



# 2003

Third Quarter Report 第三季度報告

## Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

## 香港聯合交易所有限公司（「聯交所」）創業板市場（「創業板」）的特色

創業板乃為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往溢利記錄，亦毋須預測未來溢利。此外，在創業板上市之公司可因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市之公司屬新興性質，在創業板買賣之證券可能會較在聯交所主板買賣之證券承受較大之市場波動風險，同時無法保證在創業板買賣之證券會有高流通量之市場。創業板發佈資料之主要方法為在聯交所為創業板而設之互聯網網頁上刊登。上市公司毋須在憲報指定報章刊登付款公佈披露資料。因此，有意投資之人士應注意，彼等須閱覽創業板網頁，方可取得創業板上市發行人之最新資料。

**HIGHLIGHTS**

- The unaudited consolidated turnover and profit attributable to shareholders of the Group for the nine months ended 31 December 2002 (the "Relevant Period") increased remarkably by approximately 63.4% and 70.9% over the same period last year, reaching HK\$564,694,000 and HK\$199,141,000 respectively.
- Basic earnings per share for the Relevant Period amounted to HK9.28 cents, representing approximately 60.0% growth over the same period last year.
- During the Relevant Period, approximately 172,000 households were connected, representing an increase by 44.5% over the same period last year. Total accumulative number of connected households reached approximately 415,000 units.
- Average connection fee reached approximately RMB2,330 per household, demonstrating an increase by 11.0% over the same period last year.
- Sales volume of piped gas marked a substantial growth of 1.2 times over the same period last year, amounting to 1,465.0 x 10<sup>6</sup> mega-joules.
- Sales volume of wholesale and retail of liquefied petroleum gas ("LPG") for the Relevant Period reached 1,848.4 x 10<sup>6</sup> mega-joules, a growth of 24.3% over the same period last year.
- Exclusive contracts on hand cover 65 cities and districts, amounting to approximately 2,380,000 connectable households.
- Average collection period for accounts receivable has been well managed at 78 days.
- The directors do not recommend the payment of an interim dividend for the Relevant Period.

The unaudited consolidated results for the three months and nine months ended 31 December 2002 and comparison with the results for the same periods last year are set out in the accompanying table.

The directors of Wah Sang Gas Holdings Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2002.

## BUSINESS REVIEW

### Turnover

The Group is principally engaged in the business of gas fuel supply in the PRC, including major activities as follows:

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

Turnover of the Group for the Relevant Period is analysed as follows:

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	138,735	96,943	374,499	229,918
Sale of piped gas, wholesale and retail of LPG	62,736	50,406	176,048	107,408
Sale of gas appliances and others	5,036	6,901	14,147	8,262
	<u>206,507</u>	<u>154,250</u>	<u>564,694</u>	<u>345,588</u>

### Construction of Gas Pipeline Networks

The Group receives connection fees from property developers and property management companies for the construction of gas pipelines that connect each household to the Group's main gas pipeline networks. For the nine months under review, the growth of the Group was remarkable, recording a 62.9% increase in connection fees for completing connection for approximately 172,000 households, which represented an enormous increase of approximately 44.5% as compared with the corresponding period of last year. As at 31 December 2002, the accumulated number of connected households reached approximately 415,000 units, generating a solid customer base for the Group's future piped gas revenue.

Since April 2002, the Group has successfully secured 30 new exclusive contracts from local governments to operate piped gas business, which has already exceeded the Group's target set in for the full fiscal year of 2003.

The 30 exclusive contracts are distributed in the following areas:

- Qingyuan, Jizhou and Yixian of Hebei Province, Ningyang, Yishui, Qixia, Laixi and Juxian of Shandong Province, Pizhou, Jingjiang, Fengxian, Jinhua and Xinyi of Jiangsu Province, Jiangshan of Zhejiang Province and Chenzhou and Ningxiang of Hunan Province where the gas processing stations have been put into operation;
- Zhangjiangang Port and Suining of Jiangsu Province, Nanxun, Tonglu and Haiyan of Zhejiang Province, Nanchang and Gaoan of Jiangxi Province, Ningguo of Anhui Province and Anxin of Hebei Province, where the gas processing stations were under construction as of 31 December 2002; and
- Xuzhou Economic Development Zone in Jiangsu Province, Linzi of Shandong Province, Tianjin Airport Industrial Zone in Tianjin Port Free Zone, Huaining of Anhui Province and Youxian of Hunan Province, where the gas processing stations are expected to commence construction in 2003.

As of the date of this report, the exclusive contracts on hand, together with the aforementioned new contracts, have reached a total coverage of 65 cities and districts, accumulating approximately 8,350,000 urban population or 2,380,000 connectable households in total. The geographical coverage of these exclusive contracts includes Tianjin City, Beijing City, Hebei Province, Shandong Province, Jiangsu Province, Zhejiang Province, Hunan Province, Jiangxi Province and Anhui Province.

Whereas it is the Group comes to a strategic move to expand to certain high-growth cities with relatively higher average income, the average connection fee per household was increased by 11.0%, reaching approximately HK\$2,178 (RMB2,330) in the Relevant Period from approximately HK\$1,936 (RMB2,100) in the same period last year.

### ***Provision of Piped Gas***

The Group supplies piped gas from its gas processing stations in each location through the pipeline networks to end users. Due to the continuous geographical expansion of the Group's business, the total length of the main pipeline networks of the Group was extended from approximately 639 kilometers at the beginning of the period to approximately 1,066 kilometers as at 31 December 2002, representing an increase of 66.8%.

During the nine months under review, the piped gas consumption of residential and industrial customers achieved notable increase to approximately  $1,046.0 \times 10^6$  mega-joules and  $419.0 \times 10^6$  mega-joules respectively, representing a remarkable growth of 1.0 times respectively and 2.0 times respectively over the same periods last year. Such increase was resulted from the continuous growth in the number of connected households during the Relevant Period.

## ***Wholesale and Retail of LPG***

The Group provides wholesale and retail services to its customers via the following:

- (i) Sale of LPG via gas cylinders to residential customers where the supply of piped gas has yet to be extended;
- (ii) Delivery of LPG via tank trucks to storage facilities of local gas distributors, industrial and commercial customers; and
- (iii) Refuel of gas cylinders brought from customers at gas processing stations and storage depots operated by the Group.

In line with the Group's geographical and customer base expansions in the PRC, the wholesale and retail of LPG reached  $1,848.4 \times 10^6$  mega-joules, demonstrating a tremendous growth of 24.3% over the same period last year. The large volume of wholesale and retail of LPG helped increase the Group's market share in each location, secured amicable business relationships with LPG suppliers and at the same time, generated a stable cash flow to the Group and provided a huge base of potential customers for piped gas penetration in future.

## ***Sale of Domestic Gas Appliances***

In order to provide a comprehensive range of gas-related services for customers, the Group also sells domestic gas appliances, including stoves and water heaters, to local residents. During the period under review, revenue from the sales of gas appliances grew impressively by 71.2% to HK\$14.1 million. The sale of domestic gas appliances is highly synergetic to the Group's business of providing piped gas and LPG.

## ***Gross and Net Margin***

As driven by the increase in average selling prices and strict control over operating costs, the gross profit margin and net profit margin of the Group for the Relevant Period reached 52.1% and 35.3% respectively. Profit attributable to shareholders for the Relevant Period increased to HK\$199,141,000, a 70.9% growth from the same period last year.

## ***Accounts Receivable***

During the Relevant Period, the Group maintained its credit policy to customers and adopted effective incentive schemes to encourage employees to speed up the collection of connection fees. As a result, the average collection period of accounts receivable for the Relevant Period has been well managed at 78 days.

The Group will continue to maintain strict control over its outstanding receivables and strengthen its credit policy so as to minimize the possibility of bad debts and working capital tied up in accounts receivable.

## *Liquidity and Financial Resources*

Having tightened its credit policy to customers, the Group reported a strong cash inflow of HK\$180.5 million from operating activities for the Relevant Period, representing a 52.3% increase from HK\$118.5 million in the same period last year.

Given the strong performance and cashflow position of the Group, the Company has successfully secured a syndicated three-year loan facility of HK\$220 million in early November 2002.

In accordance with the existing expansion plan of the Group, the effective combination of internal resources and bank borrowings will be strong enough to facilitate its future capital expenditure requirements.

## **AWARDS**

After receiving numerous awards during the second quarter of FY2003, Wah Sang Gas was again placed second amongst various industry leaders and giants in both categories of "Best Investor Relations from a Growth Market Company" and "Best Overall Investor Relations by a Small and Medium-Sized Company" in the Investor Relations Magazine Awards 2002 in November 2002. After that, Wah Sang Gas received one of the Honourable Mentions in "The Awards of the 2002 HKMA Best Annual Reports Awards" and was selected as one of the "Best in Corporate Governance" in a survey conducted by The Asset in the December 2002 issue. The categories of awards span from investor relations, annual report production to corporate governance. It clearly demonstrated that Wah Sang Gas was well recognized by investment community in various aspects.

## **FUTURE PROSPECTS**

Looking ahead, the Group will continue to focus on small-and medium-sized cities in the PRC with high GDP per capita and to explore new markets by securing exclusive contracts from local governments. With the general favorable market environment set forth where the government releases a series of beneficial policy to the public, the demand for piped gas is expected to increase tremendously.

The rapid urbanization process in small-and medium-sized cities will continue to create enormous market potentials for the Group. Whereas the urban population will increase by 50% in 10 years, about 500 million farmers will also be relocated from rural to urban within the next 30 years. These would all create demand for piped gas, as the basic utility of daily lives.

Currently, the exclusive contracts secured by the Group cover 65 cities and districts, with total urban population of these areas reaching approximately 8,350,000. By offering flexible gas supply to suit the different market needs, the Group is well positioned to extend its market coverage to other parts of the PRC.

With unique patented technology, solid industry experience and a visionary management team, the Group is well equipped to become a high growth utility company with healthy expansion capability, stable future income and low risk. Wah Sang Gas strives to post strong growth in the future, so as to bring the highest yields to its shareholders.

**SHUM Ka Sang**  
*Chairman*

Hong Kong, 11 February 2003

**UNAUDITED CONSOLIDATED RESULTS***For the three months and nine months ended 31 December 2002*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	3	206,507	154,250	564,694	345,588
Cost of sales		<u>(97,603)</u>	<u>(76,626)</u>	<u>(270,314)</u>	<u>(165,987)</u>
Gross profit		108,904	77,624	294,380	179,601
Selling and distribution costs		(4,917)	(2,817)	(14,152)	(8,052)
Administrative expenses		<u>(31,976)</u>	<u>(22,619)</u>	<u>(61,399)</u>	<u>(43,459)</u>
PROFIT FROM OPERATING ACTIVITIES		72,011	52,188	218,829	128,090
Finance costs		<u>(3,093)</u>	<u>(1,262)</u>	<u>(7,837)</u>	<u>(4,458)</u>
PROFIT BEFORE TAX		68,918	50,926	210,992	123,632
Tax	4	<u>(150)</u>	<u>(837)</u>	<u>(6,279)</u>	<u>(1,870)</u>
PROFIT BEFORE MINORITY INTERESTS		68,768	50,089	204,713	121,762
Minority interests		<u>(986)</u>	<u>(1,872)</u>	<u>(5,572)</u>	<u>(5,246)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>67,782</u>	<u>48,217</u>	<u>199,141</u>	<u>116,516</u>
DIVIDEND		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EARNINGS PER SHARE	5				
Basic		<u>3.14 cents</u>	<u>2.34 cents</u>	<u>9.28 cents</u>	<u>5.80 cents</u>
Diluted		<u>3.08 cents</u>	<u>2.31 cents</u>	<u>9.00 cents</u>	<u>5.74 cents</u>



## Notes to consolidated results

### 1. Basis of consolidation and presentation

The consolidated results include the results of the Company and its subsidiaries for the nine months ended 31 December 2002 (the "Relevant Period"). The results of the subsidiaries acquired or disposed of during the Relevant Period are consolidated from or up to their effective dates of acquisition or disposal, respectively.

Certain comparative figures have been reclassified to conform with the current period's presentation.

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 gas appliances sold, net of business tax and government surcharges, and after allowances for goods returned and trade discounts.

Turnover of the Group is analysed as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	138,735	96,943	374,499	229,918
Sale of LPG and piped gas	62,736	50,406	176,048	107,408
Sale of gas appliances and others	5,036	6,901	14,147	8,262
	<u>206,507</u>	<u>154,250</u>	<u>564,694</u>	<u>345,588</u>

## Notes to consolidated results

## 4. Tax

	Three months ended 31 December 2002 HK\$'000		Nine months ended 31 December 2002 HK\$'000	
	2001 HK\$'000		2001 HK\$'000	
Provision for tax in respect of profits for the period:				
Hong Kong	—	—	—	—
Mainland China	150	887	6,279	1,870
Tax charge for the period	150	887	6,279	1,870

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

## 5. Earnings per share

Pursuant to an ordinary resolution passed on 23 July 2001, the issued and unissued share of the Company of HK\$0.1 each was subdivided into ten shares of HK\$0.01 each (the "Share Subdivision"). Accordingly, the calculation of earnings per share below has taken into account of the effect of the Share Subdivision.

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the three months and nine months ended 31 December 2002 of approximately HK\$67,782,000 and HK\$199,141,000 (third quarter for 2002: HK\$48,217,000 and HK\$116,516,000) respectively, and the weighted average number of 2,156,700,000 and 2,145,358,000 (third quarter for 2002: 2,056,217,000 and 2,008,727,000) ordinary shares respectively in issue during the three months and nine months ended 31 December 2002.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the three months and nine months ended 31 December 2002 of HK\$67,782,000 and HK\$199,141,000 (third quarter for 2002: HK\$48,217,000 and HK\$116,516,000) respectively. The weighted average number of ordinary shares used in the calculation is 2,156,700,000 and 2,145,358,000 (third quarter for 2002: 2,056,217,000 and 2,008,727,000) ordinary shares issue during the three months and nine months ended 31 December 2002 respectively as used in the basic earnings per share calculation, and the weighted average number of 45,023,000 and 66,803,000 (third quarter for 2002: 35,075,000 and 21,852,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the three months and nine months ended 31 December 2002 respectively.

## Notes to consolidated results

## 6. Dividend

The directors do not recommend the payment of an interim dividend for the Relevant Period (third quarter for 2002: Nil).

## 7. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Fixed asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000 (Note b)	Enterprise development fund HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	45,274	28,800	3,852	631	2,659	885	79,374	161,475
Issue of shares	38,750	-	-	-	-	-	-	38,750
Share issue expenses	(3,952)	-	-	-	-	-	-	(3,952)
Exchange realignments	-	-	-	(24)	-	-	-	(24)
Net profit for the period	-	-	-	-	-	-	68,299	68,299
Transfer from retained profits	-	-	-	-	1,106	-	(1,106)	-
At 30 September 2001 and 1 October 2001	80,072	28,800	3,852	607	3,765	885	146,567	264,548
Issue of shares	79,500	-	-	-	-	-	-	79,500
Share issue expenses	(4,923)	-	-	-	-	-	-	(4,923)
Exchange realignments	-	-	-	(7)	-	-	-	(7)
Net profit for the period	-	-	-	-	-	-	48,217	48,217
Transfer from retained profits	-	-	-	-	704	-	(704)	-
At 31 December 2001	154,649	28,800	3,852	600	4,469	885	194,080	387,335
At 1 April 2002	161,139	28,800	6,096	191	4,469	885	197,669	399,249
Issue of shares	17,637	-	-	-	-	-	-	17,637
Exchange realignments	-	-	-	462	-	-	-	462
Net profit for the period	-	-	-	-	-	-	131,358	131,358
Transfer from retained profits	-	-	-	-	1,165	-	(1,165)	-
At 30 September 2002 and 1 October 2002	178,776	28,800	6,096	653	5,634	885	327,862	548,706
Exchange realignments	-	-	-	(429)	-	-	-	(429)
Net profit for the period	-	-	-	-	-	-	67,782	67,782
Final dividend	-	-	-	-	-	-	(135)	(135)
Transfer from retained profits	-	-	-	-	10,574	-	(10,574)	-
At 31 December 2002	178,776	28,800	6,096	224	16,208	885	384,935	615,924

**Notes to consolidated results****7. Reserves (Continued)***Notes:*

- (a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 26 February 2000 and the nominal value of the Company's shares issued in exchange therefor.
- (b) 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.

**8. Contingent liabilities**

At 31 December 2002, contingent liabilities of the Company not provided for in its financial statements were as follows:

	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	<b><u>297,960</u></b>	<u>194,917</u>

As at 31 December 2002, the Company had provided guarantees of HK\$297,960,000 (31 March 2002: HK\$194,917,000) in total in respect of banking facilities granted to its subsidiaries, of which approximately HK\$279,778,000 (31 March 2002: HK\$159,917,000) were utilised at 31 December 2002.

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, 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	<u>45,650,000</u>	<u>—</u>	<u>819,350,000</u>	<u>—</u>

At 31 December 2002, Mr. Shum Ka Sang was a sole shareholder of Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development"), which beneficially held 819,350,000 shares representing a 37.99% interest in the Company.

Save as disclosed above and disclosed under the heading "Directors' rights to acquire shares" below, 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					Exercised/ Lapsed	Number of share options outstanding at 31 December 2002
	Note 1	Note 2	Note 3	Note 4	Note 5		
Mr. Shum Ka Sang	25,500,000	—	10,000,000	12,000,000	—	—	47,500,000
Mr. Wang Guanghao	12,000,000	—	—	—	—	—	12,000,000
Mr. Kong Siu Keung	—	5,000,000	2,000,000	3,000,000	—	—	10,000,000
Mr. Shen Yi	22,000,000	—	3,000,000	2,500,000	10,000,000	—	37,500,000
Mr. Choi Yat Choy <sup>(Note 6)</sup>	22,000,000	—	2,000,000	2,500,000	—	(26,500,000)	—
Ms. Chen Cui Wan <sup>(Note 7)</sup>	12,000,000	—	—	—	—	(12,000,000)	—
Ms. Qian Mingjin	—	—	—	6,000,000	—	—	6,000,000
Mr. Zhang Fan	—	—	—	3,000,000	—	—	3,000,000
Mr. Fao Bao Qi <sup>(Note 8)</sup>	3,000,000	—	1,000,000	500,000	—	(3,000,000)	1,500,000
	<u>96,500,000</u>	<u>5,000,000</u>	<u>18,000,000</u>	<u>29,500,000</u>	<u>10,000,000</u>	<u>(41,500,000)</u>	<u>117,500,000</u>

## DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

### Notes:

1. The share options were granted on 7 April 2000 at an exercise price of HK\$0.61 each. The options can be exercised at any time for a period of five years commencing on 6 November 2000.
2. The share options were granted on 7 July 2000 at an exercise price of HK\$0.66 each. The options can be exercised at any time for a period of five years commencing on 9 January 2001.
3. The share options were granted on 22 March 2001 at an exercise price of HK\$0.568 each. The options can be exercised at any time for a period of five years commencing on 12 October 2001.
4. The share options were granted on 27 September 2001 at an exercise price of HK\$0.596 each. The options can be exercised at any time for a period of five years commencing on 11 April 2002.
5. The share options were granted on 9 May 2002 at an exercise price of HK\$1.08 each. The options can be exercised at any time for a period of five years commencing on 10 November 2002.
6. Mr. Choi Yat Choy, an executive director resigned on 28 June 2002, exercised 2 million of share options at exercise price of HK\$0.568 each on 7 March 2002 and had exercised 24.5 million of share options in total at exercise prices ranging between HK\$0.596 and HK\$0.610 each during the Relevant Period.
7. Ms. Chen has resigned on 24 April 2002 and her share options were lapsed on 23 May 2002 accordingly.
8. Mr. Fan Bao Qi, an executive director appointed on 30 August 2002, exercised 3.0 million of share options at an exercise price of HK\$0.610 each on 9 May 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.

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, or any of its 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.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM")) had any interests in a business which competes or may compete with the businesses of the Group.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, 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 of the Company's share capital
Mr. Shum Ka Sang ( <i>Note 1</i> )	819,350,000	37.99%
	(corporate interest)	
	45,650,000	2.12%
	(personal interest)	
Santa Resources Limited ( <i>Note 2</i> )	493,600,000	22.89%
Wah Sang Gas Development	819,350,000	37.99%

*Notes:*

1. At 31 December 2002, Wah Sang Gas Development was wholly-owned 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 his interests 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 Section "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.

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

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

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinions of the directors, the Company has complied with the code of best practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the Relevant Period.

## 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 processes and internal control systems of the Group.

The audit committee during the period comprises three members, Mr. Ng Eng Leong and Mr. Cui Shuming, both being independent non-executive directors of the Company, and Ms. Chen Cuiwan, an executive director who resigned on 24 April 2002. Three meetings has been held by the audit committee during the Relevant Period.



華榮燃氣控股有限公司  
Wah Sang Gas Holdings Limited

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