



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



INTERIM REPORT 2001/2002

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This report, for which the directors of Wah Sang Gas Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Wah Sang Gas Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– i. the information contained in this report is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this report misleading; and iii. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The unaudited consolidated turnover and profit attributable to shareholders of the Group for the six months ended 30 September 2001 (the "Relevant Period") were HK\$191,338,000 and HK\$68,299,000, respectively, representing a growth of 76.6% and 77.9% respectively over the corresponding period of previous year.
- Results were remarkable and encouraging. The unaudited consolidated turnover and profit attributable to shareholders for the Relevant Period represent as much as 91% and 102% respectively of that achieved for the whole of the audited consolidated turnover and profit attributable to shareholders of the Group for the year ended 31 March 2001.
- During the Relevant Period, the Group has completed connection for approximately 66,500 households, representing a growth of 116% over the corresponding period of previous year.
- Sales volume of piped gas for the Relevant Period amounted to 408.11×10^6 mega-joules, representing a growth of 2.0 times over the corresponding period of previous year.
- Wholesale and retail of liquefied petroleum gas ("LPG") for the Relevant Period reached 716.42×10^6 mega-joules, increasing by approximately 34.8% over the corresponding period of previous year.
- Basic earnings per share for the Relevant Period amounted to HK\$3.44 cents, increasing by 72.7% over the corresponding period of previous year.
- The directors do not declare any interim dividend for the Relevant Period.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

The directors of Wah Sang Gas Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding periods in 2000, prepared in accordance with the accounting principles generally accepted in Hong Kong, are set out below:

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	3	119,903	63,657	191,338	108,405
Cost of sales		<u>(53,990)</u>	<u>(33,082)</u>	<u>(89,361)</u>	<u>(56,609)</u>
Gross profit		65,913	30,575	101,977	51,796
Selling and distribution costs		(870)	(533)	(1,295)	(715)
Administrative expenses		<u>(12,601)</u>	<u>(4,426)</u>	<u>(20,840)</u>	<u>(9,062)</u>
PROFIT FROM OPERATING ACTIVITIES		52,442	25,616	79,842	42,019
Finance costs		<u>(2,171)</u>	<u>(569)</u>	<u>(3,196)</u>	<u>(982)</u>
PROFIT BEFORE TAX		50,271	25,047	76,646	41,037
Tax	4	<u>(62)</u>	<u>(58)</u>	<u>(1,033)</u>	<u>(565)</u>
PROFIT BEFORE MINORITY INTERESTS		50,209	24,989	75,613	40,472
Minority interests		<u>(5,174)</u>	<u>(1,358)</u>	<u>(7,314)</u>	<u>(2,023)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>45,035</u>	<u>23,631</u>	<u>68,299</u>	<u>38,449</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share	5				
Basic		<u>2.25 cents</u>	<u>1.22 cents</u>	<u>3.44 cents</u>	<u>1.99 cents</u>
Diluted		<u>2.23 cents</u>	<u>N/A</u>	<u>3.41 cents</u>	<u>N/A</u>

Notes:

1. Basis of consolidation and presentation

The consolidated results include the results of the Group for the six months and three months ended 30 September 2001. The results of the subsidiaries acquired or disposed of during the six months ended 30 September 2001 (the "Relevant Period") are consolidated from or up to their effective dates of acquisition or disposal, respectively.

All significant intra-group transactions have been eliminated in the preparation of the consolidated results.

2. Change in significant accounting policies

There was no change in significant accounting policies during the Relevant Period.

3. 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 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.

	For the three months ended 30 September		For the six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	85,247	43,554	132,975	71,891
Sale of piped gas, wholesale and retail of LPG	34,023	20,080	57,002	36,443
Sale of gas appliances and others	633	23	1,361	71
	<u>119,903</u>	<u>63,657</u>	<u>191,338</u>	<u>108,405</u>

4. Tax

	For the three months ended 30 September		For the six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for tax in respect of profits for the period:				
Hong Kong	-	-	-	-
Mainland China	62	58	1,033	565
Tax charge for the period	<u>62</u>	<u>58</u>	<u>1,033</u>	<u>565</u>

The Group did not have assessable profits arising in Hong Kong during the Relevant Period. 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.

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

5. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the six months and three months ended 30 September 2001 of approximately HK\$68,299,000 and HK\$45,035,000 (2000: HK\$38,449,000 and HK\$23,631,000) respectively, and the weighted average number of 1,985,130,000 and 2,004,040,000 (2000: 1,929,470,000 and 1,931,000,000) ordinary shares respectively in issue during the six months and three months ended 30 September 2001 respectively. The number of shares have been adjusted for the Company's share subdivision on 24 July 2001 as detailed under the heading "Subdivision of share capital" in this report.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the six months and three months ended 30 September 2001 of HK\$68,299,000 and HK\$45,035,000 respectively. The weighted average number of ordinary shares used in the calculation is 1,985,130,000 and 2,004,040,000 ordinary shares in issue during the six months and three months ended 30 September 2001 respectively, as used in the basic earnings per share calculation; and the weighted average number of 15,510,000 and 17,970,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the six months and three months ended 30 September 2001 respectively. The number of shares has been adjusted for the Company's share subdivision on 24 July 2001 as detailed under the heading "Subdivision of share capital" in this report.

Diluted earnings per share for the six months and three months ended 30 September 2000 have not been calculated as no diluting events existed during that periods.

6. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset 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 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)
Exchange realignments	-	-	-	(11)	-	-	-	(11)
Net profit for the period	-	-	-	-	-	-	14,818	14,818
At 30 June 2000 and 1 July 2000	26,679	28,800	3,852	441	783	885	28,822	90,262
Exchange realignments	-	-	-	451	-	-	-	451
Net profit for the period	-	-	-	-	-	-	23,631	23,631
At 30 September 2000	<u>26,679</u>	<u>28,800</u>	<u>3,852</u>	<u>892</u>	<u>783</u>	<u>885</u>	<u>52,453</u>	<u>114,344</u>
At 1 April 2001	45,274	28,800	3,852	631	2,659	885	79,374	161,475
Exchange realignments	-	-	-	95	-	-	-	95
Net profit for the period	-	-	-	-	-	-	23,264	23,264
At 30 June 2001 and 1 July 2001	45,274	28,800	3,852	726	2,659	885	102,638	184,834
Issue of shares	38,750	-	-	-	-	-	-	38,750
Share issue expenses	(3,952)	-	-	-	-	-	-	(3,952)
Exchange realignments	-	-	-	(119)	-	-	-	(119)
Net profit for the period	-	-	-	-	-	-	45,035	45,035
Transfer from retained profits	-	-	-	-	1,106	-	(1,106)	-
At 30 September 2001	<u>80,072</u>	<u>28,800</u>	<u>3,852</u>	<u>607</u>	<u>3,765</u>	<u>885</u>	<u>146,567</u>	<u>264,548</u>

Note: 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.

DIVIDENDS

The board of directors has resolved not to declare any interim dividend for the Relevant Period (2000: Nil).

BUSINESS REVIEW

During the Relevant Period, the Group continued to sustain its leading position in providing piped gas for small and medium sized cities in the PRC. With the rapid urbanisation of small and medium sized cities in China, its piped gas market is tremendous and is poised to benefit from the unlimited opportunities. Leverage on the Group's expertise in the industry, the Group recorded outstanding results during the Relevant Period.

Environmental protection has become a major issue in China. The Government strongly encourages the usage of environmentally friendly natural gas ("NG") instead of coal. It is estimated that natural gas should comprise 7% of China's total energy mix by 2015, increasing from 3% in 2000. However, the provision of natural gas will rely on the completion of the West-to-East gas transmission pipeline project.

As an effort to capture and provide service for the gas market in various small and medium sized cities prior to its competitors, the Group supplies substitute natural gas ("SNG"), which is a mixture of LPG and air, in areas where the supply of natural gas is yet to be available. Once the main natural gas pipeline is connected, the provision of SNG will be switched to NG if the latter is more economical. The switch from SNG to NG does not create any interruption on the continuing gas supply because the Group's existing SNG supply infrastructures, including the pipelines, are compatible with NG.

The provision of gas in a low cost, safe and highly efficient manner requires various innovative technologies. The Group is in the process of obtaining five patents, including two innovation patents, from relevant PRC authorities so as to protect the Group's self-developed technologies.

During the Relevant Period, the Group dedicated great efforts to expand the geographical coverage of its piped gas network in China. Thanks to the continuously expanding piped gas network, the gas consumption by both residential and industrial users increased substantially. The following summarises major business developments of the Group during the Relevant Period.

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 Relevant Period, there were 31 gas processing stations situated in Tianjin City, Hebei Province and Shandong Province. During the Relevant Period, there were 7 new gas processing stations built in Hebei Province, Shandong Province and Jiangsu Province.

During the Relevant Period, the Group recorded a growth of 85.0% in the revenue of connection fee for the completion of connection for approximately 66,500 households, representing an increase of 116% over the corresponding period of previous year. As at 30 September 2001, the accumulated number of households connected reached approximately 168,000 units, which forms a solid customer base for the Group's on-going piped gas revenue.

Since April 2001, the Group has successfully secured exclusive-right agreements with local governments to operate piped gas business in following areas:

- Shouguang, Boxing and Weishan of Shandong Province, and Yizheng of Jiangsu Province where the construction of gas processing stations has been completed during the Relevant Period;

- Haiyang and Jiaozhou of Shandong Province, Lishui, Jurong, Suqian and Funing of Jiangsu Province, Yiyang of Hunan Province, and Deqing of Zhejiang Province where the gas processing stations are under construction as of the date of this report; and
- Beijing Tianzhu Airport Industrial Zone and Beijing Tianzhu Export Processing Zone of Beijing City, Baoding of Hebei Province, Gaogang of Jiangsu Province, and Liuyang of Hunan Province where the gas processing stations have yet to be built.

The exclusive-right agreements for the above locations have a coverage of approximately 2.1 million urban population, representing approximately 490,000 connectable households in aggregate.

As of the date of this report, the exclusive-right agreements, including the aforementioned new agreements, have reached a total coverage of approximately 5 million urban population, representing approximately 1,110,000 connectable households in aggregate. As compared with the same period last year, there is a substantial increase by approximately 91.4%.

Provision of piped gas

The Group supplies piped gas to its customers via the pipeline networks and the gas processing station in each city or district. The total length of the Group's main pipeline networks increased from approximately 129 kilometers as at 30 September 2000 to approximately 236 kilometers as at 30 September 2001, representing an increase of 82.9%. During the Relevant Period, consumption of piped gas by residential and industrial customers increased to approximately 321.33×10^6 mega-joules and 86.78×10^6 mega-joules, representing a growth of 2.3 times and 1.3 times respectively over the corresponding period of previous year.

Wholesale and retail of LPG

Given the strong geographical network in the PRC, the Group provides wholesale and retail services to its 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 processing stations and storage depots operated by the Group.

During the Relevant Period, the wholesale and retail of LPG reached 716.40×10^6 mega-joules in aggregate, representing a growth of 34.8% over the corresponding period of previous year.

BUSINESS OPPORTUNITIES AHEAD

The urbanisation process in small and medium sized cities will continue to create enormous market potentials for the Group. It is estimated that urban population will increase by 50% in 10 years and approximately 500 million farmers will relocate from rural to urban within the next 30 years. Undoubtedly, piped gas supply is one of the most basic utilities of every urban family, and there will be an urgent need to provide piped gas for such enormous population.

The 2008 Beijing Olympic Games, or otherwise known as the “Green Olympics”, is believed to urge and facilitate the replacement of coal with cleaner energy throughout the entire country. Beijing, as the host of the Olympic Games, will need to speed up its replacement process to demonstrate and lead other cities in the PRC to follow suit. According to the municipal government of Beijing, over 80% of the city’s energy will come from environmentally friendly resources by 2008. The Government’s dedication to improve quality of the environment can be fully reflected by certain international forums focusing on the importance of clean energy recently held in Beijing.

Given China’s favorable market with boundless potential, the Group is poised to benefit enormously by the tremendous business opportunities ahead.

FUTURE PROSPECTS

With our competitive advantages of having exclusive right for 50 years in small and medium-sized cities, coupled with seven years of experience in providing piped gas and owning unique technological competence, the Group strives to be a high growth utility company with expansion capability, stable future income and low risk. We are very delight to be elected as one of the Best 200 Small Companies in the world for 2002 by Forbes Global, showing that the management’s efforts are being recognized. With the support of our shareholders, the Group is committed to posting strong growth in the future and offering the best returns to the Company’s shareholders.

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 30 September 2001 as set out in the Group’s prospectus dated 7 March 2000 (the “Prospectus”):

	As at 30 September 2001	
	Business objectives as set out in the Prospectus	Actual business progress
SALES		
Piped gas sales for the Relevant Period		
• Gas consumption (mega-joules)		
– Domestic	253.43 x 10 ⁶	321.33 x 10 ⁶
– Commercial/Industrial	8.96 x 10 ⁶	86.78 x 10 ⁶
• Total no. of households connected (unit) (measured by no. of meters installed)		
– Domestic	30,800	66,519
LPG refueling for the Relevant Period		
• Retail (mega-joules)	118.70 x 10 ⁶	117.82 x 10 ⁶
• Wholesale (mega-joules)	473.00 x 10 ⁶	598.60 x 10 ⁶
Pipeline network construction		
• Total length of main pipelines to be constructed (metres)	33,900	36,000
• Total length of main pipelines in operation (metres)	138,400	236,000

	As at 30 September 2001	
	Business objectives as set out in the Prospectus	Actual business progress
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 – 5 • Shandong Province – 11 • Jiangsu Province – 1
OPERATION FACILITIES		
No. of gas processing stations		
• in operation	<ul style="list-style-type: none"> • Tianjin City – 15 • Hebei Province – 7 • Shandong Province – 4 	<ul style="list-style-type: none"> • Tianjin City – 17 • Hebei Province – 9 • Shandong Province – 11 • Jiangsu Province – 1
• under construction	0	8
No. of storage depots		
• in operation	4	3
• under construction	0	0
PURCHASES & SUPPLIES		
	• Renew heavy oil purchase agreements	• Heavy oil purchase agreements in Tianjin City have been renewed
No. of suppliers		
• LPG/propane/butane	9	15
• Heavy oil	2-3	2
LPG equipment and domestic gas appliance		
• No. of suppliers	8	12
SUBCONTRACTING		
• <i>No. of contractual arrangements made for construction of branch pipelines networks</i>	6	20
SALES & MARKETING		
Market development		
	• Concentrate marketing effort on development of piped gas business in Shandong Province	• Marketing effort has been concentrated in Shandong Province, Hunan Province, Jiangsu Province and Zhejiang Province
	• Sign exclusive-right agreements for the development of piped gas business in Weifang district in the Shandong provinces	• Exclusive-right agreements have been secured in many major cities and districts in above Province

As at 30 September 2001

	Business objectives as set out in the Prospectus	Actual business progress
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Market research

- | | |
|--|---|
| <ul style="list-style-type: none"> • Conduct market researches for markets in Shandong Province, Hebei Province and Guangxi Autonomous Region | <ul style="list-style-type: none"> • Market researches have been conducted for several major cities and districts in Hebei Province, Shandong Province, Jiangsu Province, Zhejiang Province, Hunan Province and Hubei Province |
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PLANT & MACHINERY

Gas mixing machines	37	36
Tanks	48	61
Compressors	16	20

HUMAN RESOURCES

Management	20	33
Sales and Marketing	22	25
Engineering	21	33
Gas processing stations operation	237	268
Purchases and supplies	31	32
Finance	23	38
Administration	24	31

TOTAL	<u>378</u>	<u>460</u>
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In view of the favourable market environment in the PRC and the tremendous effort put by the management, the Company has achieved outstanding performance in the Relevant Period which exceeds the business objectives as set out in the Prospectus. Please refer to the heading "Business review" in this report for more details.

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 Relevant Period, the Group has utilised approximately HK\$3,900,000 in accordance with the Group's development plan for the following gas processing stations as set out in the Prospectus:

	Planned use of proceeds as set out in the Prospectus (HK\$' million)	Actual use of proceeds (HK\$' million)
Qihe Gas Processing Station	0.3	0.5
Huantai Gas Processing Station	1.3	2.0
Jiyang Gas Processing Station	0.2	0.1
Xintai Gas Processing Station	1.5	1.3
	<u>3.3</u>	<u>3.9</u>

DIRECTORS' INTERESTS IN SHARES

At 30 September 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	Number of shares held and nature of interest			
	Personal	Family	Corporate	Other
Mr. Shum Ka Sang (<i>Note</i>)	<u>43,650,000</u>	-	<u>829,350,000</u>	-

Note: At 30 September 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 829,350,000 shares, representing a 41.14% 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, the details of which are as follows:

Name of director	Number of share options granted				Number of share options outstanding at 30 September 2001
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	
Shum Ka Sang	25,500,000	-	10,000,000	12,000,000	47,500,000
Wang Guanghao	12,000,000	-	-	-	12,000,000
Kong Siu Keung	-	5,000,000	2,000,000	3,000,000	10,000,000
Choi Yat Choy	22,000,000	-	2,000,000	2,500,000	26,500,000
Shen Yi	22,000,000	-	3,000,000	2,500,000	27,500,000
Chen Cuiwan	12,000,000	-	-	-	12,000,000
	<u>93,500,000</u>	<u>5,000,000</u>	<u>17,000,000</u>	<u>20,000,000</u>	<u>135,500,000</u>

No share option was exercised by the directors to subscribe for a share in the Company during the Relevant Period.

Notes:

- The share options were granted on 5 May 2000 at an exercise price of HK\$0.61 each. The option can be exercised at any time for a period of five years commencing on 6 November 2000.
- The share options were granted on 8 July 2000 at an exercise price of HK\$0.66 each. The option can be exercised at any time for a period of five years commencing on 9 January 2001.
- The share options were granted on 11 April 2001 at an exercise price of HK\$0.568 each. The option can be exercised at any time for a period of five years commencing on 12 October 2001.
- The share options were granted on 10 October 2001 at an exercise price of HK\$0.596 each. The option can be exercised at any time for a period of five years commencing on 11 April 2002.

The number and unit exercise price of the share options granted prior to 24 July 2001 as presented above have been adjusted pursuant to the Share Subdivision as set out under the heading "Subdivision of share capital" in this report.

Save as disclosed above, at no time during the Relevant Period 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.

DIRECTORS' INTERESTS IN CONTRACTS

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 Relevant Period.

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 30 September 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>)	829,350,000 (corporate interest)	41.14%
	43,650,000 (personal interest)	2.17%
Santa Resources Limited (<i>note 2</i>)	582,000,000	28.87%
Wah Sang Gas Development	829,350,000	41.14%

Notes: (1) At 30 September 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 in 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 to Section 16(1) of the SDI Ordinance.

SPONSOR'S INTERESTS

Oriental Patron Asia Limited ("Oriental Patron"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), were interested in 23,040,000 shares of the Company as at 30 September 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

On 23 July 2001, the Company issued 5,000,000 new shares to Santa Resources Limited at a price of HK\$7.85 per share. The proceeds were used for the establishment of new gas processing stations in Hebei Province and Shandong Province.

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 Relevant Period.

SUBDIVISION OF SHARE CAPITAL

An ordinary resolution approving the subdivision of the existing issued and unissued shares of the Company of HK\$0.10 each into ten subdivided shares of HK\$0.01 each (the "Share Subdivision") was duly passed at the Annual General Meeting of the Company on 23 July 2001. On 18 July 2001, the Listing Committee of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited has granted 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 share option scheme. Accordingly, the Share Subdivision became effective on 24 July 2001.

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

ON BEHALF OF THE BOARD

Shum Ka Sang
Chairman

Hong Kong
12 November 2001

* *For identification only*