

## REPORT OF THE DIRECTORS

The directors present the annual report and the audited financial statements of the Company and of the Group for the year ended 31 March 2005.

### CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting on 20 October 2004, the name of the Company was changed from KEL Holdings Limited (基電控股有限公司) to Chinese People Gas Holdings Company Limited (中民燃氣控股有限公司).

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group ceased the business of the provision of electrical and mechanical engineering services during the year. The principal activities of the Group have changed to distribution, supply and installation of piped natural gas and property holding and investment upon the completion of certain acquisitions during the year. The principal activities of its subsidiaries are set out in note 35 to the financial statements.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 23.

The directors did not recommend the payment of a final dividend for the year ended 31 March 2005.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of and acquired certain property, plant and equipment of HK\$270,000 and HK\$114,460,000 respectively, resulting from the disposal and acquisition of subsidiaries during the year. In addition, the Group also disposed of construction in progress of HK\$1,966,000 during the year.

Details of these movements during the year in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Mo Shikang ( <i>Managing Director</i> )	(appointed on 30 April 2004)
Zhang Hesheng ( <i>Deputy Chairman</i> )	(appointed on 21 March 2005)
Zhu Peifeng ( <i>Deputy Chairman</i> )	(appointed on 21 March 2005)
Ong Chi King	(appointed on 21 March 2005 and resigned on 15 July 2005)
Liu Jing ( <i>Chairman</i> )	(appointed on 11 April 2005)
Xu Ruixin ( <i>Honourable Chairman</i> )	(appointed on 11 April 2005)
Jin Song	(appointed on 11 April 2005)
Yan Wing Cheung	(appointed on 15 July 2005)
Wang Ke Duan	(resigned on 11 April 2005)
Tjia Boen Sien	(resigned on 11 April 2005)
Wang Jing Ning	(resigned on 11 April 2005)
Keung Kwok Cheung	(resigned on 11 April 2005)
Kong Kwok Fai	(resigned on 11 April 2005)
Song Sio Chong	(resigned on 27 September 2004)

### Independent non-executive directors:

Wong Shing Kay, Oliver	(appointed on 27 September 2004)
Liu Junmin	(appointed on 11 April 2005)
Tan Qinglian	(appointed on 11 April 2005)
Siu Man Po	(resigned on 11 April 2005)
Wong Sin Yee	(resigned on 11 April 2005)

In accordance with clause 99 of the Company's Bye-laws, Mr. Zhang Hesheng, Mr. Zhu Peifeng, Mr. Liu Jing, Mr. Xu Ruixin, Mr. Jin Song, Mr. Yan Wing Cheung, Mr. Wong Shing Kay, Oliver, Mr. Liu Junmin and Mr. Tan Qinglian will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No proposed director for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the interests of the directors and their associates in the shares, share options and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### (a) Issued shares

Name	Capacity	Number of shares	Approximate percentage of the Company's issued share capital
Asian Allied Limited (“Asian Allied”) (Note 1)	Through a controlled corporation	1,361,724,256	52.08%
Super Win Development Limited (“Super Win”)	Beneficial owner	1,361,724,256	52.08%
Mr. Yuan Yakang (Note 2)	Beneficial owner and through a controlled corporation	1,411,724,256	53.99%
Smarksborne Investments Limited (“Smarksborne”) (Note 3)	Beneficial owner	30,000,000	1.15%
Mr. Mo Shikang (Note 1, 3 and 4)	Through controlled corporations	1,391,724,256	53.23%
Mr. Tjia Boen Sien (Note 5)	Through a controlled corporation	1,361,724,256	52.08%
Mr. Wang Jing Ning (Note 5)	Through a controlled corporation	1,361,724,256	52.08%

#### Notes:

1. Asian Allied is interested in the same block of 1,361,724,256 shares registered under the name of Super Win, its wholly-owned subsidiary.
2. Mr. Yuan Yakang is the beneficial owner of 34.86% of the issued share capital of Asian Allied and is a party acting in concert with it. Pursuant to Part XV of the SFO, Mr. Yuan Yakang is deemed to be interested in the same block of 1,361,724,256 shares in which Asian Allied has an attributable interest. Mr. Yuan Yakang is the beneficial owner of 50,000,000 shares in the Company.
3. Smarksborne is a company wholly and beneficially owned by Mr. Mo Shikang, a beneficial owner of 65.14% of the issued share capital of Asian Allied and is a party acting in concert with it.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

#### (a) Issued shares (Continued)

*Notes:*

4. Mr. Mo Shikang is the beneficial owner of 65.14% of the issued share capital of Asian Allied. Pursuant to the provisions of Part XV of the SFO, Mr. Mo Shikang is deemed to be interested in the same block of 1,361,724,256 shares in which Asian Allied has an attributable interest. Mr. Mo Shikang is also deemed to be interested in the same block of 30,000,000 shares owned by Smarksborne, a company wholly and beneficially owned by him.
5. The respective interest of Mr. Tjia Boen Sien and Mr. Wang Jing Ning are interest attributable to them by virtue of their controlled corporations. Such attribution is more particularly set out in the section headed "substantial shareholders".

#### (b) Options

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying shares</b>	<b>Exercise period</b>
Asian Allied (Note 1)	Through a controlled corporation	200,000,000	28 October 2004 to 27 October 2006
Super Win	Beneficial owner	200,000,000	28 October 2004 to 27 October 2006
Mr. Yuan Yakang (Note 2)	Beneficial owner and through a controlled corporation	250,000,000	28 October 2004 to 27 October 2006
Mr. Mo Shikang (Note 3)	Through a controlled corporation	200,000,000	28 October 2004 to 27 October 2006

*Notes:*

1. The options in which Asian Allied is interested are registered in the name of Super Win, its wholly-owned subsidiary.
2. Mr. Yuan Yakang is the beneficial owner of 50,000,000 options which entitle him to subscribe for 50,000,000 shares in the Company. Mr. Yuan Yakang is also deemed to be interested in the same block of 200,000,000 options in which Asian Allied, a company which he has a 34.86% shareholding, is interested.
3. Mr. Mo Shikang is deemed to be interested in the same block of 200,000,000 options in which Asian Allied, a company which he has a 65.14% shareholding, is interested.

Save as disclosed above, none of the directors nor their associates had any interests in any shares and underlying shares of the Company or any of its associated corporations as at 31 March 2005.

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### SHARE OPTION

Particulars of the Company's share option scheme (the "Option Scheme") are set out in note 25 to the financial statements. No share option was granted during the year or outstanding as at 31 March 2005.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 35 to the financial statements, there are no contracts of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons were, directly or indirectly, beneficially interested in 5% or more of the issued share capital and share options of the Company.

<b>Name of shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Number of share options held</b>	<b>Percentage of the Company's issued share capital</b>
Super Win	Directly beneficially owned ( <i>Note 1</i> )	1,361,724,256	200,000,000	52.08%
Asian Allied	Through a controlled corporation ( <i>Note 1</i> )	1,361,724,256	200,000,000	52.08%
Deson Development Holdings Limited	Security interest ( <i>Note 2</i> )	1,361,724,256	–	52.08%
Deson Development International Holdings Limited ("Deson")	Through a controlled corporation ( <i>Note 3</i> )	1,361,724,256	–	52.08%

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS (Continued)

<b>Name of shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Number of share options held</b>	<b>Percentage of the Company's issued share capital</b>
Sparta Assets Limited ("Sparta Assets")	Through controlled corporations ( <i>Note 4</i> )	1,361,724,256	–	52.08%
Mr. Tjia Boen Sien	Through controlled corporations ( <i>Note 5</i> )	1,361,724,256	–	52.08%
Mr. Wang Jing Ning	Through controlled corporations ( <i>Note 5</i> )	1,361,724,256	–	52.08%

*Notes:*

1. Super Win holds 1,361,724,256 shares and 200,000,000 share options in the Company. By virtue of Super Win being a wholly-owned subsidiary of Asian Allied, Asian Allied is deemed to be interested in the 1,361,724,256 shares and 200,000,000 share options held by Super Win.
2. By virtue of the provisions of Part XV of the SFO, Deson Development Holdings Limited is deemed to be interested in the same block of 1,361,724,256 shares held by Super Win by virtue of a share mortgage in favour of it.
3. By virtue of the provisions of Part XV of the SFO, Deson, being the holding company of Deson Development Holdings Limited, is deemed to be interested in the same block of 1,361,724,256 shares in which Deson Development Holdings Limited is interested.
4. Sparta Assets is interested in approximately 45.72% of the entire issued share capital of Deson and is therefore entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Deson. By virtue of the provisions of Part XV of the SFO, Sparta Assets is deemed to be interested in the same block of 1,361,724,256 shares in which Deson is interested.
5. Sparta Assets, a company incorporated in the British Virgin Islands, is beneficially owned as to 90% by Mr. Tjia Boen Sien and 10% by Mr. Wang Jing Ning.

Other than as disclosed above, the Company has not been notified of any other relevant interests in the issued share capital of the Company as at 31 March 2005.

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### CONNECTED TRANSACTIONS

The Group had the following material connected transactions during the year:

1. On 18 February 2004, the Group entered into agreements with independent third parties to acquire an aggregate 49% equity interest in Xin Hua Resources Investment Limited ("Xin Hua") and its related shareholders' loans for HK\$29,500,000 (the "Xin Hua Acquisition"). The consideration was satisfied by way of issuing 295,000,000 shares in the Company at HK\$0.10 each.

The Xin Hua Acquisition constituted a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Mr. Mo Shikang, a director of Xin Hua, was appointed as an executive director of the Company upon completion of the Xin Hua Acquisition, hence, the Xin Hua Acquisition also constituted a connected transaction for the Group under the Listing Rules. The Xin Hua Acquisition was approved by the shareholders of the Company at a special general meeting on 16 April 2004 and was completed on 30 April 2004.

2. On 18 February 2004, the Group entered into an agreement with Deson to acquire the entire issued share capital of Penmark Limited ("Penmark") and its related shareholder's loans (the at a consideration of HK\$7,500,000 (the "Penmark Acquisition"). The consideration was satisfied by issuing 75,000,000 shares in the Company at HK\$0.10 each to Deson or its nominee. The Company also granted Deson's nominee an option to subscribe for one option share for every two shares issued at the option exercise price of HK\$0.105 per option share.

The Penmark Acquisition constituted a disclosable transaction for the Company under the Listing Rules. As Deson was a controlling shareholder of the Company having a shareholding interest of approximately 74.8% in the Company at the time of Penmark Acquisition, the Penmark Acquisition also constituted a connected transaction for the Company under the Listing Rules. The transaction was approved by the independent shareholders of the Company at a special general meeting on 16 April 2004 and was completed on 30 April 2004.

3. On 18 February 2004, the Group entered into an agreements with Deson to dispose of the entire issued share capital of Kenworth Group Limited and its shareholder's loan (the "Kenworth Disposal") for HK\$7,000,000 to Deson. The consideration was paid by Deson in cash and gave rise to a gain on disposal of approximately of HK\$7 million.

The Kenworth Disposal has been aggregated with the Subscription (defined below) and as a result, the Subscription and the Kenworth Disposal constituted major transactions for the Company under the Listing Rules. As Deson was a controlling shareholder of the Company having a shareholding interest of 74.8% in the Company at the time of Kenworth Disposal, the Subscription and the Kenworth Disposal also constituted connected transactions for the Company under the Listing Rules. The Subscription and the Kenworth Disposal were approved by the independent shareholders of the Company at a special general meeting on 16 April 2004 and were completed on 30 April 2004.

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### CONNECTED TRANSACTIONS (Continued)

4. On 18 February 2004, the Company entered into a subscription agreement with Super Win, the immediate holding company of the Company. The Company issued 325,000,000 new shares to Super Win at a price of HK\$0.10 per share for an aggregate consideration of HK\$32,500,000 (the "Subscription"). Pursuant to the subscription agreement, Super Win will be entitled to subscribe for one option share for every two shares subscribed for at the option exercise price of HK\$0.105 per option share.

The Subscription has been aggregated with the Kenworth Disposal and as a result, the Subscription and the Kenworth Disposal constituted major transactions for the Group under the Listing Rules. The Subscription and the Kenworth Disposal were approved by the independent shareholders of the Company at a special general meeting on 16 April 2004. The transactions were completed on 30 April 2004.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 27% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 12%. Purchases from the Group's five largest suppliers accounted for approximately 59% of the total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 47%.

None of the directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers.

### COMPETITION AND CONFLICTS OF INTERESTS

None of the directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that completes or may compete with the business of the Group or has any other conflict of interests with the Group.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



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### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Throughout the year ended 31 March 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Code") as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company conformed that all directors have complied with the required standard as set out in the Code during the year ended 31 March 2005.

### ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet event of the Group are set out in note 34 to the financial statements.

## REPORT OF THE DIRECTORS

### AUDITORS

During the year, Messrs. Ernst & Young, who acts as auditors for the period from 1 April 2002 to 31 March 2004, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**MO SHIKANG**

*MANAGING DIRECTOR*

Hong Kong, 22 July 2005

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