



# 2003

Interim Report 中期報告

## 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 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 six months ended 30 September 2002 (the “Relevant Period”) increased remarkably by approximately 87.2% and 92.3% over the same period last year, reaching HK\$358,187,000 and HK\$131,359,000 respectively.
- Basic earnings per share for the Relevant Period amounted to HK6.14 cents, representing approximately 78.5% growth over the same period last year.
- During the Relevant Period, 107,500 households were connected, increased by 61.7% over the same period last year. Total accumulative number of connected households reached approximately 351,000 units.
- Average connection fee reached approximately RMB2,330 per household, demonstrating an increase by 10% over the same period last year.
- Sales volume of piped gas marked a substantial increase of 1.3 times over the same period last year, amounting to  $947.8 \times 10^6$  mega-joules.
- Sales volume of wholesale and retail of liquefied petroleum gas (“LPG”) for the Relevant Period reached  $1,285.5 \times 10^6$  mega-joules, a growth of 79.4% over the same period last year.
- Exclusive contracts on hand cover 62 cities and districts, amounting to approximately 2,300,000 connectable households.
- Average collection period for accounts receivable was successfully reduced by 13.6% to 76 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 six months ended 30 September 2002 and comparisons with the results for the same period 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 six months ended 30 September 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 30 September		Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Gas pipeline construction	123,306	85,247	235,764	132,975
Sale of piped gas, wholesale and retail of LPG	55,338	34,023	113,312	57,002
Sale of gas appliances and others	6,484	633	9,111	1,361
	<u>185,128</u>	<u>119,903</u>	<u>358,187</u>	<u>191,338</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 six months under review, the growth of the Group was remarkable, recording a 77.3% increase in connection fees for completing connection for approximately 107,500 households, which represented an enormous increase of approximately 61.7% as compared with the corresponding period of last year. As at 30 September 2002, the accumulated number of connected households reached approximately 351,000 units, generating a solid customer base for the Group’s future piped gas revenue.

Since April 2002, the Group has successfully secured 27 new exclusive contracts from local governments to operate piped gas business, which has exceeded the Group's target set in for the full fiscal year of 2003 already.

The 27 exclusive contracts are distributed in the following areas:

- Qingyuan of Hebei Province, Ningyang, Yishui, Qixia and Laixi of Shandong Province, Chenzhou and Ningxiang of Hunan Province, and Pizhou and Jingjiang of Jiangsu Province where the gas processing stations have been put into operation;
- Juxian of Shandong Province, Zhangjiagang Port, Fengxian, Jinhu, and Xinyi of Jiangsu Province, Jizhou and Yixian of Hebei Province, Jiangshan and Nanxun of Zhejiang Province, and Nanchang and Gaoan of Jiangxi Province, where the gas processing stations were under construction as of 30 September 2002; and
- Anxin of Hebei Province, Xuzhou Economic Development Zone and Suining of Jiangsu Province, Linzi of Shandong Province, Tonglu and Haiyan of Zhejiang Province, and Ningguo of Anhui Province, where the gas processing stations are expected to commence construction in the third quarter.

As of the date of this report, the exclusive contracts on hand, together with the aforementioned new contracts, have reached a total coverage of 62 cities and districts, accumulating approximately 8,050,000 urban population or 2,300,000 connectable households in total. The geographical coverage of these exclusive contracts includes Tianjin 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 10%, reaching approximately HK\$2,200 (RMB2,330) in the Relevant Period from approximately HK\$2,000 (RMB2,120) in the same period last year .

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

The Group supplies piped gas to customers through its pipeline networks and gas processing stations in each location. Due to the continuous geographical expansion of the Group's business and the increasing number of customers, 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 901 kilometers as at 30 September 2002, representing an increase of 41.0%.

During the six months under review, the piped gas consumption of residential and industrial customers achieved notable increase to approximately  $677.8 \times 10^6$  mega-joules and  $270.0 \times 10^6$  mega-joules respectively, representing a remarkable growth of 1.1 times respectively and 2.1 times respectively over the same period last year. Such increase was resulted from the substantial growth of 1.1 times in the number of connected households as compared to the same period last year.

Through its endless effort in promoting the advantage of piped gas usage and upgrading its service quality, such as 24-hour service hotline and safety management, the Group has successfully achieved a promising growth in the penetration rate and piped gas usage in each location.

### ***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  $1,285.5 \times 10^6$  mega-joules, demonstrating a tremendous growth of 79.4% 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.

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

In order to provide a wide 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 5.7 times to HK\$9.1 million. The Group believes that the sale of domestic gas appliances is highly synergetic to its business of providing piped and LPG gas, as it will not only enhance the reputation of the Group in the industry but also encourage the use of piped gas by local residents.

### ***Awards***

In October 2002, the Company was honorably granted two recognitions by Forbes Global and Yazhou Zhoukan as one of the Best Under a Billion 200 Companies for 2002 and one of the 500 International Chinese Enterprises in the world for 2002 respectively. As the awards recipient for the second consecutive year, the Group's effort in both management and operation have again been well recognized. In the future, the Group is fully prepared to further expand and strengthen its corporate structure and managerial efficiency to become the leading gas supplier in the PRC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *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 51.8% and 36.7% respectively. Profit attributable to shareholders for the Relevant Period increased to HK\$131,359,000, a 92.3% growth from the same period last year.

### *Accounts Receivable*

During the Relevant Period, the Group continued to tighten its credit policy to customers and adopt effective incentive schemes to encourage employees to speed up the collection of connection fees. As a result, the average collection period of accounts receivable was successfully reduced to 76 days from 88 days in the same period last year, a marked 13.6% improvement.

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\$137.5 million from operating activities for the Relevant Period, representing a 95.6% increase from HK\$70.3 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 between existing cash on hand and the strong source of fund to be generated from its operating activities and bank borrowings will be strong enough to facilitate its capital expenditure requirements.

Net gearing ratio of the Group as at 30 September 2002 was 17.8% (31 March 2002: 21.0%).

### *Capital Structure*

During the Relevant Period, the Company issued 29,500,000 new ordinary shares of par value of HK\$0.01 each, comprising 4,500,000 shares allotted at HK\$0.596 each and 25,000,000 shares allotted at HK\$0.610 each pursuant to the exercise of options under a share option scheme adopted by the Company on 16 March 2000.

### ***Charges on Group Assets***

Certain of the Group's bank loans as at 30 September 2002 are secured by (i) certain land and building of the Group with an aggregate net book value of approximately HK\$57,350,000; and (ii) charges over the Group's equity interests in nine joint ventures: Hengshui Wah Sang Gas Co., Ltd., Yizheng Wah Sang Gas Co., Ltd., Yiyang Wah Sang Gas Co., Ltd., Liuyang Wah Sang Gas Co., Ltd., Deqing Wah Sang Gas Development Co., Ltd., Pizhou Wah Sang Gas Co., Ltd., Jingjiang Wah Sang Gas Co., Ltd., Chen Zhou Wah Sang Gas Co., Ltd. and Ningxiang Wahsang Gas Co., Ltd..

### ***Contingent Liabilities***

As at 30 September 2002, the Company had provided guarantees of HK\$200,938,000 in total in respect of banking facilities granted to its subsidiaries.

### **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 62 cities and districts, with total urban population of these areas reaching approximately 8,050,000. Leveraging on the high growth potential in these areas, the Group is well positioned to serve those areas already covered as well as extend to other regions 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 November 2002



**UNAUDITED CONSOLIDATED INCOME STATEMENT***For the three months and six months ended 30 September 2002*

	Notes	Three months ended 30 September		Six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	3	185,128	119,903	358,187	191,338
Cost of sales		<u>(87,103)</u>	<u>(53,990)</u>	<u>(172,711)</u>	<u>(89,361)</u>
Gross profit		98,025	65,913	185,476	101,977
Selling and distribution costs		(4,235)	(3,483)	(9,235)	(5,235)
Administrative expenses		<u>(18,255)</u>	<u>(12,601)</u>	<u>(29,423)</u>	<u>(20,840)</u>
PROFIT FROM OPERATING ACTIVITIES		75,535	49,829	146,818	75,902
Finance costs		<u>(2,362)</u>	<u>(2,171)</u>	<u>(4,744)</u>	<u>(3,196)</u>
PROFIT BEFORE TAX		73,173	47,658	142,074	72,706
Tax	4	<u>(2,433)</u>	<u>(62)</u>	<u>(6,129)</u>	<u>(1,033)</u>
PROFIT BEFORE MINORITY INTERESTS		70,740	47,596	135,945	71,673
Minority interests		<u>(2,587)</u>	<u>(2,561)</u>	<u>(4,586)</u>	<u>(3,374)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>68,153</u>	<u>45,035</u>	<u>131,359</u>	<u>68,299</u>
DIVIDEND		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EARNINGS PER SHARE	5				
Basic		<u>3.17 cents</u>	<u>2.25 cents</u>	<u>6.14 cents</u>	<u>3.44 cents</u>
Diluted		<u>3.07 cents</u>	<u>2.23 cents</u>	<u>5.95 cents</u>	<u>3.41 cents</u>

**CONSOLIDATED BALANCE SHEET***As at 30 September 2002*

		Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<u>623,999</u>	<u>454,247</u>
<b>CURRENT ASSETS</b>			
Inventories		5,978	1,848
Trade receivables	8	205,727	92,589
Prepayments and other receivables		35,328	33,232
Amounts due from related companies	9	697	681
Pledged deposits		–	2,020
Cash and bank balances		<u>100,855</u>	<u>113,647</u>
		<b>348,585</b>	<b>244,017</b>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	10	53,504	27,357
Tax payable		7,661	2,100
Other payables and accruals		108,981	37,712
Interest-bearing bank loans		76,684	80,868
Finance lease payables		62	62
		<u>246,892</u>	<u>148,099</u>
<b>NET CURRENT ASSETS</b>		<u><b>101,693</b></u>	<u><b>95,918</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>725,692</b></u>	<u><b>550,165</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans		125,476	86,820
Finance lease payables		167	198
		<u>125,643</u>	<u>87,018</u>
<b>MINORITY INTERESTS</b>		<u><b>29,776</b></u>	<u><b>21,354</b></u>
		<u><b>570,273</b></u>	<u><b>441,793</b></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	21,567	21,272
Reserves	13	548,706	399,249
Proposed final dividend		–	21,272
		<u><b>570,273</b></u>	<u><b>441,793</b></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2002*

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow from operating activities	137,520	70,325
Net cash outflow from investing activities	(176,399)	(113,816)
Net cash inflow from financing activities	26,134	70,111
Increase/(decrease) in bank balances and cash	(12,745)	26,620
Bank balances and cash at 1 April	113,600	31,701
Bank balances and cash at 30 September	100,855	58,321

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2002*

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
At beginning of the period – Total equity	441,793	181,135
Net gains and losses not recognized in the profit and loss account		
Exchange differences or translation of the financial statement of foreign entities	462	(24)
Profit for the period	442,255	181,111
Dividend	131,359	68,299
Issuance of shares, net of issuing expenses	(21,272)	–
	17,931	35,298
At end of the period – Total equity	570,273	284,708

## Notes to the condensed interim accounts

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.125 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002.

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

### 2. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) Gas pipeline construction;
- (b) Sale of LPG and piped gas; and
- (c) Sale of gas appliances and others.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

No inter-segment sales and transfers were transacted during the period (first half of 2002: Nil)

## Notes to the condensed interim accounts

## 2. Segment information (Continued)

## (a) Business segments

	Six months ended 30 September							
	Gas pipeline construction		Sale of LPG and piped gas		Sale of gas appliances and others		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:								
Sales to external customers	<u>235,764</u>	<u>132,975</u>	<u>113,312</u>	<u>57,002</u>	<u>9,111</u>	<u>1,361</u>	<u>358,187</u>	<u>191,338</u>
Segment results	<u>183,441</u>	<u>102,524</u>	<u>(2,214)</u>	<u>(1,056)</u>	<u>4,249</u>	<u>509</u>	<u>185,476</u>	<u>101,977</u>
Unallocated corporate expenses							<u>(38,658)</u>	<u>(26,075)</u>
Profit from operating activities							<u>146,818</u>	<u>75,902</u>
Finance costs							<u>(4,744)</u>	<u>(3,196)</u>
Profit before tax							<u>142,074</u>	<u>72,706</u>
Tax							<u>(6,129)</u>	<u>(1,033)</u>
Profit before minority interests							<u>135,945</u>	<u>71,673</u>
Minority interests							<u>(4,586)</u>	<u>(3,374)</u>
Net profit from ordinary activities attributable to shareholders							<u>131,359</u>	<u>68,299</u>

## (b) By geographical segments

The Group's turnover was all derived from its operations in the PRC and all segment assets are located in the PRC. Accordingly, no analysis for geographical segments has been disclosed.

## Notes to the condensed interim accounts

## 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 30 September		Six months ended 30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	123,306	85,247	235,764	132,975
Sale of LPG and piped gas	55,338	34,023	113,312	57,002
Sale of gas appliances and others	6,484	633	9,111	1,361
	<u>185,128</u>	<u>119,903</u>	<u>358,187</u>	<u>191,338</u>

## 4. Tax

	Three months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for tax in respect of profits for the period:				
Hong Kong	–	–	–	–
Mainland China	2,433	62	6,129	1,033
	<u>2,433</u>	<u>62</u>	<u>6,129</u>	<u>1,033</u>
Tax charge for the period	<u>2,433</u>	<u>62</u>	<u>6,129</u>	<u>1,033</u>

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.

## Notes to the condensed interim accounts

### 5. Earnings per share (Continued)

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the three months and six months ended 30 September 2002 of approximately HK\$68,153,000 and HK\$131,359,000 (first half of 2002: HK\$45,035,000 and HK\$68,299,000) respectively, and the weighted average number of 2,148,412,000 and 2,139,656,000 (first half of 2002: 2,004,040,000 and 1,985,132,000) ordinary shares respectively in issue during the three months and six months ended 30 September 2002.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the three months and six months ended 30 September 2002 of HK\$68,153,000 and HK\$131,359,000 (first half of 2002: HK\$45,035,000 and HK\$68,299,000) respectively. The weighted average number of ordinary shares used in the calculation is 2,148,412,000 and 2,139,656,000 (first half of 2002: 2,004,040,000 and 1,985,130,000) ordinary shares issue during the three months and six months ended 30 September 2002 respectively as used in the basic earnings per share calculation, and the weighted average number of 69,073,000 and 66,887,000 (first half of 2002: 17,970,000 and 15,510,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the three months and six months ended 30 September 2002 respectively.

### 6. Dividend

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

### 7. Fixed assets

	Six months ended 30 September 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
At beginning of the period/year	454,247	164,225
Additions	176,399	299,716
Disposals	(50)	(4,625)
Depreciation charge	(6,597)	(7,973)
Surplus on revaluation, net	–	2,904
	<u>623,999</u>	<u>454,247</u>
At end of the period/year	<u>623,999</u>	<u>454,247</u>

As at 30 September 2002, certain land and buildings of the Group with an aggregate net book value of approximately HK\$57,350,000 (31 March 2002: HK\$40,849,000) were pledged to secure general banking facilities granted to the Group.

## Notes to the condensed interim accounts

## 8. Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables as at 30 September 2002, based on invoice date or construction contract completion date, and net of provisions is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within 3 months	140,182	53,886
4 to 6 months	61,915	35,401
7 to 12 months	3,630	3,261
Over 1 year	—	41
	<u>205,727</u>	<u>92,589</u>

## 9. Due from related companies

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	30 September 2002 HK\$'000	Maximum amount outstanding during the period HK\$'000	1 April 2002 HK\$'000
Wah Sang Trading Co., Ltd.	479	479	463
Tianjin Wahsang International Trading Limited	<u>218</u>	<u>218</u>	<u>218</u>
	<u>697</u>		<u>681</u>

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.



## Notes to the condensed interim accounts

## 10. Trade and notes payables

An aged analysis of the trade and notes payables as at 30 September 2002 is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within 3 months	33,277	10,476
4 to 6 months	13,123	11,765
7 to 12 months	6,074	2,719
Over 1 year	1,030	2,397
	<u>53,504</u>	<u>27,357</u>

## 11. Share capital

	30 September 2002		31 March 2002	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each	<u>5,000,000,000</u>	<u>50,000</u>	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:				
At beginning of the period	2,127,200,000	21,272	1,966,000,000	19,660
Issuance of shares	<u>29,500,000</u>	<u>295</u>	<u>161,200,000</u>	<u>1,612</u>
At end of the period	<u>2,156,700,000</u>	<u>21,567</u>	<u>2,127,200,000</u>	<u>21,272</u>

The subscription rights attaching to 4,500,000 and 25,000,000 share options were exercised at the subscription price of HK\$0.596 and HK\$0.610 per share, respectively, resulting in the issue of 29,500,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$17,932,000.

## 12. Outstanding share options

Details of share options outstanding as at 30 September 2002 are as follows:

	Number of share options
As at 1 April 2002	167,300,000
Add: share options granted during the period	11,000,000
Less: share options exercised during the period	(29,500,000)
Less: share options lapsed during the period	<u>(12,000,000)</u>
<b>As at 30 September 2002</b>	<b><u>136,800,000</u></b>

Details of the share options scheme adopted by the Company are set out under the section headed "SHARE OPTION SCHEME" in this report.

## Notes to the condensed interim accounts

## 13. 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
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	80,072	28,800	3,852	607	3,765	885	146,567	264,548
At 1 April 2002	161,139	28,800	6,096	191	4,469	885	197,669	399,249
Issue of shares	6,537	-	-	-	-	-	-	6,537
Exchange realignments	-	-	-	297	-	-	-	297
Net profit for the period	-	-	-	-	-	-	63,205	63,205
At 30 June 2002 and 1 July 2002	167,676	28,800	6,096	488	4,469	885	260,874	469,288
Issue of shares	11,100	-	-	-	-	-	-	11,100
Exchange realignments	-	-	-	165	-	-	-	165
Net profit for the period	-	-	-	-	-	-	68,153	68,153
Transfer from retained profits	-	-	-	-	1,165	-	(1,165)	-
At 30 September 2002	178,776	28,800	6,096	653	5,634	885	327,862	548,706

## 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.

## Notes to the condensed interim accounts

## 14. Contingent liabilities

At 30 September 2002, contingent liabilities of the Company were as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	<u>200,938</u>	<u>194,917</u>

As at 30 September 2002, the Company had provided guarantees of HK\$200,938,000 (31 March 2002: HK\$194,917,000) in total in respect of banking facilities granted to its subsidiaries, of which approximately HK\$200,938,000 (31 March 2002: HK\$159,917,000) were utilised at 30 September 2002.

## 15. Pledge of assets

At 30 September 2002, certain of the Group's bank loans are secured by:

- (i) certain land and buildings of the Group with an aggregate net book value of approximately HK\$57,350,000 (31 March 2002: HK\$40,849,000)
- (ii) charges over the Group's equity interests in nine joint ventures: Hengshui Wah Sang Gas Co., Ltd., Yizheng Wah Sang Gas Co., Ltd., Yiyang Wah Sang Gas Co., Ltd., Liuyang Wah Sang Gas Co., Ltd., Deqing Wah Sang Gas Development Co., Ltd., Pizhou Wah Sang Gas Co., Ltd., Jingjiang Wah Sang Gas Co., Ltd., Chen Zhou Wah Sang Gas Co., Ltd. and Ningxiang Wahsang Gas Co., Ltd..

## 16. Operating lease arrangements

The Group leases certain of its office properties and a plot of land under operating lease arrangements. Leases for the office properties and the land are negotiated for terms ranging between 1 and 50 years. At 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year	1,279	1,624
In the second to fifth years, inclusive	1,130	1,047
After five years	<u>1,201</u>	<u>1,243</u>
	<u>3,610</u>	<u>3,914</u>

## Notes to the condensed interim accounts

## 17. Commitments

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at 30 September 2002:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Capital commitments in respect of land and buildings, gas pipelines and machinery and equipment:		
Authorized, but not contracted for	—	—
Contracted, but not provided for	<u>18,268</u>	<u>9,011</u>
	<u>18,268</u>	<u>9,011</u>
Commitments in respect of capital contributions to joint ventures established in the PRC contracted, but not provided for	<u>319,690</u>	<u>285,883</u>

## 18. Related party transactions

In addition to the related companies' balances as disclosed in note 9 above, the Group also had the following transactions with related companies during the period:

Name of Related Party	Name of Transaction	Six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000
Tsinlien Group Company Limited	Dividend paid by the Company's indirectly held subsidiary	<u>375</u>	<u>912</u>

Tsinlien Group Company Limited is the ultimate holding company of Santa Resources Limited, a substantial shareholder of the Company.

In the opinion of the directors, the above transaction was conducted at mutually agreed rates in the normal courses of the Group's businesses.

## 19. Subsequent event

On 5 November 2002, the Company has entered into an agreement in relation to a three-year loan facility of HK\$220 million. No security is given pursuant to the loan agreement. Annual interest rate is determined based on 1.5% above the Hong Kong Interbank Offer Rate.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 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>43,650,000</u>	<u>-</u>	<u>819,350,000</u>	<u>-</u>

At 30 September 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

Apart from as disclosed under the heading "SHARE OPTION SCHEME" below, 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 its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and employees of the Group. The Scheme became effective on 16 March 2000 and, unless otherwise cancelled or amended, will remain in force for the period from 16 March 2000 to 25 February 2010.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee and in any event such period of time should not be less than three years and not more than nine years commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of such nine-year period or 25 February 2010 whichever is earlier.

**SHARE OPTION SCHEME** *(Continued)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the outstanding share options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the Relevant Period to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. In addition, a readily market value of the share options on the shares of the Company is not available. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful and would be misleading.

The following share options were outstanding under the Scheme during the Relevant Period:

Name or category of participant	Number of share options					Date of grant on share options <sup>(2)</sup>	Exercise period of share option	Exercise price of share options <sup>(1)</sup> HK\$	Price of Company's shares <sup>(3)</sup>	
	At 1 April 2002	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2002				At grant date of options	At exercise date of options
									HK\$	HK\$
<b>Directors, chief executives and substantial shareholders</b>										
Mr. Shum Ka Sang	25,500,000	-	-	-	25,500,000	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	-
	10,000,000	-	-	-	10,000,000	22-03-2001	12-10-01 to 11-10-06	0.568	0.565	-
	12,000,000	-	-	-	12,000,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
	<u>47,500,000</u>				<u>47,500,000</u>					
Mr. Wang Guanghao	<u>12,000,000</u>	-	-	-	<u>12,000,000</u>	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	-
Mr. Kong Siu Keung	5,000,000	-	-	-	5,000,000	07-07-2000	09-01-01 to 08-01-06	0.660	0.660	-
	2,000,000	-	-	-	2,000,000	22-03-2001	12-10-01 to 11-10-06	0.568	0.565	-
	3,000,000	-	-	-	3,000,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
	<u>10,000,000</u>				<u>10,000,000</u>					

## SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options				At 30 September 2002	Date of grant on share options <sup>(2)</sup>	Exercise period of share option	Exercise price of share options <sup>(1)</sup> HK\$	Price of Company's shares <sup>(3)</sup>	
	At 1 April 2002	Granted during the period	Exercised during the period	Lapsed during the period					At grant date of options HK\$	At exercise date of options HK\$
<b>Directors, chief executive and substantial shareholders</b>										
Mr. Shen Yi	22,000,000	-	-	-	22,000,000	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	-
	3,000,000	-	-	-	3,000,000	22-03-2001	12-10-01 to 11-10-06	0.568	0.565	-
	2,500,000	-	-	-	2,500,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
	-	10,000,000	-	-	10,000,000	09-05-2002	10-01-03 to 09-01-08	1.080	1.080	-
	<u>27,500,000</u>				<u>37,500,000</u>					
Mr. Choi Yat Choy <sup>(4)</sup>	22,000,000	-	(22,000,000)	-	-	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	1.10-1.21
	2,500,000	-	(2,500,000)	-	-	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	1.14
	<u>24,500,000</u>				<u>-</u>					
Ms. Chen Cui Wan <sup>(5)</sup>	12,000,000	-	-	(12,000,000)	-	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	-
Ms. Qian Mingjin	6,000,000	-	-	-	6,000,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
Mr. Zhang Fan	3,000,000	-	-	-	3,000,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
Mr. Fan Bao Qi <sup>(6)</sup>	3,000,000	-	(3,000,000)	-	-	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	1.05
	1,000,000	-	-	-	1,000,000	22-03-2001	12-10-01 to 11-10-06	0.568	0.565	-
	500,000	-	-	-	500,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	-
	<u>4,500,000</u>				<u>1,500,000</u>					
<b>Other employees</b>										
In aggregate	3,300,000	-	-	-	3,300,000	07-04-2000	06-11-00 to 05-11-05	0.610	0.610	-
	2,500,000	-	-	-	2,500,000	07-07-2000	09-01-01 to 08-01-06	0.660	0.660	-
	4,000,000	-	-	-	4,000,000	22-03-2001	12-10-01 to 11-10-07	0.568	0.565	-
	9,000,000	-	(2,000,000)	-	7,000,000	27-09-2001	11-04-02 to 10-04-07	0.596	0.590	0.92
	1,500,000	-	-	-	1,500,000	14-12-2001	04-07-02 to 03-07-07	0.732	0.690	-
	-	1,000,000	-	-	1,000,000	25-06-2002	10-01-03 to 09-01-08	1.210	1.210	-
	<u>20,300,000</u>	<u>1,000,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>19,300,000</u>					
	<u>167,300,000</u>	<u>11,000,000</u>	<u>(29,500,000)</u>	<u>(12,000,000)</u>	<u>136,800,000</u>					

## SHARE OPTION SCHEME *(Continued)*

*Note:*

- (1) The number of share options and their exercise prices which were granted prior to 24 July 2001 as mentioned above have been adjusted for the effect of the Share Subdivision, and the price of the Company's share at the date (prior to 24 July 2001) of the grant has been adjusted accordingly.

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.

- (2) The vesting period of the share options is from the date of the grant until the commencement of exercise period.
- (3) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading date of the grant of the options. The price of the Company's shares disclosed at the exercise date of options is the Stock Exchange closing price on that exercise date.
- (4) Mr. Choi Yat Choy resigned as director of the Company on 28 June 2002. Mr. Choi had exercised 2.5 million share options at an exercise price of HK\$0.596 each and 3.5 million share options at an exercise price of HK\$0.610 each during the period from 1 April 2002 to 28 June 2002. In addition, he had exercised a total of 18.5 million of share options at an exercise price of HK\$0.610 each during the period from 29 June 2002 to 30 September 2002.
- (5) Ms. Chen Cui Wan has resigned on 24 April 2002.
- (6) Mr. Fan Bao Qi was appointed as director of the Company on 30 August 2002. On 9 May 2002, he had exercised a total of 3.0 million of share options at an exercise price of HK\$0.610 each.

## 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 30 September 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 (corporate interest)	37.99%
	43,650,000 (personal interest)	2.02%
Santa Resources Limited ( <i>Note 2</i> )	492,000,000	22.81%
Wah Sang Gas Development	819,350,000	37.99%

*Notes:*

1. At 30 September 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.

## 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.

## 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.

## 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 has reviewed the Group's unaudited condensed interim accounts for the six months ended 30 September 2002.

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. Two meetings have been held by the audit committee during the Relevant Period.

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Wah Sang Gas Holdings Limited

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