,000 were transferred from trade receivables to fixed assets and prepayments.

20. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantees given to banks in connection with banking facilities granted to subsidiaries	<u>78,114</u>	<u>–</u>

At 31 March 2001, the Company had provided guarantees of HK\$78,114,000 (2000: Nil) in total in respect of banking facilities granted to its subsidiaries, of which approximately HK\$70,484,000 were utilised at the balance sheet date.



NOTES TO FINANCIAL STATEMENTS

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21. PLEDGE OF ASSETS

Details of the Group's bank loans secured by assets of the Group are included in note 16 to the financial statements.

22. COMMITMENTS

	2001 <i>HK\$'000</i>	Group 2000 <i>HK\$'000</i>
Capital commitments in respect of land and buildings, gas pipelines and machinery and equipment:		
Authorised, but not contracted for	—	—
Contracted, but not provided for	<u>5,667</u>	<u>31,840</u>
	<u>5,667</u>	<u>31,840</u>
Commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	245	167
In the second to fifth years, inclusive	<u>1,061</u>	<u>24</u>
	<u>1,306</u>	<u>191</u>
Commitments in respect of capital contributions to joint ventures established in the PRC contracted, but not provided for	<u>86,915</u>	<u>57,342</u>

At the balance sheet date, the Company did not have any significant commitments.

23. POST BALANCE SHEET EVENTS

On 20 June 2001, the board of directors proposed that each of the existing issued and unissued shares be subdivided into ten subdivided shares of HK\$0.01 each. The share subdivision is subject to (i) the passing of an ordinary resolution by the shareholders of the Company at the annual general meeting to be held on 23 July 2001, and (ii) the Listing Committee of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the subdivided shares and any new subdivided shares which may fall to be issued pursuant to the exercise of options granted under the Company's Scheme.



NOTES TO FINANCIAL STATEMENTS

31 March 2001

24. RELATED PARTY TRANSACTIONS

In addition to the related companies' balances as disclosed in note 15 above, the Group also had the following transactions with related companies during the year:

Name of related party	Nature of transactions	2001 HK\$'000	2000 HK\$'000
Wah Sang Properties Investment Limited (<i>Note a</i>)	License fee for office premises and related services	68	219
Tianjin Liquefied Petroleum Gas Group Co., Ltd (<i>Note b</i>)	Purchase of liquefied petroleum gas	–	158
	Interest income	–	22
Wah Sang Development (Group) Limited (<i>Note c</i>)	Rental for hiring motor vehicle	120	–

Notes:

- (a) Mr. Shum Ka Sang, a director and a substantial shareholder of the Company, has beneficial interests in Wah Sang Properties Investment Limited.
- (b) Prior to July 1999, Tianjin Liquefied Petroleum Gas Group Co., Ltd. was a joint venture partner of Tianjin Wahsang, a subsidiary of the Group. 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, the ultimate holding company of a substantial shareholder of the Company, Santa Resources Limited.
- (c) Mr. Shum Ka Sang, a director and a substantial shareholder of the Company, has beneficial interests in Wah Sang Development (Group) Limited.

In the opinion of the directors, all the above transactions were conducted at mutually agreed rates in the normal course of the Group's businesses.

25. COMPARATIVE AMOUNTS

To accord with the presentation adopted in the current year, provision for bad and doubtful debts of approximately HK\$353,000 and deficit on revaluation of land and buildings carried out at 31 March 2000 of approximately HK\$718,000 have been reclassified from administrative expenses to other operating expenses in the 2000 comparative amounts. In the opinion of the directors, the reclassification provides a better presentation of these expenses.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 June 2001.