



華森燃氣控股有限公司

WAH SANG GAS
HOLDINGS LIMITED



二零零零年至二零零一年中期報告
2000/2001 Interim Report

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SUMMARY

- For the six months ended 30 September 2000, the unaudited consolidated turnover and profits attributable to shareholders of the Group were HK\$108,405,000 and HK\$38,449,000 respectively, increasing by 1.9 times and 10.8 times respectively from the corresponding period of previous financial year.
- For the six months ended 30 September 2000, the Group has installed approximately 31,000 meters, increasing by 3.1 times from the corresponding period of previous year.
- For the six months ended 30 September 2000, the gas consumption of the Group's piped gas users amounted to 135.20×10^6 mega-joules, increasing by 3.9 times from the corresponding period of previous year.
- For the six months ended 30 September 2000, the gas consumption of the Group's liquefied petroleum gas ("LPG") users reached 531.39×10^6 mega-joules, increasing by approximately 5.2% from the corresponding period of previous year.
- For the six months ended 30 September 2000, the earnings per share of the Group was HK19.93 cents, increasing by 7.9 times from the corresponding period of previous year.
- The directors do not recommend the payment of any dividend for the six months ended 30 September 2000.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

The directors of Wah Sang Gas Holdings Limited (the "Company") are pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30 September 2000, together with the comparative unaudited figures for the corresponding periods in 1999, are set out below:

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	2	63,657	21,476	108,405	37,626
Cost of sales		<u>(33,082)</u>	<u>(15,063)</u>	<u>(56,609)</u>	<u>(27,564)</u>
Gross profit		30,575	6,413	51,796	10,062
Selling and distribution costs		(533)	(217)	(715)	(280)
General and administrative expenses		<u>(4,426)</u>	<u>(2,381)</u>	<u>(9,062)</u>	<u>(3,986)</u>
PROFIT FROM OPERATING ACTIVITIES		25,616	3,815	42,019	5,796
Finance costs		<u>(569)</u>	<u>(505)</u>	<u>(982)</u>	<u>(929)</u>
PROFIT BEFORE TAX		25,047	3,310	41,037	4,867
Tax	3	<u>(58)</u>	<u>(533)</u>	<u>(565)</u>	<u>(746)</u>
PROFIT BEFORE MINORITY INTERESTS		24,989	2,777	40,472	4,121
Minority interests		<u>(1,358)</u>	<u>(576)</u>	<u>(2,023)</u>	<u>(857)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>23,631</u>	<u>2,201</u>	<u>38,449</u>	<u>3,264</u>
EARNINGS PER SHARE	4	<u>12.24 cents</u>	<u>1.51 cents</u>	<u>19.93 cents</u>	<u>2.24 cents</u>

Notes:

1. Group reorganization and basis of preparation

The Company was incorporated as an exempted company with limited liability in Bermuda on 25 October 1999 under the Companies Act 1981 of Bermuda. On 26 February 2000, pursuant to a reorganization to rationalize the Group structure in preparation for the listing of the Company's shares (the "Reorganization") on GEM, the Company acquired the entire issued share capital of Winstar Venture Limited, the then holding company of the subsidiaries included in the Reorganization, and thereby became the holding company of the Group. The shares of the Company were listed on GEM with effect from 16 March 2000.

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Reorganization for the periods presented, rather than from the date of their acquisition through the Reorganization on 26 February 2000. Accordingly, the consolidated results of the Group for the six months and three months ended 30 September 2000 and 1999 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period.

The Company is an investment holding company. Its subsidiaries are principally engaged in the construction of gas pipelines, production and sale of gas, and sale of gas equipment and domestic appliances.

2. Turnover

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

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of LPG and piped gas	20,080	11,047	36,443	21,456
Construction of gas pipelines	43,554	9,752	71,891	14,677
Sale of equipment and others	<u>23</u>	<u>677</u>	<u>71</u>	<u>1,493</u>
	<u>63,657</u>	<u>21,476</u>	<u>108,405</u>	<u>37,626</u>

3. Tax

	For the three months ended		For the six months ended	
	30 September		30 September	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	—	—	—	—
Mainland China	<u>58</u>	<u>533</u>	<u>565</u>	<u>746</u>
Tax charge for the period	<u>58</u>	<u>533</u>	<u>565</u>	<u>746</u>

The Group did not have assessable profits arising in Hong Kong during the six months and three months ended 30 September 2000. Taxes on profits assessable elsewhere in the People's Republic of China (the "PRC") have been calculated based on existing legislation, interpretations and practices at the prevailing rates of tax. For the six months and three months ended 30 September 2000 and 1999, most of the Group's PRC joint ventures were exempted from income tax or were taxable at a concessionary tax rate ranging from 15% to 18%.

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

4. Earnings per share

The calculation of basic earnings per share is based on the net unaudited profit attributable to shareholders for the six months and three months ended 30 September 2000 of approximately HK\$38,449,000 and HK\$23,631,000 respectively (1999: HK\$3,264,000 and HK\$2,201,000) and on the weighted average of 192,947,000 and 193,100,000 shares in issue during the aforementioned two periods ended 30 September 2000 respectively (1999: 145,500,000 shares and 145,500,000 shares).

The number of shares used to calculate the 1999 basic earnings per share represents the pro forma issued share capital of the Company on the basis that the Reorganization had been completed on 1 April 1999.

5. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 <i>(note)</i>	Fixed assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Enterprise development fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	—	4,800	—	341	783	885	(10,854)	(4,045)
Translation difference on consolidation	—	—	—	25	—	—	—	25
Net profit for the period	—	—	—	—	—	—	1,063	1,063
At 30 June 1999 and at 1 July 1999	—	4,800	—	366	783	885	(9,791)	(2,957)
Conversion of shareholders' loans	—	24,000	—	—	—	—	—	24,000
Translation difference on consolidation	—	—	—	21	—	—	—	21
Net profit for the period	—	—	—	—	—	—	2,201	2,201
Goodwill eliminated	—	—	—	—	—	—	(175)	(175)
At 30 September 1999	—	28,800	—	387	783	885	(7,765)	23,090
At 1 April 2000	20,215	28,800	3,852	452	783	885	14,004	68,991
Issue of shares	6,720	—	—	—	—	—	—	6,720
Share issue expenses	(256)	—	—	—	—	—	—	(256)
Translation difference on consolidation	—	—	—	(11)	—	—	—	(11)
Net profit for the period	—	—	—	—	—	—	14,818	14,818
At 30 June 2000 and at 1 July 2000	26,679	28,800	3,852	441	783	885	28,822	90,262
Translation difference on consolidation	—	—	—	451	—	—	—	451
Net profit for the period	—	—	—	—	—	—	23,631	23,631
At 30 September 2000	26,679	28,800	3,852	892	783	885	52,453	114,344

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganization over the nominal value of the Company's shares issued in exchange therefor.

DIVIDEND

The board of directors has resolved not to recommend the payment of dividend for the six months ended 30 September 2000 (1999: nil).

BUSINESS REVIEW

Based on the estimation and analysis of the prospects for the gas industry in the PRC, the business performed well and expanded continuously in line with the Group's business development milestones.

The performance of the Group for the six months ended 30 September 2000 under review is summarized below:

- Turnover increased to approximately HK\$108.4 million, representing a growth of 1.9 times over the corresponding period of previous year;
- Profit from operating activities increased to approximately HK\$42.0 million, representing a growth of 6.2 times over the corresponding period of previous year; and
- Net profit attributable to shareholders increased to approximately HK\$38.4 million, representing a growth of 10.8 times over the corresponding period of previous year.

Certain major developments of the Group's business for the period ended 30 September 2000 are listed hereunder.

Construction of gas pipeline networks

The Group receives one-off fee (the "connection fee") from property developers or property management companies for the construction of gas pipelines which connect the users to the Group's main gas pipeline networks. The networks are mainly laid underground in towns, small cities and suburban areas of larger cities, where there is significant demand for pipeline network fuel.

For the six months ended 30 September 2000, the Group recorded a sustainable growth in revenue through connection fee from Tianjin City, Hebei Province and Shandong Province. The Group has installed meters for approximately 31,000 households, representing an increase of 3.1 times in comparison with same period of previous year.

Recently, the Group successfully signed master contracts with local governments to explore the piped gas business in Qinhuangdao of Hebei Province, and Guangrao, Changle, Jiexiang and Jiaonan of Shandong Province. The designed capacity of the gas station in each of these locations is approximately 20,000 households. The construction of gas stations in these markets is expected to commence in November 2000.

Provision of piped gas

Over the past years, the brand name of Wah Sang Gas is well recognized by regional governments and residents, resulting in a tremendous growth in the number of piped gas customers in Tianjin City, Hebei Province and Shandong Province. The Group's total length of main pipelines increased from approximately 20 kilometers as at the end of September 1999 to approximately 129 kilometers as at the end of September 2000, representing an increase of 5.5 times in the Group's pipeline network. Consumption of piped gas increased from approximately 27.79×10^6 mega-joules for the six months ended 30 September 1999 to approximately 135.20×10^6 mega-joules for the corresponding period in 2000, representing an increase of 3.9 times.

LPG retailing and wholesaling

In addition to gas supply via pipeline networks to customers, the Group also provides retailing services to domestic, industrial and commercial customers where the supply of piped gas has not yet been reached. The Group also wholesales LPG to other local gas distributors and industrial customers.

It was encouraging that the volume of the Group's LPG supply under retailing and wholesaling arrangements increased from 504.97×10^6 mega joules for the six months ended 30 September 1999 to 531.39×10^6 mega-joules for the six months ended 30 September 2000, representing an increase of approximately 5.2%.

Minimizing the impact of the worldwide rise in crude oil price

While the directors of the Group expect that oil price at current level is unsustainable in the long run, the Group has implemented several measures to minimize the impact of the worldwide rise in crude oil price on the Group.

The current selling prices of piped gas offered by the Group in various counties and cities have yet to reach the price ceiling as established by the respective local commodity price bureau. In this respect, the Group is entitled to adjust the current price in various locations so as to shift the cost of the aforesaid impact to the Group's piped gas customers.

As there is no price ceiling established by the PRC government on the wholesale and retail of LPG, the Group is able to adjust the wholesale and retail price of LPG so as to maintain a reasonable level of gross profit margin.

Compared with the market price of LPG, the price of natural gas in the PRC is less sensitive to the international crude oil price. In this respect, the Group is exploring the opportunity to substitute LPG by natural gas in various locations if this is justified on the grounds of lower cost.

In conjunction with the continuing effort of the management on the control of production and operating costs of the Group, such as the negotiation of bulk purchase contracts with major LPG and natural gas production plants in the PRC, the directors are confident that the impact of the worldwide rise in crude oil price is minimized at a manageable level.

In the long run, the Group is also conducting researches to study the possibility of using other energy sources of lower cost to substitute LPG and natural gas in the PRC.

STATEMENT OF BUSINESS OBJECTIVES

Set out below is a comparison between the Group's actual business progress up to 30 September 2000 and its business objectives as set out in the prospectus:

	Business objectives as set out in the prospectus	Actual business progress up to 30 September 2000
SALES		
Piped gas fuel		
● Gas consumption (mega-joules)		
— Domestic	120.12×10^6	96.80×10^6
— Commercial/Industrial	3.25×10^6	38.40×10^6
● Total no. of meters installed (unit)		
— Domestic	15,300	30,809
LPG refueling		
— Retail (mega-joules)	124.9×10^6	127.05×10^6
— Wholesale (mega-joules)	437.0×10^6	404.34×10^6

	Business objectives as set out in the prospectus	Actual business progress up to 30 September 2000
Pipeline network construction		
— total length of main pipelines to be constructed (meters)	16,800	3,300
— total length of main pipelines in operation (meters)	75,200	129,133
Others		
— Geographic coverage for sales of gas fuel	<ul style="list-style-type: none"> ● Tianjin City (7 districts) ● Hebei Province (4 districts) ● Shandong Province (4 districts) 	<ul style="list-style-type: none"> ● Tianjin City (6 districts) ● Hebei Province (4 districts) ● Shandong Province (4 districts)

OPERATION FACILITIES

No. of gas processing stations

● In operation	<ul style="list-style-type: none"> ● Tianjin — 15 ● Hebei Province — 6 ● Shandong Province — 3 	<ul style="list-style-type: none"> ● Tianjin — 17 ● Hebei Province — 5 ● Shandong Province — 2
● Under construction	<ul style="list-style-type: none"> ● Hebei Province — 1 ● Shandong Province — 1 	<ul style="list-style-type: none"> ● Tianjin — 2 ● Hebei Province — 1 ● Shandong Province — 3

No. of storage depots

● In operation	3	2
● Under construction	1	1

	Business objectives as set out in the prospectus	Actual business progress up to 30 September 2000
PURCHASES & SUPPLIES	<ul style="list-style-type: none"> ● Renew heavy oil purchase agreements 	<ul style="list-style-type: none"> ● Renew heavy oil purchase agreements with Tianjin Petrochemical Hualong Company in June 2000 for a one-year period
No. of suppliers		
<ul style="list-style-type: none"> ● LPG/propane/butane 	8	8
<ul style="list-style-type: none"> ● Heavy oil 	2	2
LPG equipment and domestic gas appliances		
<ul style="list-style-type: none"> ● No. of suppliers 	8	11
SUBCONTRACTING		
<ul style="list-style-type: none"> ● No. of contractual arrangements made for Branch pipelines networks 	5	12
SALES & MARKETING		
Market development	<ul style="list-style-type: none"> ● Concentrate marketing effort on development of piped gas fuel in Jindong Peninsula, Qingdao and Yantai in Shandong Province ● Sign a master agreement for the development of piped gas fuel in Binzhou City, Shandong Province 	<ul style="list-style-type: none"> ● Signed 4 master agreements in Shandong Province and Hebei Province ● Signed a master agreement for the development of piped gas fuel in Binzhou City, Shandong Province
Market research	<ul style="list-style-type: none"> ● Conduct a market research for various districts in Shandong Province 	<ul style="list-style-type: none"> ● Completed the market research for 7 districts in Hebei Province and Shandong Province

	Business objectives as set out in the prospectus	Actual business progress up to 30 September 2000
PLANT & MACHINERY		
Gas mixing machines	30	28
Tanks	44	42
Compressors	13	12
MANAGEMENT SYSTEM		
HUMAN RESOURCES		
Management	20	24
Sales and marketing	19	20
Engineering	18	16
Gas station operation	183	173
Purchases and supplies	28	30
Finance	18	22
Administration	19	20
	<u>305</u>	<u>305</u>
TOTAL	305	305

Reasons for material differences between business objectives and actual businesses:

(1) Sales: Piped gas fuel and LPG refueling

(a) *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 in the volume of sales of domestic piped gas as compared with the business objective for the first half of the financial year 2000/2001 as stated in the prospectus.

(b) *Commercial/industrial*

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

(c) *LPG wholesaling*

The wholesale customers of LPG were mainly the industrial customers in the areas where piped gas services have not yet been extended to. In the first half of the financial year 2000/2001, wholesale refueling business fell behind the period's business objective by 7.5%. The main reason was that the Group was able to provide piped gas to certain industrial customers ahead of schedule stated in the prospectus. As a result, several industrial and commercial wholesale customers switched to use piped gas instead of LPG supplied by the Group.

(2) **Pipeline network construction**

The estimated total length of main pipeline to be constructed was shorter than the business objective. This is mainly due to the Group has completed the construction of main pipeline network earlier during the period in order to support the smooth progress of the establishment of certain mixed gas stations.

(3) **Sales: others — geographic coverage for safety of gas fuel**

As at 30 September 2000, the Group secured certain major markets of gas supply in 14 districts which are shown as follows:

Tianjin City	:	Hexi District, Wuqing District, Baodi District, Xiqing District, Ninghe County, Dagang District
Hebei Province	:	Sanhe City, Yanjiao Economic and Technological Development Zone, Zhuozhou City, Huanghua City
Shandong Province	:	Qihe County, Xintai City, Zibo City, Jiyang City

As stated in the statement of business objectives in the prospectus, the gas supply to Hangu City was expected to commence at the end of March 2000. The Group earmarked about HK\$6,500,000 out of the proceeds from the initial public offering to set up a mixed gas

station in Hangu City. In March 2000, the Group entered into a master agreement with an associate enterprise of Municipal Government of Hangu City, Tianjin for an exclusive right of supplying piped gas and providing related services in Hangu City.

However, the implementation plan for Hangu gas station will be postponed until the commencement of natural gas supply in Hangu District as natural gas is a cleaner and lower cost energy source than LPG. The Directors believe the supply of natural gas in Hangu District would be commenced in early next year. The Directors will also actively develop other new markets to ensure the Group's rapid growth in the long run.

(4) Subcontracting: number of contractual arrangements made

Owing to the smooth progress of certain mixed gas stations, the Group has signed more contracts for branch pipelines construction than the one stated in business objective in the prospectus in order to cope with the increase in demand of the construction of branch pipeline networks.

Proceeds from issuance of New Shares

From 25 February to 30 September 2000, the Group has utilized approximately HK\$16,700,000 in accordance with Group's development plan set out in the prospectus, which includes the enhancement of existing gas operation and development of gas projects.

Item in (HK\$'million)	From 25 February to 30 September 2000	
	Planned use of proceeds as set out in the prospectus	Actual use of proceeds
Hangu Gas Station	6.5	—
Wuqing Gas Station	1.3	1.3
Zhuozhou mixed Gas Station	5.4	5.4
Hengshui mixed gas station	1.3	0.4
Qihe mixed gas station	1.2	1.0
Huantai mixed gas station	2.5	4.0
Jiyang mixed gas station	1.6	1.4
Xintai mixed gas station	3.2	3.2
	<u>23.0</u>	<u>16.7</u>

Reasons For Difference between Planned Usage of Proceeds and Actual Usage*Hangu Mixed Gas Station*

The reasons for delay in the development of funding for the development in Hangu mixed gas station are set out in the sub-section headed “Sales: others — geographic coverage for safety of gas fuel” in the section headed “Statement of Business Objectives”.

Huantai Mixed Gas Station

In view of the smooth progress of the establishment of a mixed gas station in Huantai City of Shandong Province, the Group accelerated its construction plan to enhance support in that area.

Hengshui Mixed Gas Station

As a result of the unexpected delay in obtaining approvals from the relevant authorities on the establishment of Hengshui mixed gas station, the Group has slowed down the construction of the gas station.

FUTURE PROSPECTS**Expansion of geographical coverage**

As the State Government is carrying on a grand plan of transmitting gas from the west to east, the country-wide availability of natural gas supply will soon be increased. Given this golden opportunity, the Group will concentrate its efforts and resources on the market development in those cities and counties along the low stream pipeline network of the aforementioned gas transmission plan.

In addition, the Group is also seeking opportunities to explore the market in Guangxi Province, Jiangsu Province, Henan Province and Heilongjiang Province where the total population is approximately 245 million. Our research on the quality of living of the residents in these provinces revealed that the demand for gas fuel in these provinces would be very substantial. In this respect, the Group are currently conducting further study on the development of these potential major markets.

Commercial/Industrial customers

With the proven equipment design and favorable market environment, the Group has successfully provided piped gas to its commercial/industrial customers. The directors of the Group is confident that the prosperous exploitation of the provision of piped gas to commercial/industrial customers in PRC would have a considerable contribution to the future revenue of the Group. Accordingly, the Group would expedite the progress on the development of this business.

Gas vehicles

LPG buses have been given a trial in Tianjin City recently. The development of gas vehicles has become a market trend, particularly following the implementation of supplemental fuel duty. As a result, the number of gas vehicles is expected to rise significantly in the near future. In view of using gas vehicles as a solution to improve air pollution problems and make cities more environmentally friendly, the Group will actively conduct studies to explore the feasibility of operating refueling stations for gas vehicles in the PRC.

Outlook

Given the prosperous market environment in the PRC and our years of experience and unique expertise in operating gas fuel business in the PRC, the Group is aiming at becoming one of the leading gas fuel providers in the PRC through the achievement of the following objectives:

- To provide a safe, reliable supply of gas, and excellent services to customers.
- To improve the environmental conditions and upgrade the standards of living in the PRC.

Commitment

All members of the board of directors and staff are fully committed to achieving the above objectives. We are confident that the Group would yield satisfactory returns for the Company's shareholders.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

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

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

DIRECTORS' INTEREST IN SECURITIES

As at 30 September 2000, the beneficial interests of the directors and their associated corporations in the share capital of the Company and shares of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

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

Note: As at 30 September 2000, Mr. Shum Ka Sang was a substantial shareholder of Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development"), which beneficially held 82,935,000 shares representing a 42.95% interest in the Company.

Saved as disclosed above and as disclosed under the heading "Directors' rights to acquire shares" in this report, as at 30 September 2000, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares held	Percentage
Mr. Shum Ka Sang (<i>Note 1</i>)	82,935,000	42.95%
	(corporate interest)	
	4,365,000	2.26%
	(personal interest)	
Santa Resources Limited (<i>Note 2</i>)	58,200,000	30.14%
Wah Sang Gas Development	82,935,000	42.95%

Notes:

- As at 30 September 2000, Wah Sang Gas Development was owned as to 90% by Mr. Shum Ka Sang. The Corporate interest disclosed under Mr. Shum Ka Sang represents his deemed interests in the shares of the Company by virtue of its interest in Wah Sang Gas Development.
- 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.

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of the subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September, 2000.

SPONSOR'S INTERESTS

As at 30 September 2000, Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor Oriental Patron Asia Limited ("Oriental Patron") were interested in 3,900,000 shares which represented 2.02% of the issued shares of the Company. Save as disclosed herein, 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 90,000 shares which represented 0.05% of the issued shares of the Company as at 30 September 2000.

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

COMPETING INTEREST

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

AUDIT COMMITTEE

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

YEAR 2000 COMPLIANCE

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

ON BEHALF OF THE BOARD

Shum Ka Sang

Chairman

Hong Kong, 8 November 2000