



# 2004

Interim Report 中期報告



**華燊燃氣**  
*Wah Sang Gas*

## **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告披露資料。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。



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## HIGHLIGHTS

- The unaudited consolidated turnover and profit attributable to shareholders of the Group for the six months ended 30 September 2003 (the "Relevant Period") increased by approximately 40.8% and 11.7% over the same period last year, reaching HK\$504,200,000 and HK\$146,751,000 respectively.
- Basic earnings per share for the Relevant Period amounted to HK6.79 cents, representing approximately 10.6% growth over the same period last year.
- During the Relevant Period, approximately 99,000 households were connected. Total accumulative number of connected households reached approximately 551,000 units.
- 22.0% of total connection fee income was generated from industrial gas users while there was no such income in the same period last year.
- Average connection fee reached approximately RMB2,416 per household, demonstrating a slight increase of 1% over the same period last year.
- Sales volume of piped gas increased by approximately 21.9% over the same period last year, amounted to  $1,155.5 \times 10^6$  mega-joules.
- Sales volume of wholesale and retail of liquefied petroleum gas ("LPG") for the Relevant Period reached  $3,107.7 \times 10^6$  mega-joules, a substantial growth of 141.8% over the same period last year.
- Exclusive contracts on hand over 70 cities and districts, amounted to approximately 2,810,000 connectable households.
- The directors do not recommend the payment of interim dividend for the Relevant Period.

The unaudited consolidated results for the three months and six months ended 30 September 2003 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 2003.

## BUSINESS REVIEW

### Turnover

The Group is principally engaged in the business of gas fuel supply in the PRC, with main activities including the following:

- 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		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	141,307	123,306	267,991	235,764
Sale of piped gas, wholesale and retail of LPG	123,927	55,338	223,978	113,312
Sale of gas appliances and others	7,211	6,484	12,231	9,111
	272,445	185,128	504,200	358,187

### ***Construction of Gas Pipeline Networks***

The Group receives connection fee 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. During the Relevant Period, the Group recorded a 13.7% increase in connection fee for completing connection for certain industrial customers and approximately 99,000 households (same period last year: 107,500). The slight decline in the number of connections for residential customers compared with same period last year was mainly due to the relocation of internal resources to gas pipeline construction for industrial customers, which generated a total income of approximately HK\$59,067,000 during the Relevant Period (same period last year: Nil). Due to high demand of piped gas from industrial customers, it is expected that the business in provision of piped gas of the Group will be further enhanced.

As at 30 September 2003, the accumulated number of connected households reached approximately 551,000 units, and combined with the industrial customers, the Group secured a solid customer base for future piped gas revenue.

Since April 2003, the Group has successfully secured 9 new exclusive contracts from local governments to operate piped gas business. The exclusive contracts are distributed in the following areas:

- Yingtan of Jiangxi Province where the gas processing station has been put into operation;
- Leiyang of Hunan Province, Suizhong of Liaoning Province, Huangshan of Anhui Province and Guixi of Jiangxi Province, where the gas processing stations were under construction as of 30 September 2003; and
- Nanling of Anhui Province, Nanchang Development Zone of Jiangxi Province, Peixian of Jiangsu Province and TEDA Technology Industrial Zone of the Municipality of Tianjin City where the gas processing stations are expected to commence construction by the end of 2003.

On 11 August 2003, the Group has entered into a conditional agreement with Tsinlien Group Company Limited ("Tsinlien Group") to acquire approximately 89.9% of the equity interest held by Tsinlien Group in Tianjin TEDA Tsinlien Gas Co., Ltd ("Tianjin TEDA"). Tianjin TEDA is a Sino-foreign equity joint venture established in the PRC and is principally engaged in the provision of gas and liquefied gas, gas engineering works, installation of gas equipment, transportation of liquefied gas and the provision of technical consultation services in relation thereto in the Tianjin Economic and Technological Development Area, an important industrial development zone in the Municipality of Tianjin of PRC. The consideration for the abovementioned acquisition is HK\$70,000,000. Tsinlien Group is the ultimate controlling shareholder of Santa Resources Limited, a substantial shareholder of the Company.

As of the date of this report, the exclusive contracts on hand, together with the aforementioned new contracts, have covered over 70 cities and districts, accumulating approximately 9,850,000 urban population or 2,810,000 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, Anhui Province and Liaoning Province of PRC.

During the Relevant Period, the average residential connection fee increased slightly by 1%, reaching approximately HK\$2,277 (RMB2,416) from approximately HK\$2,250 (RMB2,388) in the same period last year.

Pursuant to the Notice regarding business tax policy issued by the State Tax Bureau and the Ministry of Finance of the PRC (the "Notice") on 15 January 2003, it mentions, amongst other, that certain companies, including gas companies, are subject to VAT on the connection fee of gas pipes instead of 3% business tax. However, given our continuous discussion with PRC local governments, many local state tax bureaus have expressed their positive view on this matter during the Relevant Period. As a result, many local state tax bureaus had agreed to levy 3% business tax instead of VAT on the connection fees received by the Group. Considering the positive change in the view of many PRC local governments, the management decided to discontinue providing VAT liability on the connection fees received by the Group starting from the Relevant Period unless there is any change in the view of PRC local governments or any further notice or clarification issued by the State Tax Bureau on this policy.

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

The Group supplies piped gas to its customers via pipeline networks and gas processing stations in each operating location. Due to continued expansion in the geographical coverage of the Group's business and increasing number of the Group's customers, the length of the main pipeline networks of the Group extended from approximately 1,222 kilometers at the beginning of the period to approximately 1,747 kilometers as at 30 September 2003, representing an increase of 43.0%.

During the Relevant Period, consumption of piped gas by residential and industrial customers recorded notable increases to approximately  $834.3 \times 10^6$  mega-joules and  $321.2 \times 10^6$  mega-joules, a growth of 23.1% and 18.9% respectively over the same period last year. Such increases were attributable to the growing numbers of connected households, industrial customers and expanding geographical coverage in the last fiscal year.



### ***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) Refueling of gas cylinders brought from customers at gas processing stations and storage depots operated by the Group.

During the Relevant Period, the wholesale and retail of LPG amounted to  $3,107.7 \times 10^6$  mega-joules, a substantial growth of 141.8% over the same period last year.

The large volume of wholesale and retail of LPG enables the Group to increase its market share in each operating location, secure amicable business relationships with LPG suppliers and at the same time, generate a stable cash flow to the Group and provide 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 six months under review, revenue from the sales of gas appliances grew by 34.2% to approximately HK\$12,231,000. The sale of domestic gas appliances is highly synergetic to the Group's business of providing piped gas and LPG.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Gross Profit and Net Profit**

During the Relevant Period, the Group continued to exercise stringent control over subcontracting, raw materials, operating, administrative and financial costs in order to maximize returns to the Company's shareholders.

The gross profit and net profit attributable to shareholders of the Group for the Relevant Period reached approximately HK\$218,157,000 and HK\$146,751,000 respectively, a growth of 17.6% and 11.7% respectively over the same period last year.

Basic earnings per share for the Relevant Period reached HK6.79 cents, a growth of 10.6% from HK6.14 cents over the same period last year.

## Trade Receivables

Generally, the Group offers credits to customers for a period ranging from one to six months.

The Group maintains stringent credit policy to customers and adopts effective incentive schemes to encourage employees in speeding up the collection of connection fee. As a result, the average collection period of accounts receivables was well managed to be within 77 days (same period last year: 76 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 being tied up in trade receivables.

## Liquidity and Financial Resources

During the six months under review, the Group financed its investments and operating activities principally through self-generated working capital and bank borrowings. The total amount of net cash inflow from operating activities reached approximately HK\$185,063,000, a substantial increase of approximately 65% compared with the same period last year.

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

Net gearing ratio of the Group as at 30 September 2003 was 47.5% (31 March 2003: 43.4%).

## Capital Structure

During the Relevant Period, the Company issued 2,300,000 new ordinary shares of par value of HK\$0.01 each, allotted at HK\$0.61 each pursuant to the exercise of options under the share option scheme adopted by the Company on 16 March 2000.

## Charge on Group Assets

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\$60,693,000; and (ii) charges over the Group's equity interests in nine joint ventures: Hengshui Wahsang Gas Co Ltd, Yizheng Wahsang Gas Co Ltd, Yiyang Wahsang Gas Co Ltd, Liuyang Wahsang Gas Co Ltd, Deqing Wahsang Gas Development Co Ltd, Pizhou Wah Sang Gas Co Ltd, Jianjiang Wah Sang Gas Co Ltd, Chen Zhou Wah Sang Gas Co Ltd and Ningxiang Wahsang Gas Co Ltd.

## Contingent Liabilities

As at 30 September 2003, the Company had provided guarantees of approximately HK\$359,199,000 in total in respect of banking facilities granted to its subsidiaries.

## FUTURE PROSPECTS

Looking ahead, small and medium-sized cities in PRC will continue to be the target operating locations of the Group due to their growing prosperity and GDP per capita, which lead to a foreseeable booming demand in both residential and industrial gas consumption. Under the favourable market environment, we strive to explore new markets by means of securing exclusive contracts from PRC local governments.

One of our strategies towards piped gas supply is to penetrate into the industrial gas consumption market as gas has gained increasing recognition as a powerful energy source especially for plants that require steady and large gas supply. With the growing importance of PRC as an international industrial hub after its accession into the WTO, the potential of industrial piped gas usage is unlimited. In line with such business direction, the Group has been proactively liaising with different corporations and government authorities for potential projects in industrial areas throughout the years. The securing of the Tianjin TEDA project was a significant move for the Group to penetrate its business in industrial consumption market and establish a stronger foothold in the gas supply industry.

Apart from piped gas supply, the Group will also pay equal attention to the bottled LPG market. Bottled LPG is essential as it plays a transitional role in the process of the energy evolution. In 2001, amongst the 11% population using LPG, over 90% of them used bottled LPG. This marks a huge market with considerable significance in the LPG supply industry.

Currently, the exclusive contracts secured by the Group cover over 70 cities and districts with total urban population reaching approximately 9,850,000. 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 PRC.

With the unique patented technology, almost a decade's industry experience and a visionary management team, the Group is well equipped to become a strong utility company with healthy expansion capability and stable future income that can create highest returns to its shareholders.

**SHUM Ka Sang**  
*Chairman*

Hong Kong, 11 November 2003

**UNAUDITED CONSOLIDATED INCOME STATEMENT***For the three months and six months ended 30 September 2003*

	Notes	Three months ended 30 September		Six months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	3	272,445	185,128	504,200	358,187
Cost of sales		(153,141)	(87,103)	(286,043)	(172,711)
Gross Profit		119,304	98,025	218,157	185,476
Other revenue		117	—	311	—
Selling and distribution costs		(4,073)	(4,235)	(10,610)	(9,235)
Administrative expenses		(17,572)	(18,255)	(33,785)	(29,423)
PROFIT FROM OPERATING ACTIVITIES	4	97,776	75,535	174,073	146,818
Finance costs		(6,178)	(2,362)	(11,332)	(4,744)
PROFIT BEFORE TAX		91,598	73,173	162,741	142,074
Tax	5	(8,598)	(2,433)	(12,867)	(6,129)
PROFIT BEFORE MINORITY INTERESTS		83,000	70,740	149,874	135,945
Minority interests		(1,594)	(2,587)	(3,123)	(4,586)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		81,406	68,153	146,751	131,359
DIVIDEND	6	—	—	—	—
EARNINGS PER SHARE	7				
Basic		3.76 cents	3.17 cents	6.79 cents	6.14 cents
Diluted		3.69 cents	3.07 cents	6.65 cents	5.95 cents

**CONSOLIDATED BALANCE SHEET***As at 30 September 2003*

	Notes	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	1,119,380	843,413
CURRENT ASSETS			
Inventories		3,842	2,779
Trade and bills receivables	9	218,571	206,525
Prepayments and other receivables		39,355	34,032
Due from related companies	10	7,590	778
Pledged deposits		2,105	2,105
Cash and cash equivalents		126,575	81,999
		398,038	328,218
CURRENT LIABILITIES			
Trade and bills payables	11	113,106	58,014
Tax payable		16,675	5,660
Other payables and accruals		49,715	46,394
Interest-bearing bank loans		187,493	158,211
Finance lease payables		62	62
Due to joint venture partners		23,640	19,672
		390,691	288,013
NET CURRENT ASSETS		7,347	40,205
TOTAL ASSETS LESS CURRENT LIABILITIES		1,126,727	883,618
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		313,361	194,912
Finance lease payables		100	138
		313,461	195,050
MINORITY INTERESTS		30,537	27,414
		782,729	661,154
CAPITAL AND RESERVES			
Issued capital	12	21,635	21,612
Reserves	14	761,094	613,608
Proposed final dividend		–	25,934
		782,729	661,154

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2003*

	Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Net cash inflow from operating activities	185,063	111,837
Net cash outflow from investing activities	(289,583)	(176,399)
Net cash inflow from financing activities	149,096	51,817
Increase/(decrease) in cash and cash equivalents	44,576	(12,745)
Cash and cash equivalents at 1 April	84,104	113,600
Cash and cash equivalents at 30 September	128,680	100,855

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2003*

	Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Total equity at beginning of the period	661,154	441,793
Net gains and losses not recognized in the profit and loss account		
Exchange differences on translation of the financial statements of foreign entities	(645)	462
	660,509	442,255
Net profit for the period attributable to shareholders	146,751	131,359
Dividends	(25,934)	(21,272)
Issue of shares, net of share issue expenses	1,403	17,931
Total equity at end of the period	782,729	570,273

Notes:

## 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 2003 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 2003, except that the Group has adopted the new and revised SSAP which became effective on 1 January 2003. The adoption of these new and revised SSAPs has no material effect on the Group's results.

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

## 2. Segment information

The Group's operating business 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 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 FY2003: Nil)

Notes: (Continued)

**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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:								
Sales to external customers	267,991	235,764	223,978	113,312	12,231	9,111	504,200	358,187
Segment results	208,703	183,441	372	(2,214)	7,130	4,249	216,205	185,476
Interest income and unallocated gains							311	—
Unallocated corporate expenses							(42,443)	(38,658)
Profit from operating activities							174,073	146,818
Finance costs							(11,332)	(4,744)
Profit before tax							162,741	142,074
Tax							(12,867)	(6,129)
Profit before minority interests							149,874	135,945
Minority interests							(3,123)	(4,586)
Net profit from ordinary activities attributable to shareholders							146,751	131,359

*(b) By geographical segments*

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



Notes: (Continued)

### 3. Turnover

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

Turnover of the Group is analysed as follows:

	Unaudited			
	Three months		Six months	
	ended 30 September		ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gas pipeline construction	141,307	123,306	267,991	235,764
Sale of LPG and piped gas	123,927	55,338	223,978	113,312
Sale of gas appliances and others	7,211	6,484	12,231	9,111
	272,445	185,128	504,200	358,187

### 4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	Unaudited			
	Three months		Six months	
	ended 30 September		ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	7,721	3,628	13,616	6,597
Finance Cost				
– Interest on bank loans wholly repayable within 5 years	6,175	2,358	11,325	4,736
– Interest on finance lease	3	4	7	8
Total Finance Cost	6,178	2,362	11,332	4,744

Notes: (Continued)

## 5. Tax

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Provision for tax in respect of profits for the period:				
Hong Kong	—	—	—	—
Mainland China	8,598	2,433	12,867	6,129
Tax charge for the period	8,598	2,433	12,867	6,129

The Group did not have assessable profits arising in Hong Kong during the Relevant Period. Taxes on profits assessable elsewhere in Mainland China 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.

## 6. Dividend

No dividend had been paid or declared by the Company during the Relevant Period (first half of FY2003: Nil).

## 7. Earnings per share

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 2003 of approximately HK\$81,406,000 and HK\$146,751,000 (first half of FY2003: HK\$68,153,000 and HK\$131,359,000) respectively, and the weighted average number of 2,162,878,000 and 2,162,501,000 (first half of FY2003: 2,148,412,000 and 2,139,656,000) ordinary shares respectively in issue during the three months and six months ended 30 September 2003.

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 2003 of HK\$81,406,000 and HK\$146,751,000 (first half of FY2003: HK\$68,153,000 and HK\$131,359,000) respectively. The weighted average number of ordinary shares used in the calculation is 2,162,878,000 and 2,162,501,000 (first half of FY2003: 2,148,412,000 and 2,139,656,000) in issue during the three months and six months ended 30 September 2003 respectively as used in the basic earnings per share calculation, and the weighted average number of 45,254,000 and 42,845,000 (first half of FY2003: 69,073,000 and 66,887,000) 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 2003 respectively.

Notes: (Continued)

#### 8. Fixed assets

	Six months ended 30 September 2003 HK\$'000	Year ended 31 March 2003 HK\$'000
At beginning of the period/year	843,413	454,247
Additions	289,688	413,707
Disposals, net	(105)	(861)
Depreciation charge	(13,616)	(18,443)
Impairment recognised in the profit & loss account	–	(4,565)
Deficit on revaluation, net	–	(672)
At end of the period/year	1,119,380	843,413

#### 9. Trade and bills 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 and bills receivables as at 30 September 2003, based on invoice date or construction contract completion date, and net of provisions is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Within 3 months	148,975	95,291
4 to 6 months	64,631	89,979
7 to 12 months	4,965	20,507
Over 1 year	–	748
	218,571	206,525

Notes: (Continued)

#### 10. 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 2003 HK\$'000	Maximum amount outstanding during the period HK\$'000	1 April 2003 HK\$'000
Tsinlien Group Company Limited	7,000	7,000	—
Wah Sang International Trading Company Limited	590	97	97
Wah Sang Trading Company Limited	—	463	463
Tianjin Wahsang International Trading Limited	—	218	218
	7,590		778

The amount due from Tsinlien Group Company Limited represents a deposit paid in accordance with the Agreement detailed in note 20 below.

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

#### 11. Trade and bills payables

An aged analysis of the trade and bills payables as at 30 September 2003 is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Within 3 months	85,292	18,558
4 to 6 months	14,345	25,508
7 to 12 months	12,552	8,606
Over 1 year	917	5,342
	113,106	58,014

Notes: (Continued)

## 12. Share capital

	6 months ended 30 September 2003		Year ended 31 March 2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	5,000,000,000	50,000	5,000,000,000	50,000
Issued and fully paid:				
At beginning of the period/year	2,161,200,000	21,612	2,127,200,000	21,272
Share options exercised	2,300,000	23	34,000,000	340
At end of the period/year	2,163,500,000	21,635	2,161,200,000	21,612

The subscription rights attaching to 2,300,000 share options were exercised at the subscription price of HK\$0.61 per share, respectively, resulting in the issue of 2,300,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$1,403,000.

## 13. Share option schemes

Details of options outstanding as at 30 September 2003 are as follows:

	Number of share options
As at 1 April 2003	134,800,000
Add: share options granted during the period	1,200,000
Less: share options exercised during the period	(2,300,000)
<b>As at 30 September 2003</b>	<b>133,700,000</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: (Continued)

## 14. Reserves

## Group

	Share premium account 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 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
At 1 April 2003	181,502	28,800	5,703	(235)	15,590	885	381,363	613,608
Issue of shares	780	—	—	—	—	—	—	780
Exchange realignments	—	—	—	181	—	—	—	181
Net profit for the period	—	—	—	—	—	—	65,345	65,345
At 30 June 2003 and 1 July 2003	182,282	28,800	5,703	(54)	15,590	885	446,708	679,914
Issue of shares	600	—	—	—	—	—	—	600
Exchange realignments	—	—	—	(826)	—	—	—	(826)
Net profit for the period	—	—	—	—	—	—	81,406	81,406
At 30 September 2003	182,882	28,800	5,703	(880)	15,590	885	528,114	761,094

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 Mainland China 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 subsidiaries in Mainland China are dissolved.

Notes: (Continued)

## 15. Contingent Liabilities

At 30 September 2003, contingent liabilities of the Company not provided for in the financial statements were as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	359,199	489,414

As at 30 September 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$359,199,000 (31 March 2003: HK\$279,820,000) in the form of loans and bills payable.

## 16. Pledge of Assets

As at 30 September 2003, certain of the Group's bank loan are secured by:

- (i) certain land and buildings of the Group with an aggregate net book value of approximately HK\$60,693,000 (31 March 2003: HK\$68,774,000); and
- (ii) charges over the Group's equity interests in nine joint ventures: Hengshui Wahsang Gas Co Ltd, Yizheng Wahsang Gas Co Ltd, Yiyang Wahsang Gas Co Ltd, Liuyang Wahsang Gas Co Ltd, Deqing Wahsang Gas Development Co Ltd, Pizhou Wah Sang Gas Co Ltd, Jianjiang Wah Sang Gas Co Ltd, Chen Zhou Wah Sang Gas Co Ltd and Ningxiang Wahsang Gas Co Ltd.

## 17. 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 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Within one year	2,084	2,233
In the second to fifth years, inclusive	2,263	3,061
After five years	1,215	1,247
	5,562	6,541

Notes: (Continued)

## 18. Commitments

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments at 30 September 2003:

	30 September 2003 HK\$'000	31 March 2003 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	24,939	17,055
Commitments in respect of capital contributions to joint ventures established in the PRC:		
Contracted, but not provided for	582,514	566,439
Commitments in respect of acquisition of new investment:		
Contracted, but not provided for	63,000,000	—

## 19. Related Party Transactions

During the Relevant Period, the Group did not have any transactions with related companies.

## 20. Subsequent Event

On 7 October 2003, an ordinary resolution was passed in the Special General Meeting of the shareholders of the Company, that the conditional agreement ("the Agreement") dated 11 August 2003 between Wah Sang Gas Investment Group Limited ("Wah Sang Gas Investment"), an indirectly wholly owned subsidiary of the Company, and Tsinlien Group Company Limited ("Tsinlien Group"), a connected person of the Company, pursuant to which Wah Sang Gas Investment has agreed to acquire and Tsinlien Group has agreed to dispose of the approximately 89.9169% interest in Tianjin TEDA Tsinlien Gas Co., Ltd. held by Tsinlien Group at a cash consideration of HK\$70,000,000 together with all the other transactions contemplated thereunder, was confirmed, ratified and approved.



## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

As at 30 September 2003, the interest and short positions of the directors and the chief executive of the Company in the shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in rules 5.40 of the GEM Listing Rules, were as follows:

Name of Director	Capacity	Interests in shares Personal interests	Corporate interests	Total interests in shares	Interests in underlying shares pursuant to share options (Note 1)	Aggregate interests	Approximate percentage of the Company's issued share capital
Mr. Shum Ka Sang	Beneficial owner and interest of controlled corporation	45,650,000	819,350,000 (Note 2)	865,000,000	47,500,000	912,500,000	42.18%
Mr. Wang Guanghao	Beneficial owner	–	–	–	12,000,000	12,000,000	0.55%
Mr. Shen Yi	Beneficial owner	100,000	–	100,000	37,500,000	37,600,000	1.74%
Mr. Kong Siu Keung (Note 3)	Beneficial owner	100,000	–	100,000	10,000,000	10,100,000	0.47%
Ms. Qian Mingjin	Beneficial owner	–	–	–	6,000,000	6,000,000	0.28%
Mr. Zhang Fan	Beneficial owner	–	–	–	3,000,000	3,000,000	0.14%
Mr. Fan Bao Qi	Beneficial owner	–	–	–	1,500,000	1,500,000	0.07%

Notes:

- (1) These represent interests of share options granted by the Company to the following Directors under the share option scheme of the Company to subscribe for shares. These options are physically settled.
- (2) As at 30 September 2003, Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development") was wholly-owned by Mr. Shum Ka Sang, which beneficially held 819,350,000 shares representing approximately 37.87% interest in the Company. Therefore, Mr. Shum was deemed to be interested in these shares.
- (3) Mr. Kong Siu Keung has resigned as director of the Company on 5 November 2003.

## **DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS** (Continued)

Details of the directors' interests in share options granted by the Company are set out under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES".

Save as disclosed above, as at 30 September 2003, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in rule 5.40 of the GEM Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the disclosure 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 of 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.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. 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 period or 25 February 2010, whichever is earlier.

The exercise price of the share options under the Scheme is determinable by the board of directors and will not be less than the higher of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

## SHARE OPTION SCHEME (Continued)

The Stock Exchange has amended the requirements for share option schemes under the GEM Listing Rules. The new requirements came into effect on 1 September 2001. The Company is required, when granting options under the Scheme, to comply with Chapter 23 of the GEM Listing Rules.

The directors do not consider it is appropriate to disclose a theoretical value of the share options granted during the Relevant Period to the 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 Share Option Scheme during the Relevant Period:

Name of category of participant	At 1 April 2003	Number of share options			At 30 September 2003	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>	Approximate percentage of the company's issued share capital	
		Granted during the period	Exercised during the period	Lapsed during the period					At grant date of options HK\$	At exercise date of options HK\$	
<i>Directors, chief executive and substantial shareholder</i>											
Mr. Shum Ka Sang	25,500,000	–	–	–	25,500,000	07.04.2000	06.11.00 to 05.11.05	0.610	0.610	–	1.18%
	10,000,000	–	–	–	10,000,000	22.03.2001	12.10.01 to 11.10.06	0.568	0.565	–	0.46%
	12,000,000	–	–	–	12,000,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.55%
	47,500,000				47,500,000						
Mr. Wang Guanghao	12,000,000	–	–	–	12,000,000	07.04.2000	06.11.00 to 05.11.05	0.610	0.610	–	0.55%
Mr. Shen Yi	22,000,000	–	–	–	22,000,000	07.04.2000	06.11.00 to 05.11.05	0.610	0.610	–	1.02%
	3,000,000	–	–	–	3,000,000	22.03.2001	12.10.01 to 11.10.06	0.568	0.565	–	0.14%
	2,500,000	–	–	–	2,500,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.12%
	10,000,000	–	–	–	10,000,000	09.05.2002	10.11.02 to 09.11.07	1.080	1.080	–	0.46%
	37,500,000				37,500,000						
Mr. Kong Siu Keung <sup>(4)</sup>	5,000,000	–	–	–	5,000,000	07.07.2000	09.01.01 to 08.01.06	0.660	0.660	–	0.23%
	2,000,000	–	–	–	2,000,000	22.03.2001	12.10.01 to 11.10.06	0.568	0.565	–	0.09%
	3,000,000	–	–	–	3,000,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.14%
	10,000,000				10,000,000						
Ms. Qian Mingjin	6,000,000	–	–	–	6,000,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.28%
Mr. Zhang Fan	3,000,000	–	–	–	3,000,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.14%
Mr. Fan Bao Qi	1,000,000	–	–	–	1,000,000	22.03.2001	12.10.01 to 11.10.06	0.568	0.565	–	0.05%
	500,000	–	–	–	500,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	–	0.02%
	1,500,000				1,500,000						
Sub-total	117,500,000	–	–	–	117,500,000						

**SHARE OPTION SCHEME** (Continued)

								Price of Company's shares <sup>(3)</sup>		Approximate percentage of the	
								Exercise price of share options <sup>(1)</sup>	At grant date of options	At exercise date of options	company's issued share capital
Number of share options				Date of grant on share options <sup>(2)</sup>		Exercise period of share option		HK\$	HK\$	HK\$	
Name of category of participant	At 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2003						
Other employees											
In aggregate	2,800,000	-	(2,300,000 )	-	500,000	07.04.2000	06.11.00 to 05.11.05	0.610	0.610	0.79-0.94	0.02%
	1,000,000	-	-	-	1,000,000	07.07.2000	09.01.01 to 08.01.06	0.660	0.660	-	0.05%
	3,500,000	-	-	-	3,500,000	22.03.2001	12.10.01 to 11.10.06	0.568	0.565	-	0.16%
	5,000,000	-	-	-	5,000,000	27.09.2001	11.04.02 to 10.04.07	0.596	0.590	-	0.23%
	1,500,000	-	-	-	1,500,000	14.12.2001	04.07.02 to 03.07.07	0.732	0.690	-	0.07%
	1,000,000	-	-	-	1,000,000	25.06.2002	10.01.03 to 09.01.08	1.210	1.210	-	0.05%
	2,500,000	-	-	-	2,500,000	13.02.2003	15.08.03 to 14.08.08	1.020	0.980	-	0.12%
	-	1,200,000	-	-	1,200,000	28.04.2003	29.10.03 to 28.10.08	0.810	0.810	-	0.06%
Sub-total	17,300,000	1,200,000	(2,300,000 )	-	16,200,000						
Total	134,800,000	1,200,000	(2,300,000 )	-	133,700,000						

## Notes:

- (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 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. Kong Siu Keung has resigned as director of the Company on 5 November 2003. The outstanding share options held by Mr. Kong will remain exercisable within 1 month from the date of his resignation, and such outstanding share options will lapse on 4 December 2003.

## 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

As at 30 September 2003, so far as is known to or can be ascertained after reasonable enquiry by, the directors or the chief executive of the Company, the following persons or corporations (other than a director or the chief executive of the Company) who had an interest or short position in the shares and underlying shares which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO or have otherwise notified to the Company were as follows:

### Long positions in shares and underlying shares in the Company

Name	Capacity	Personal interests	Corporate interests	Interest in shares Family interests	Total interests in shares	Interests in underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the Company's issued share capital
Mr. Shum Ka Sang (Note 1)	Beneficial owner and Interest of controlled corporation	45,650,000	819,350,000	–	865,000,000	47,500,000	912,500,000	42.18%
Santa Resources Limited (Note 2)	Beneficial owner	–	493,600,000	–	493,600,000	–	493,600,000	22.81%
Wah Sang Gas Development (Note 1)	Beneficial owner	–	819,350,000	–	819,350,000	–	819,350,000	37.87%
Mdm. Wu Man Lee (Note 3)	Interest of spouse	–	–	865,000,000	865,000,000	47,500,000	912,500,000	42.18%

## **SUBSTANTIAL SHAREHOLDERS (Continued)**

Notes:

1. As at 30 September 2003, Wah Sang Gas Development was wholly owned by Mr. Shum Ka Sang. The corporate interests 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. Details of share options granted to Mr. Shum Ka Sang are set out under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES."
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 of The Stock Exchange of Hong Kong Limited.
3. Madam Wu Man Lee was deemed to be interested in 865,000 000 shares and 47,500,000 share options in the Company by virtue of the interests in such shares by her spouse, Mr. Shum Ka Sang.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out under the heading "DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS" above, had an interest or short position in the shares or underlying shares of the Company that were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares 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 board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the six months ended 30 September 2003.

## **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 2003.

The audit committee during the year comprises two members, Mr. Ng Eng Leong and Mr. Cui Shuming, both being independent non-executive directors of the Company. Two meetings have been held by the audit committee during the Relevant Period.