華燊燃氣
Wah Sang Gas

華燊燃氣控股有限公司
Wah Sang Gas Holdings Limited

(Incorporated in the Bermuda with limited liability)

Stock Code : 8035

ANNUAL REPORT 2007

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.

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

CONTENT

CORPORATE PROFILE

Wah Sang Gas Holdings Limited incorporated : Bermuda

100%

Winstar Venture Limited incorporated : BVI

100%

Wah Sang Gas Investment Group Limited incorporated : Hong Kong

Shareholding		
100%	Wah Sang Gas Equipment and Engineering Company Limited	incorporated : Bermuda
100%	Yiyang Wah Sang Gas Co., Ltd	incorporated : Hunan Province
100%	Wah Sang Gas (China) Inventment Co., Ltd	incorporated : Tianjin

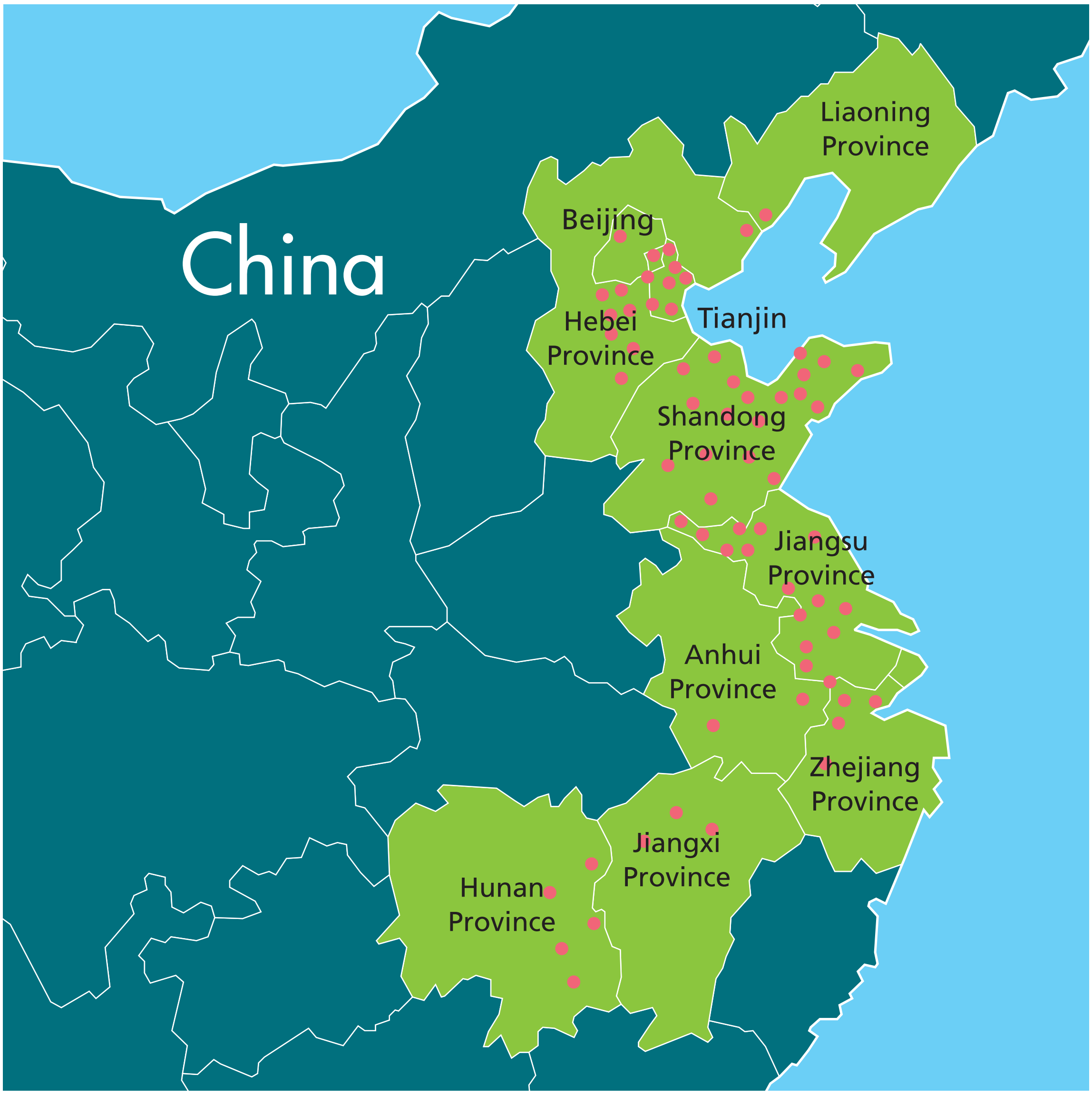
		Incorporated
100%	Tianjin Wah Sang Gas Enterprise Co., Ltd	Tianjin
100%	Tianjin Wah Sang Energy Development Co., Ltd	Tianjin
85%	Beijing Airport Wah Sang Gas Co., Ltd	Beijing
90%	Sanhe Yan Sang Gas Development Co., Ltd	Hebei Province
85%	Hengshui Wah Sang Gas Development Co., Ltd	Hebei Province
100%	Zhuozhou Wah Sang Gas Development Co., Ltd	Hebei Province
98%	Qinhuangdao Wah Sang Gas Co., Ltd	Hebei Province
99%	Jizhou Wah Sang Gas Co., Ltd	Hebei Province
99%	Yixian Fujiang Wah Sang Gas Co., Ltd	Hebei Province
99%	Anxin Lihua Wah Sang Gas Co., Ltd	Hebei Province
99%	Qingyuan Yimin Wah Sang Gas Co., Ltd	Hebei Province
100%	Zibo Wah Sang Gas Co., Ltd	Shandong Province
100%	Jinan Wah Sang Gas Co., Ltd	Shandong Province
100%	Binzhou Wah Sang Gas Co., Ltd	Shandong Province
100%	Xintai Wah Sang Gas Co., Ltd	Shandong Province
99%	Changle Wah Sang Gas Co., Ltd	Shandong Province
100%	Dezhou Wah Sang Gas Co., Ltd	Shandong Province
100%	Dongying Wah Sang Gas Co., Ltd	Shandong Province
75%	Shouguang Wah Sang Gas Development Co., Ltd	Shandong Province
100%	Boxing Wah Sang Gas Co., Ltd	Shandong Province
100%	Ningyang Wah Sang Gas Co., Ltd	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Co., Ltd	Shandong Province
100%	Qingdao Jiaozhou Wah Sang Gas Co., Ltd	Shandong Province
100%	Haiyang Wah Sang Gas Co., Ltd	Shandong Province
100%	Zhaoyuan Wah Sang Gas Co., Ltd	Shandong Province
100%	Yishui Wah Sang Gas Co., Ltd	Shandong Province

CORPORATE PROFILE

		Incorporated
100%	Qingdao Laixi Wah Sang Gas Co., Ltd	Shandong Province
100%	Juxian Wah Sang Gas Co., Ltd	Shandong Province
100%	Qixia Wah Sang Gas Co., Ltd	Shandong Province
100%	Weishan Wah Sang Gas Co., Ltd	Shandong Province
100%	Liuyang Wah Sang Gas Co., Ltd	Hunan Province
100%	Ningxiang Wah Sang Gas Co., Ltd	Hunan Province
100%	Chenzhou Wah Sang Gas Co., Ltd	Hunan Province
100%	Leiyang Wah Sang Gas Co., Ltd	Hunan Province
100%	Youxian Wah Sang Gas Co., Ltd	Hunan Province
100%	Fengxian Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Funing Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Jinhu Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Pizhou Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Suqian Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Suining Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Xinyi Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Yizheng Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Nanjing Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Jurong Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Xuzhou Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Taizhou Wah Sang Gas Co., Ltd	Jiangsu Province
98%	Zhangjiagang Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Peixian Wah Sang Gas Co., Ltd	Jiangsu Province
90%	Deqing Wah Sang Gas Development Co., Ltd	Zhejiang Province
100%	Haiyan Wah Sang Gas Development Co., Ltd	Zhejiang Province
100%	Jiangshan Wah Sang Gas Co., Ltd	Zhejiang Province
100%	Huzhou Nanxun Wah Sang Gas Co., Ltd	Zhejiang Province
98%	Tonglu Wah Sang Gas Co., Ltd	Zhejiang Province
99%	Ningguo Wah Sang Gas Co., Ltd	Anhui Province
100%	Huaining Wah Sang Gas Co., Ltd	Anhui Province
100%	Huangshan Wah Sang Gas Co., Ltd	Anhui Province
100%	Nanchang Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Gaoan Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Yingtan Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Guixi Wah Sang Gas Co., Ltd	Jiangxi Province

CORPORATE PROFILE

The Group has over 60 operating subsidiaries in 8 provinces in China.



BOARD OF DIRECTORS' STATEMENT

I am pleased to present to shareholders the annual report of Wah Sang Gas Holdings Limited and its subsidiaries (thereinafter collectively referred to as the "Group") for the year ended 31 March 2007. The directors are fully aware of the non-compliance of issuing the annual report before the statutory deadline i.e. before 30 June 2007. Owing to the additional time taken to clear the outstanding issues with the regulatory authorities, this annual report is now published and distributed to the shareholders soonest practicable after the final results were announced on 15 February 2008.

At the discretion of the Securities and Futures Commission ("SFC"), trading in the shares of the Company has been suspended since 6 April 2004 and up to the date of this report. The suspension of trading was directed under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571 of the Laws of Hong Kong). The SFC had concerns about the accuracy of the profit levels of some of the Company's subsidiaries and required the Company to address these matters fully before a resumption of trading of shares can be considered. In response, the Company has engaged WAG Worldsec Corporate Finance Limited as its financial adviser in respect of the Restructuring Proposal.

The Company announced its final results for the year ended 31 March 2004 on 11 July 2007. On 15 February 2008, the Company also announced the final results for each of the two years ended 31 March 2005 and 2006. The Company will not issue annual reports in respect of the three years ended 31 March 2004, 2005 and 2006, but the audited financial statements of the Company for these three financial years are intended to be included in the circular to be issued by the Company in respect of the reorganization of the Group (as further described below).

PROPOSED REORGANISATION

The Group is undergoing a major reorganisation ("Reorganisation"), which will involve debt restructuring following negotiations with the banks, disposal of certain subsidiaries and injection of significant amount of new capital by a potential shareholder, TEDA.

The Reorganisation is subject to approval by the Company's independent shareholders that will be sought at an upcoming special general meeting (the "Special General Meeting"). Through the Reorganisation, the Group aims to streamline its operations and improve its financial position. Upon completion of the Reorganisation, the Directors expect that the Group's equity holders' deficit will become positive and that there will be sufficient working capital for its normal operations and execution of its future business plans.

As at date of the approval of the financial statements on 1 February 2008, the Group had entered into several significant debt restructuring arrangements. These arrangements are conditional upon various matters tied to the successful completion of the Group's Reorganisation.

Details of the Restructuring Proposal will be announced to the shareholders once the contents are cleared by the SFC and the Stock Exchange of Hong Kong Limited ("HKSE"). However, neither the release of this annual report nor the announcement in relation to the Restructuring Proposal necessarily indicate that the Restructuring Proposal will be successfully implemented and completed as the conditions precedent to the Restructuring Proposal may not be fulfilled or otherwise waived.

CHANGE OF BOARD MEMBERS

During the year under review and up to the date of this annual report, there are certain changes to the members of the board of directors. The existing board of directors would like to thank the directors who have/had resigned during this period for their contributions to the Company during this difficult period.

On behalf of the board of directors, I would like to express our sincere gratitude to our shareholders, customers, staff and business partners for their support to the group.

For and on behalf of
The Board of Directors

Guan Xue Bin
Director

Hong Kong, 21 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has gone through a traumatic period since the issuance of the penalty notice by the State Administration of Foreign Exchange of the PRC ("SAFE") in April 2004. The Company's business operations expanded very rapidly following its listing on the GEM during 2000. As noted in PricewaterhouseCoopers' investigation report, the rapid expansion and the establishment of many subsidiaries caused the need for capital injection. During this process, certain regulations on foreign exchange control of the PRC were breached by some of the former executives and staff who have subsequently left the Group's employment.

Since the suspension of trading of the shares of the Company on 6 April 2004, no annual reports of the Group for the years ended 31 March 2004, 2005, 2006 and 2007 had been issued. Despite the very difficult circumstances in which the Company operated in the past 4 years, the management has made conscientious efforts to enable the Company to revert to its normal operations, amongst which the most significant ones are as follows:-

1. COMPLETION OF THE RECONSTRUCTION OF THE COMPANY'S ACCOUNTS

PricewaterhouseCoopers were engaged as the auditors from the year ended 31 March 2004. The Company has made tremendous efforts in the reconstruction of the Company's accounts. As a result of the reconstruction, the directors of the Company have identified adjustments of approximately RMB764 million (equivalent to approximately HK$720 million) to reduce the net assets of the Group in the original books and records as at 31 March 2004. The directors have charged all these adjustments to the opening retained earnings as at 1 April 2003 of the Group as they are unable to determine a proper allocation of these adjustments to the consolidated financial statements for the year ended 31 March 2004 and the prior periods.

2. ANNOUNCEMENT OF AUDITED RESULTS FOR THE FOUR YEARS ENDED 31 MARCH 2004 TO 2007

The Company worked diligently to enable announcement of the Group results for the year ended 31 March 2004 on 11 July 2007, followed by the results announcements for the three years ended 31 March 2007 on 15 February 2008.

3. IDENTIFICATION OF A POTENTIAL STRATEGIC INVESTOR

A potential investor, Tianjin TEDA Iinvestment Holding Co., Ltd. ("TEDA") has been providing interim resources to the Group amounting to approximately RMB75 million up to 31 March 2007 and has provided guarantee on RMB50 million of loan granted by Tianjin TEDA Finance Bureau pursuant to a loan agreement dated 6 September 2005 in order to facilitate the Group to carry on its day-to-day operations.

4. MAINTENANCE OF SUFFICIENT LEVEL OF OPERATIONS

As demonstrated in the Group's accounts and pursuant to GEM Rule 17.26, the turnover of the Group amounted to approximately HK$539 million, HK$509 million, HK$423 million and HK$426 million for each of the four years ended 31 March 2007 respectively, showing continuing operations of the Group.

5. REACHED SEVERAL DEBT RESTRUCTURING AGREEMENTS IN PRINCIPLE

Agreements have been reached in principle with various banks and financial institutions which made a syndicated loan to the Company, banks in the PRC, the potential strategic investor, TEDA Finance Bureau, and China Merchants Bank (Hong Kong Branch) to restructure the Company's debts. These arrangements are conditional upon various items and conditions tied to the successful completion of the Group's Reorganisation and resumption of trading of shares.

The directors are looking forward to an early completion of the restructuring and resumption of trading of the Company's shares on GEM after satisfactory fulfilment of regulatory requirements and approvals from the shareholders of the Company at a special general meeting to be convened.

OPERATIONAL REVIEW

The principal activities of the Group include the construction of gas pipelines, the provision of connection services and sale of gases. The geographical locations of the operating subsidiaries are listed on Page 2-4 "CORPORATE PROFILE".

FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the four financial years ended 31 March 2007 is set out below in order to provide the shareholders a better understanding on the operations and results of the Group.

Results

For the year ended 31 March

	2007 **HK$'000**	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*
Turnover	**425,950**	423,273	508,852	539,285
Cost of sales	**(369,677)**	(350,964)	(413,241)	(533,696)
Gross profit	**56,273**	72,309	95,611	5,589
Other revenue	**–**	–	–	1,302
Selling and distribution costs	**(1,660)**	(1,974)	(3,191)	(7,057)
Administrative expenses	**(84,298)**	(92,706)	(67,802)	(94,692)
Other operating expenses	**(14,312)**	(53,303)	(57,242)	(189,321)
Loss from operating activities	**(43,997)**	(75,674)	(32,624)	(284,179)
Finance costs	**(49,156)**	(31,233)	(30,936)	(22,180)
Loss before taxation	**(93,153)**	(106,907)	(63,560)	(306,359)
Taxation	**(4,687)**	(8,524)	(9,913)	(6,321)
Loss before minority interests	**(97,840)**	(115,431)	(73,473)	(312,680)
Minority interests	**(298)**	(69)	(2,020)	2,121
Net loss from ordinary activities attributable to shareholders	**(98,138)**	(115,500)	(75,493)	(310,559)

Assets, liabilities and minority interests

As at 31 March

	2007 **HK$'000**	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000* restated
Total assets	**418,191**	358,232	349,968	331,426
Total liabilities	**(1,103,540)**	(930,609)	(800,811)	(706,266)
Minority interests	**(11,596)**	(10,818)	(10,470)	(10,607)
Equity holders' deficit	**(696,945)**	(583,195)	(461,313)	(385,447)

Sales Revenue

During the year under review, sales revenue was approximately HK$426 million, a slight increase of HK$3 million over the sales for the year ended 31 March 2006. Piped-gas sales accounted for HK$130 million, an increase of approximately HK$46 million from HK$84 million recorded for the previous year, or an increase of 54%. However, connection service fees accounted for approximately HK$106 million, or 25% of total revenue (2006: 32%), a drop of approximately HK$28 million.

Operating Loss

During the year ended 31 March 2007, the Group reported operating losses of approximately HK$44 million. Loss attributable to equity holders of the Company was approximately HK$98 million for the year, after taking into consideration of finance costs of HK$49 million (2006 HK$31 million).

Bank Financing and Liquidity

As at 31 March 2007, total bank borrowings amounted to approximately HK$583 million. PRC banks' portion was approximately HK$348 million and Hong Kong banks' portion was approximately HK$235 million respectively. As at 31 March 2007, the total current assets of the Group amounted to approximately HK$137 million, while the total current liabilities amounted to approximately HK$1,103 million, resulting in a negative liquidity of approximately HK$966 million.

As at date of the approval of the financial statements on 1 February 2008, the Group had entered into several significant debt restructuring arrangements. These arrangements are conditional to various items tied to the successful completion of the Group's Reorganisation and resumption of trading. The key terms of these arrangements affecting the Group's cash flow are summarised below:

(1) Loan due to Hong Kong syndicated banks:

In January 2008, in respect of approximately HK$210 million syndicated loan due to the syndicated banks, it was agreed that:

- HK$10 million will be repaid;
- there will be a haircut of HK$160 million; and

- the remaining balance of HK$40 million is to be exchanged for equivalent worth of convertible preference shares to be issued by the Company to these banks. In addition, TEDA is obliged to buy back these shares from the banks for a cash consideration of HK$225 million on the fifth anniversary from the date of issue in full settlement of the syndicated loan.

In addition, all loan interest accrued up to the date of the resumption of trading of the Company's shares on the HKSE will be waived.

(2) Amount due to TEDA

The amount of approximately RMB75 million overdue to TEDA need not be repaid until resumption of trading of the Company's shares on the HKSE. In addition, all the interest accrued for the amount due to TEDA up to the date of resumption of trading of the Company's shares will be waived.

SUBSEQUENT EVENT

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law amends the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these consolidated financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 March 2007. Management will continue to evaluate the impact as more detailed regulations are announced.

DIVIDEND

The board of directors does not recommend the payment of a dividend in respect of the year under review.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS GRANTED AND EXPIRED

During the year ended 31 March 2007, no share option has been granted under the Scheme. As at the date of this report, all the outstanding share options have lapsed or have been cancelled.

PROPOSED REORGANISATON

The Group is undergoing a major reorganisation ("Reorganisation"), which will involve debt restructuring following negotiations with the banks, disposal of certain subsidiaries and injection of significant amount of new capital by a potential shareholder, TEDA.

The Reorganisation is subject to approval by the SFC, HKSE and the Company's independent shareholders that will be sought at an upcoming special general meeting. Through the Reorganisation, the Group aims to streamline its operations and improve its financial position. Upon completion of the Reorganisation, the Directors expect that the Group's equity holders' deficit will become positive and that there will be sufficient working capital for its normal operations and execution of its future business plans.

ACQUISITION

On 11 August 2003, the Group entered into a conditional Acquisition 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. ("TEDA Tsinlien Gas"). TEDA Tsinlien Gas 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 in relation thereto in the Tianjin Economic and Technological Development Area, a strategically important industrial development zone in the Municipality of Tianjin of PRC. Tsinlien Group is the ultimate controlling shareholder of Santa Resources Limited, a substantial shareholder of the Company. Completion of the Acquisition Agreement is dependent on fulfilment of a number of conditions precedent, some of which have never been met or waived, hence the Acquisition has not yet been completed.

The Board had intended to complete the Acquisition of TEDA Tsinlien Gas if TEDA Tsinlien Gas was able to obtain additional subsidies from TEDA Finance Bureau effective from 2007 to 2011. However, the Group will not complete the Acquisition at this stage, in view that such subsidies would not be confirmed.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company has applied the principles and complied with the code provisions and same of the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of HKSE (the "GEM Listing Rules") throughout the year ended 31 March 2007, except for certain deviations as mentioned in the below section headed "Audit Code on Corporate Governance Practices".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the directors, they all confirmed having complied with required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the year ended 31 March 2007.

THE BOARD OF DIRECTORS

Composition

The Board, which currently comprises four directors, is responsible for supervising the management of the Group. Details of the directors of the Group are set in the section "Biographical Details of Directors and Senior Management" of this report. All directors give sufficient time and attention to the affairs of the Group. With the various experience of the executive directors and the nature of the Group's business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

During the year under review, there was no independent non-executive director. The Company was unable to strictly comply with Rule 5.05 of the GEM Listing Rules requiring the Company to have at least 3 independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise, and Rule 5.28 of the GEM Listing Rules requiring the Company to retain at all times a minimum of three members, at least one of whom is an independent non-executive director in its audit committee. It is the intention of TEDA to appoint new directors to the Board following the change in control resulting from the proposed restructuring.

Board meeting

The full Board regularly meets in person or through other means of electronic communication at least four times every year. At least 14 days' notice of all board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists the Board in preparing the agenda for the meetings, and ensures that all applicable rules and regulations regarding the meetings are observed. The finalized agenda and accompanying board papers are then sent to all directors at least five days prior to the meeting.

During the financial year ended 31 March 2007, four board meetings were held and the following is an attendance record of the meetings by each director:

Attendants	Number of meetings attended/total	Attendance percentage
Cheung Man Hoi (resigned on 1 February 2007)	3/4	75%
Zhang Hongru (resigned on 9 June 2007)	0/4	0%
Wang Guanghao (resigned on 9 June 2007)	3/4	75%
Shum Ka Sang (resigned on 22 October 2007)	1/4	25%
Shi Dun Hong (resigned on 22 October 2007)	4/4	100%
Wang Gang (appointed on 3 May 2004)	4/4	100%
Dai Yan (appointed on 25 June 2007)	not applicable	not applicable
Lam Man Lim (appointed on 25 June 2007)	not applicable	not applicable
Guan Xue Bin (appointed on 24 July 2007)	not applicable	not applicable

During regular meetings of the Board, the directors discuss and formulate the overall strategies of the Group, monitor financial performance and discuss the annual and quarterly results, as well as discuss and decide on other significant matters, such as the restructuring proposal.

Nomination and re-election of Directors

The Board takes the past performance, qualification, general market conditions and the Company's articles of association into consideration in selecting and recommending candidates of directorship during the year.

In accordance with the Company's articles of association, the office of directorship of each of the director who was appointed before the date of this report, will end at the forthcoming annual general meeting of the Company. Messrs. Wang Gang, Dai Yan, Lam Man Lim and Guan Xue Bin, all being eligible, will offer themselves for re-election at the forthcoming general meeting of the Company.

INDEPENDENT COMMITTEE

In January 2006, the Company established an independent committee ("Committee") which comprised Messrs. Ip Shing Hing, Japhet Sebastian Law and Tse Tak Yin, and in February 2007 Mr. Lau Siu Ki, Kevin was added to this Committee. Since establishment, the Committee was periodically requested by the Company to assist in the general review of reported financial and internal control areas, and had been giving valuable comments and advices for the Company's consideration.

It is proposed that members of the independent committee will join the Board as independent non-executive Directors upon the nomination and approval at the Special General Meeting.

AUDITORS' REMUNERATION

During the year, the nature of the audit and non-audit services provided by PricewaterhouseCoopers, the auditors of the Company, and the relevant fees paid by the Company for such services are as follows:

Audit services for the Group . . . . HK$4.6 million
Non-audit services . . . . HK$2.4 million

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 March 2007, the directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Auditor's Report to the shareholders of the Company on pages 31 of the annual report of the Company.

The audited financial statements for the year ended 31 March 2007 have not been reviewed by the audit committee owing to its non-existence at the date of the board meeting approving the audited financial statements on 1 February 2008.

AUDIT COMMITTEE

The Company did not have an audit committee throughout the year ended 31 March 2007 and the Code Provisions C.3.1 to C.3.6 could not be applied. As the existing members of the Independent Committee are expected to be invited to join the Board as independent non-executive directors upon the resumption of trading of shares of the Company on GEM, the Board anticipates that the audit committee can then be formed and the Company will then take appropriate measures to comply with Code Provisions C.3.1 to C.3.6.

INTERNAL CONTROL

Assisted by PricewaterhouseCoopers – Beijing, the Board conducted reviews of the system of internal control of the Group periodically to ensure an effective and adequate internal control system. During the review for the year ended 31 March 2007, PricewaterhouseCoopers-Beijing noted that the Company had established a good internal control system with formalized policies and procedures governing over critical business processes and activities including internal audit, business performance reviews and staff training. The Company convened meetings periodically to discuss financial, operational and risk management control. Whilst the Company had made significant improvements over its internal control system as compared to the previous years, management will continue to improve on execution of the controls in place to minimise operational deficiencies and improve effectiveness of the control systems.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the code provisions set out in Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules of the Stock Exchange throughout the year ended 31 March 2007, except that:—

1. Code Provision A.5.1 stipulates that, inter alia, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary to ensure he is fully aware of his responsibilities under statute and common law, the GEM Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. Although the directors of the Company have not yet received a formal training and induction regarding his responsibilities under the GEM Listing Rules and applicable laws and regulatory requirements after their appointments, that arrangement for such training and induction is underway to ensure every director appointed is fully aware of all statutory, legal, regulatory and compliance requirements and the business and governance policies of the Company before the resumption of trading of the shares of the Company on GEM.

2. Code B.1.1 stipulates that issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties, and a majority of which should be independent non-executive directors. The Company did not have a remuneration committee in the year ended 31 March 2007, and the Code Provisions B.1.1 to B.1.5 could not be applied. The Board anticipates that the remuneration committee will be formed after the resumption of trading of shares of the Company on GEM, and will include the independent non-executive directors who will be appointed from the members of the Independent Committee. The Company will then take appropriate measures to comply with Code Provisions B.1.1 to B.1.5

3. The Company did not have an audit committee throughout the year ended 31 March 2007 (as mentioned in the above section headed "AUDIT COMMITTEE") and could not comply with the Code Provisions C.3.1 to C.3.6 on proceedings and terms of reference of the audit commitee.

GOING FORWARD

The Company will continue to strive for further improvement in all corporate governance aspects. After the resumption of trading of the shares on the GEM of HKSE, the Company will take all necessary steps to comply with the code provisions set out in the Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules by establishing an audit committee and remuneration committee with adequate presence of independent non-executive directors. These committees will act according to the code provisions in assisting directors of the Board in discharging their respective fiduciary duties.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Existing Directors:

Mr. Dai Yan, aged 54, is an executive Director of the Company. Mr. Dai graduated from Beijing Foreign Economic Trade University in 1980. In 1988, he completed the professional course in law in the School of Central Committee of the Communist Party of PRC and the postgraduate course of international trade in the Tianjin Economics and Finance Institute, respectively. He worked as the deputy department chief, department chief, assistant general manager and deputy general manager of Tianjin Garment Import & Export Corporation from 1980 to 1988. He worked with Tianjin Garment Associate Corporation since 1988 and acted as the deputy general manager from 1992 to 1997. From October 1997 to May 2002, he worked as director, deputy general manager and general manager of Tianjin Zhong Fu International Group Company Limited and also acted as the deputy general manager and director of Tianjin Textile (Holdings) Limited. He is currently an executive director of Tianjin Development Holdings Limited and is also a director and deputy general manager of 津聯集團有限公司 (Tsinlien Group Co., Ltd.), the controlling shareholder of Tianjin Development Holdings Limited. Mr. Dai has solid experience in management for over twenty years.

Mr. Guan Xue Bin, aged 44, is the general manager of the Company. Mr. Guan graduated with a Bachelor's degree in communication engineering from Xidian University and was subsequently a postgraduate of information engineering at Tianjin University. He joined Tianjin Optical Electrical Group Co., Ltd ("TOEC Group") in August 1983 and had acted as its product development engineer, head of the mobile communications equipment factory, assistant to general manager and head of Electronic Manufacture Service Department. He is currently a deputy general manager and chief engineer of TOEC Group. He is also a deputy general manager and director of TOEC Technology Co., Ltd. Mr. Guan is a panel member of the Tianjin Municipal Electronics Communications Professional Qualification, the Tianjin Technology Prize of Tianjin Municipality and the National Technology Prize, and is a Standing Director of Tianjin Communication Academic Society.

Mr. Wang Gang, aged 42, former chief executive officer of the Company and former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he has been the chairman and general manager of 天津泰達津聯燃氣有限公司 (Tianjin TEDA Gas Co. Ltd.), a subsidiary of Tsinlien and a fellow subsidiary of Tianjin Development (a substantial shareholder of the Company) operating gas supply business in Tianjin. Mr. Wang was the vice manager of 泰達熱電公司 (TEDA Heat and Power Company), the vice general manager of 泰達津聯熱電公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd.) (these two companies being fellow subsidiaries of Tianjin Development) and the general manager of 國華能源發展(天津)有限公司 (Guohua Energy Development (Tianjin) Co., Ltd.) from August 1997 to August 2003. Mr. Wang was responsible for the day-to-day operation of the Group including the implementation of the business plan of the Group from May 2004 to July 2007.

Mr. Lam Man Lim, aged 51, is the qualified accountant and company secretary of the Company. Mr. Lam graduated with a Master's degree in Business Administration from the Royal Melbourne Institute of Technology, Australia. He is an associate member of the Chartered Institute of Management Accountants, UK and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 20 years of audit and corporate management experience and has held various group controller and managerial positions in operational finance, financing, shared services accounting and internal controls in the Link Management Limited, Johnson Electric, IT Ventures Group, Motorola Asia Pacific region and Philips Electronics. He was the Group Financial Controller of The Link Management Limited (the Manager of The Link Real Estate Investment Trust) from 2004 to 2007 before joining the Company in March 2007 as its Chief Financial Officer.

Under the article of the Company, the Directors are subject to retirement. The existing Directors, Mr. Dai Yan, Mr. Guan Xue Bin, Mr. Wang Gang and Mr. Lam Man Lim, will be eligible for re-election at the Special General Meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has no independent non-executive Directors as at the date of this report but intends to nominate the members of the independent committee for approval as independent non-executive directors at the forthcoming shareholders' Special General Meeting.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 March 2007.

SUSPENSION OF TRADING

At the direction of the Securities and Futures Commission, trading in the shares of the Company has been suspended since 6 April 2004 to the date of this Report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 9 (b) to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements.

The board of directors does not recommend the payment of a dividend in respect of the year.

FINANCIAL SUMMARY

The 2004, 2005, 2006 and 2007 financial figures had reflected the result of a reconstruction of the accounting records of the Group. Details of the 2007 figures (with 2006 comparatives) are set out in notes to the consolidated financial statements.

A summary of the results and of the assets and liabilities of the Group for the past four financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out under "MANAGEMENT DISCUSSION AND ANALYSIS" section.

GOING CONCERN

The financial statements disclose all of the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Company's plans. Accordingly, the Company's financial statements are appropriately prepared on a going concern basis. Considering the Group has incurred a net loss of approximately HK$98 million for the year ended 31 March 2007 and as at that date, its net current liabilities and shareholders' deficit amounted to approximately HK$966 million and HK$697 million, respectively, the Company also has the intent and ability to take actions necessary to continue as a going concern based on the following:

(a) Implementation of the Proposed Reorganisation to improve the financial position and business of the Group.

(b) Subsequent to 31 March 2007, TEDA has also been providing and will continue to provide financial assistance to the Group for its working capital purposes.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or articles of association or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 15 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution as at 31 March 2007.

The Company's share premium account, in the amount of approximately HK$191 million, may be applied in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

CHARITABLE DONATIONS

No charitable and other donations were made by the Group during the year (2006: nil).

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Shum Ka Sang	(resigned on 22 October 2007)
Wang Guanghao	(resigned on 9 June 2007)
Cheung Man Hoi	(resigned on 1 February 2007)
Shi Dun Hong	(resigned on 22 October 2007)
Zhang Hongru	(resigned on 9 June 2007)
Wang Gang	(appointed on 3 May 2004)
Dai Yan	(appointed on 25 June 2007)
Lam Man Lim	(appointed on 25 June 2007)
Guan Xue Bin	(appointed on 24 July 2007)

In accordance with clause 86(2) of the Company's bye-laws, Messrs. Wang Gang, Dai Yan, Lam Man Lim and Guan Xue Bin will retire and will be eligible for re-election at the forthcoming annual general meeting.

The Company had no independent non-executive director during the year and was unable to strictly comply with Rule 5.05 and 5.08 of the GEM Listing Rules requiring the Company to retain at all times a minimum of three independent non-executive directors.

DIRECTORS' SERVICE CONTRACTS

The Company has no independent non-executive director during the year.

As at the date of this report, no director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Upon termination of the licence agreement with Wah Sang Trading Company Limited on 16 December 2002, the Company entered into a new licence agreement with Wah Sang Development (Group) Limited ("Wah Sang Development") whereby Wah Sang Development agreed to grant to the Group a licence to use the trademark (which has been registered under the name of Wah Sang Development) for an initial term of 20 years at a total fee of HK$1 payable by the Company.

Save as the foregoing, no director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

At 31 March 2007, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the directors of the listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Number of shares held and nature of interest

Name of director	Position	Personal	Corporate	Total	Percentage of the Issued share capital of the Company
Mr. Shum Ka Sang	Long positions	45,650,000	819,350,000	865,000,000	39.73%

Note: As at 31 March 2007, Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development") was beneficially wholly-owned by Mr. Shum Ka Sang, which beneficially held 819,350,000 shares representing approximately 37.64% interest in the Company. Therefore, Mr. Shum was deemed to be interested in these shares.

Save as disclosed above and as disclosed below under the section headed "share option", none of the Directors and Chief Executives of the Company had any interests or short positions in the shares or underlying shares, or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 31 March 2007.

SHARE OPTIONS

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 26 February 2000 and, unless otherwise cancelled or amended, will remain in force until 25 February 2010.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option shall be granted to any executive director or employee which if exercised in full would result in such person's maximum entitlement to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. At 31 March 2007, the number of shares issuable under share options granted under the Scheme was 13,500,000, which represented approximately 6.2% of the Company's shares in issue as at that date.

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 be the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (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.

The Stock Exchange has amended the requirements for share option schemes under the GEM Listing Rules. The new requirements came into effect from 1 September 2001. The Company is required to comply with the new requirements of new share options under the Scheme from the said date.

During the year ended 31 March 2007, no share option has been granted under the Scheme. As at the date of this report, all the outstanding shares options as contained in note 14 of Notes to the Consolidated Financial Statements have lapsed or have been cancelled.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefit 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 right in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in a business which competes or may compete with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2007, the following persons (other than the Directors of the Company whose interests are disclosed above under the section headed "interest and short positions of Directors and Chief Executives in the shares, underlying shares and debentures of the Company or any of associated corporations") that had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of shares held				
	Positions	Personal interests	Family Interests	Corporate Interests	Total	Percentage of the Issued share capital
Mr. Shum Ka Sang *(Note 1)*	Long	45,650,000	–	819,350,000	865,000,000	39.734%
Santa Resources Limited *(Note 2)*	Long	–	–	496,188,000	496,188,000	22.792%
Wah Sang Gas Development *(Note 1)*	Long	–	–	819,350,000	819,350,000	39,734%
Mdm. Wu Man Lee *(Note 3)*	Long	–	865,000,000	–	865,000,000	39.734%

Notes:

1. As at 31 March 2007, 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.

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 in the Company by virtue of the interests in such shares by her spouse, Mr. Shum Ka Sang.

Other than as disclosed above, as at 31 March 2007 the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

MANAGEMENT CONTRACTS

Other than as disclosed in the section headed "Directors' interests in contracts and connected transactions" above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into between the Company or any of its associated corporations during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2007, sales to the Group's five largest customers accounted for 14% (2006: 15%) of the total sales for the year and sales to the largest customer included therein amounted to 6% (2006: 9%).

Purchases from the Group's five largest suppliers accounted for 62% (2006: 70%) of the total purchases of fuel gas for the year and purchases from the largest supplier of fuel gas included therein amounted to 36% (2006: 34%).

Subcontracting fees paid to the Group's five largest pipeline subcontractors accounted for 23% (2006: 8%) of the total subcontracting fees incurred for the year and subcontracting fees paid to the largest pipeline subcontractors included therein amounted to 9% (2006: 4%).

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers, suppliers and subcontractors.

BOARD PRACTICES AND PROCEDURES

During the year, the Company was in compliance with the Board Practices and Procedures as set out in rule 5.34 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2007.

AUDIT COMMITTEE

During the year ended 31 March 2007, there was no independent non-executive director. The Company had no audit committee and was unable to strictly comply with Rule 5.28 of the GEM Listing Rules requiring the Company to retain at all times a minimum of three members in its audit committee. The audited financial statements for the year ended 31 March 2007 had not been reviewed by the audit committee owing to its non-existence at the date of the board meeting approving the audited financial statements on 1 February 2008.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

SUBSEQUENT EVENTS

Details of the significant subsequent events taking place subsequent to 31 March 2007 and up to the date of this Report are set out on note 29 to the financial statements.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Director

Hong Kong, 1 February 2008

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WAH SANG GAS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wah Sang Gas Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 85, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2(a)(i) to the consolidated financial statements in relation to the Group's net loss of approximately HK$98 million for the year ended 31 March 2007 and its net current liabilities and equity holders' deficit as at that date of approximately HK$966 million and HK$697 million, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have prepared the financial statements on a going concern basis assuming the successful outcome of the proposed Reorganisation as set out in Note 1(b) to the consolidated financial statements. The Reorganisation involves debt restructuring and the injection of significant new capital into the Group by a potential shareholder, Tianjin TEDA Investment Holding Co., Ltd. ("TEDA"). TEDA has been providing financial support to the Group and it has confirmed that it will continue to do so for the next twelve months from date of approval of the consolidated financial statements by the Directors.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 February 2008

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**231,306**	187,274
Land use rights	7	**49,726**	45,880
		281,032	233,154
Current assets			
Inventories	10	**31,777**	22,209
Trade and other receivables	11	**77,388**	87,730
Bank balances and cash	25	**27,994**	15,139
		137,159	125,078
Total assets		**418,191**	358,232
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**21,770**	21,770
Reserves	15(a)	**(718,715)**	(604,965)
Equity holders' deficit		**(696,945)**	(583,195)
Minority interest		**11,596**	10,818
Total equity		**(685,349)**	(572,377)
LIABILITIES			
Current liabilities			
Trade and other payables	12	**444,491**	306,118
Current income taxation liabilities		**4,934**	7,266
Borrowings	13	**654,115**	617,225
Total liabilities		**1,103,540**	930,609
Total equity and liabilities		**418,191**	358,232
Net current liabilities		**(966,381)**	(805,531)
Total assets less current liabilities		**(685,349)**	(572,377)

Lam Man Lim
Director

Guan Xue Bin
Director

BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	9	**–**	–
Current assets			
Trade and other receivables		**167**	139
Bank balances and cash		**4**	5
		171	144
Total assets		**171**	144
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**21,770**	21,770
Reserves	15(b)	**(282,773)**	(272,453)
Total equity		**(261,003)**	(250,683)
LIABILITIES			
Current liabilities			
Trade and other payables		**26,294**	15,947
Borrowings	13	**234,880**	234,880
Total liabilities		**261,174**	250,827
Total equity and liabilities		**171**	144
Net current liabilities		**(261,003)**	(250,683)
Total assets less current liabilities		**(261,003)**	(250,683)

Lam Man Lim
Director

Guan Xue Bin
Director

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**425,950**	423,273
Cost of sales		**(369,677)**	(350,964)
Gross profit		**56,273**	72,309
Other loss — net	16	**(14,312)**	(53,303)
Selling and marketing expenses		**(1,660)**	(1,974)
Administrative expenses		**(84,298)**	(92,706)
Operating loss	17	**(43,997)**	(75,674)
Finance costs, net	19	**(49,156)**	(31,233)
Loss before taxation		**(93,153)**	(106,907)
Income tax	20	**(4,687)**	(8,524)
Loss for the year		**(97,840)**	(115,431)
Loss attributable to:			
Equity holders of the Company		**(98,138)**	(115,500)
Minority interest		**298**	69
		(97,840)	(115,431)
Loss per share attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
— basic and diluted	22	**4.5 cents**	5.3 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2007

	Attributable to equity holders of the Company			
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Minority interest** *HK$'000*	**Total** *HK$'000*
Balance at 1 April 2005	21,770	(483,083)	10,470	(450,843)
(Loss)/profit for the year	—	(115,500)	69	(115,431)
Exchange differences	—	(6,382)	279	(6,103)
Balance at 31 March 2006	21,770	(604,965)	10,818	(572,377)
(Loss)/profit for the year	—	(98,138)	298	(97,840)
Exchange differences	—	(15,612)	480	(15,132)
Balance at 31 March 2007	21,770	(718,715)	11,596	(685,349)

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	23	**14,452**	(8,924)
Income tax paid		**(7,019)**	(9,235)
Interest paid		**–**	(11,090)
Net cash generated from/(used in) operating activities		**7,433**	(29,249)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(57,948)**	(86,793)
Purchase of land use rights		**(3,115)**	(1,119)
Proceeds from sale of property, plant and equipment		**3,845**	4,365
Sale of a subsidiary, net of cash disposed		**–**	966
Interest received		**538**	457
Net cash used in investing activities		**(56,680)**	(82,124)
Cash flows from financing activities			
Proceeds from borrowings		**22,316**	48,398
Advances from TEDA		**38,693**	18,215
Proceeds from related parties		**–**	1,678
Repayment to related parties		**–**	(1,410)
Net cash generated from financing activities		**61,009**	66,881
Net increase/(decrease) in cash and cash equivalents		**11,762**	(44,492)
Cash and cash equivalents at beginning of the year		**15,139**	58,760
Effect of exchange differences		**1,093**	871
Cash and cash equivalents at end of the year		**27,994**	15,139

1. GENERAL INFORMATION

Wah Sang Gas Holdings Limited (the "Company") was incorporated in Bermuda on 8 October 1999, with a registered office in Suites 3205-07, 32/F Shell Tower, Times Square, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 9 to these consolidated financial statements. The Company and its subsidiaries are hereafter together referred to as the Group.

(a) Suspension of trading of the Company's shares and other related events

The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("SEHK") on 16 March 2000. As disclosed in the consolidated financial statements for the year ended 31 March 2004, the following key events took place since March 2004:

(i) Penalty charged by the State Administration of Foreign Exchange ("SAFE")

In March 2004, SAFE of the People's Republic of China (the "PRC") issued a penalty notice to Wah Sang Gas (China) Investments Co. Ltd, a principal subsidiary of the Company. The notice alleged that certain of the Group's PRC subsidiaries were in breach of PRC foreign exchange regulations. The alleged breaches involved inter-group fund remittances and reinvestments arising out of suspected falsified profits recorded in those subsidiaries. The final penalty of approximately HK$6 million was fully settled in October 2004.

(ii) Notice for suspension of trading of the Company's shares

Since 6 April 2004, the Company's shares have been suspended from trading on SEHK by the Securities and Futures Commission ("SFC") pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571 of the Laws of Hong Kong). In view of the penalty mentioned in paragraph (i) above, the SFC has expressed concerns about the accuracy of the profit levels of some of the Company's subsidiaries and has required the Company to address these matters fully before a resumption of trading can be considered.

1. GENERAL INFORMATION *(Continued)*

(a) Suspension of trading of the Company's shares and other related events *(Continued)*

(iii) Management reorganisation

In May 2004, soon after trading of the Company's shares was suspended, the Group underwent a reorganisation whereby new management were appointed to oversee the Group's operations.

(iv) Overstatement of profits and subsequent reconstruction of accounting records

As disclosed in the Group's consolidated financial statements for the year ended 31 March 2004, the new management carried out a reconstruction of the accounting records of the Group ("the Reconstruction") and all identified adjustments were charged to the opening retained earnings as at 1 April 2003.

(b) Proposed reorganisation

The Group is planning to undergo a major reorganisation ("Reorganisation") which will involve debt restructuring following negotiations with the banks, disposal of certain subsidiaries (Note 9(c)) and injection of significant new capital by a potential shareholder, Tianjin TEDA Investment Holding Co., Ltd ("TEDA").

The proposed Reorganisation is subject to approval by the Company's independent shareholders that will be sought at an upcoming special general meeting. Through the Reorganisation, the Group aims to streamline its operations and improve its financial position. The Directors expect that the Group's equity holders' deficit will become positive and that there will be sufficient working capital for its normal operations and execution of its future business plans upon the completion of the Reorganisation.

1. GENERAL INFORMATION *(Continued)*

(b) Proposed reorganisation *(Continued)*

Subsequent to 31 March 2007, as part of the proposed Reorganisation mentioned above, the Group entered into the following significant debt restructuring arrangements. These arrangements are conditional to various items tied to the successful completion of the Group's proposed Reorganisation. The key terms of these arrangements affecting the Group's cash flow are summarised below:

(i) Loan due to Hong Kong syndicated banks:

In January 2008, in respect of approximately HK$210 million syndicated loan due to the syndicated banks, it was agreed that:

— HK$10 million will be repaid;

— there will be a haircut of HK$160 million; and

— the remaining balance of HK$40 million is to be exchanged for equivalent worth of convertible preference shares to be issued by the Company to these banks. In addition, TEDA is obliged to buy back these shares from the banks for a cash consideration of HK$225 million on the fifth anniversary from the date of issue in full settlement of the syndicated loan.

In addition, all loan interest accrued up to the date of the resumption of trading of the Company's shares on the SEHK will be waived.

(ii) Amount due to TEDA

It was agreed that the overdue amount due to TEDA of approximately RMB75 million need not be repaid until resumption of trading of the Company's shares on the SEHK. In addition, all loan interest accrued up to the said date will be waived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared from the Reconstructed accounting records mentioned in Note 1(a)(iv) above under the historical cost convention, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(i) Going concern

The Group has incurred a loss attributable to the Company's equity holders of approximately HK$98 million for the year ended 31 March 2007 and as at that date, its net current liabilities and total equity holders' deficit amounted to approximately HK$966 million and HK$697 million, respectively.

The consolidated financial statements have been prepared on a going concern basis, assuming the successful outcome of the proposed Reorganisation discussed in Note 1(b). In addition, TEDA has confirmed that it will continue to provide financial support to the Group for the next twelve months from date of approval of the consolidated financial statements by the Directors.

Neither the Group's nor the Company's financial statements include any adjustments that would result from the failure of the proposed Reorganisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Adoption of new/revised accounting standards

Following new/revised standards, amendments and interpretations are effective for the financial year ended 31 March 2007 but are not relevant to the Group's operations:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net investments in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 and 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKFRS 29, Financial Reporting in Hyperinflationary Economies

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Adoption of new/revised accounting standards (Continued)

At the date of approval of these financial statements, the following new/revised standards, amendments and interpretations are in issue but not yet effective for the year ended 31 March 2007.

— The following are not relevant to the Group's operations:

HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

— The following are relevant to the Group. The Directors plan to apply them on their respective effective dates and although they are in the process of assessing the impact to the Group, they are not yet in a position to state whether there would be a significant impact on its results of operations and financial position.

HKAS 1 (Amendment)	Capital Disclosures (effective for annual periods beginning on or after 1 January 2007)
HKAS 23	Borrowing Costs (effective for annual periods beginning on or (Revised)after 1 January 2009)
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(g)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Transaction with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Joint ventures

Joint venture companies are independent business entities established and operating in the PRC. The joint venture agreements and related constitutions stipulate the capital contributions of the joint venture parties, the duration of the joint ventures and the basis on which assets are to be realised upon their dissolutions. The profits and losses from joint venture companies' operations and any distribution of surplus assets are shared by the joint venture partners, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

The Group's joint venture companies are accounted for as subsidiaries because the Group's effective unilateral control, directly or indirectly, over the joint venture companies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is determined to be Renminbi ("Rmb").

The consolidated financial statements are presented in Hong Kong dollars as the Directors are of the view that presenting the consolidated financial statements in Hong Kong dollars will provide a better reference to its readers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Intangible assets

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives of 50 years.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Construction-in-progress represents gas station properties, machinery and pipelines and related assets under construction/installation and is stated at cost less any provision for impairment losses. Cost comprises direct costs of construction, installation and testing. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold properties	30 years
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment and motor vehicles	5 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(f) Land use rights

Land use rights represent prepaid operating lease payments for land and are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight line method over the remaining lease term.

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that are not yet available for use are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Inventories

Inventories principally comprise materials for gas pipelines and gases, and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(k) Trade payables

Trade payables are recognised initially a fair value and subsequently measured at amortised cost using the effective interest method.

(l) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Employee benefits

(i) Employee leave entitlements

The Group's PRC employees are not entitled to carry forward any annual leave. For employees in Hong Kong, the entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(iii) Pension obligations

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government.

All eligible employees in Hong Kong participate in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance.

The assets of both the above schemes are held separately from those of the Group in an independently administered fund. Contributions made are based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective scheme. The employer contributions are vested fully once they are made.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and business tax.

Connection services:

When the outcome of a connection service contract can be ascertained with reasonable certainty and the stage of completion at the balance sheet date can be measured reliably, revenue and costs are recognised over the period of the contract. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to the proportion of the services performed to date as a percentage of total services to be performed. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition *(Continued)*

When the outcome of a contract cannot be estimated with reasonable certainty, revenue is recognised only to the extent of costs incurred that it is probably recoverable. Costs are recognised when incurred.

Sale of gases:

Revenue from the sale of gases is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the gas is delivered to customers and title has passed.

(t) Interest income

Interest income from a financial asset is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(u) Borrowing costs

All borrowing costs are expensed as incurred.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographical segment analysis is presented as the Group has only one single geographical segment which is the business operation in the PRC.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of foreign exchange risk, credit risk and cash flow and fair value interest-rate risk.

(a) Financial risk factors

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group mainly operates in the PRC with most of the transactions denominated in Renminbi. The Group's exposure to foreign exchange risk primarily arises from its Hong Kong dollar borrowings. The Group does not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of cash and bank and trade receivables represented the Group's maximum exposure to credit risk. Cash is placed with reputable banks in the PRC. The Group performs ongoing credit evaluations of the customers' financial condition.

(iii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets but borrowed a substantial amount of short-term and long-term borrowings from banks and related party is at fixed and floating interest rates. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(iv) Liquidity risk

The Group manages its liquidity risk management by maintaining sufficient cash for its normal operations. The Group is highly dependent on the financial support from TEDA.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation

The carrying amounts of the Group's financial assets including bank balances and cash, trade and other receivables, deposits and prepayments; and financial liabilities including trade payables, short-term borrowings, other payables and accruals, approximate their fair value due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment

The Group performs annual test to assess whether its property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require significant use of estimates such as discount rates, future profitability and growth rates.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the provision of connection services through the Group's network of pipelines ("Connection services") and sale of gases in the PRC. There is no sale or other transaction between the business segments.

(a) Turnover recognised during the year are as follows:

	2007 **HK$'000**	2006 *HK$'000*
Trading in:		
— on-site gas sales *(Note)*	**154,285**	162,287
— piped gas	**130,039**	84,332
— bottled gas	**35,855**	42,952
	320,179	289,571
Connection services	**105,771**	133,702
Total turnover	**425,950**	423,273

Note:

On-site gas sales represent the wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots.

For purpose of segment disclosure, unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure principally comprises additions to intangible assets and property, plant and equipment.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment results are as follows:

	For the year ended 31 March 2007				
	On-site gas sales ***HK$'000***	**Bottled gas sales** ***HK$'000***	**Piped gas sales** ***HK$'000***	**Connection services** ***HK$'000***	**Total** ***HK$'000***
Turnover	**154,285**	**35,855**	**130,039**	**105,771**	**425,950**
Segment results	**631**	**(4,979)**	**(11,620)**	**63,501**	**47,533**
Unallocated costs					**(91,530)**
Operating loss					**(43,997)**
Finance costs					**(49,156)**
Loss before taxation					**(93,153)**
Taxation					**(4,687)**
Loss for the year					**(97,840)**

	For the year ended 31 March 2006				
	On-site gas sales *HK$'000*	Bottled gas sales *HK$'000*	Piped gas sales *HK$'000*	Connection services *HK$'000*	Total *HK$'000*
Turnover	162,287	42,952	84,332	133,702	423,273
Segment results	677	(4,773)	(63,140)	92,488	25,252
Unallocated costs					(100,926)
Operating loss					(75,674)
Finance costs					(31,233)
Loss before taxation					(106,907)
Taxation					(8,524)
Loss for the year					(115,431)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Segment assets and liabilities are as follows:

	As at 31 March 2007			
	Connection services *HK$'000*	**Piped gas sales** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Assets	**42,506**	**292,963**	**82,722**	**418,191**
Liabilities	**94,978**	**32,948**	**975,614**	**1,103,540**
Other information:				
Amortisation charge	**–**	**1,160**	**–**	**1,160**
Capital expenditure	**–**	**61,063**	**–**	**61,063**
Depreciation	**–**	**8,794**	**3,494**	**12,288**
Impairment for property, plant and equipment	**–**	**6,587**	**–**	**6,587**
Impairment of land use rights	**–**	**265**	**–**	**265**
Loss on disposal of property, plant, equipment	**–**	**7,998**	**–**	**7,998**

	As at 31 March 2006			
	Connection services *HK$'000*	Piped gas sales *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	64,818	219,131	74,283	358,232
Liabilities	75,940	60,410	794,259	930,609
Other information:				
Amortisation charge	–	988	–	988
Capital expenditure	–	87,912	–	87,912
Depreciation	–	8,572	3,387	11,959
Impairment for property, plant and equipment	–	47,626	–	47,626
Loss on disposal of property, plant, equipment	–	6,134	–	6,134

Note: Assets and liabilities relating to on-site and bottled gas sales are minimal and are included in piped gas sales.

6. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold properties *HK$'000*	Machinery and equipment *HK$'000*	Gas pipelines *HK$'000*	Office equipment and motor vehicles *HK$'000*	Construction -in-progress *HK$'000*	Total *HK$'000*
Cost:						
At 1 April 2005	83,570	94,475	155,125	30,606	40,078	403,854
Exchange differences	2,195	2,434	4,125	787	1,068	10,609
Additions	6,484	7,739	7,480	5,273	59,817	86,793
Transfer upon completion	10,324	8,160	58,188	–	(76,672)	–
Disposals	(2,220)	(6,860)	(1,773)	(2,423)	–	(13,276)
At 31 March 2006	100,353	105,948	223,145	34,243	24,291	487,980
Exchange differences	4,266	5,407	9,071	1,448	1,122	21,314
Additions	2,463	1,850	2,214	1,022	50,399	57,948
Transfer upon completion	4,641	4,596	29,211	51	(38,499)	–
Disposals	(3,351)	(9,580)	(13,131)	(224)	(4,856)	(31,142)
At 31 March 2007	108,372	108,221	250,510	36,540	32,457	536,100
Accumulated depreciation and impairment:						
At 1 April 2005	42,977	56,869	102,082	25,130	15,284	242,342
Exchange differences	204	273	727	352	–	1,556
Charge for the year	3,168	3,460	1,944	3,387	–	11,959
Impairment charge	7,334	15,311	26,553	(602)	(970)	47,626
Disposals	(1,069)	(108)	(367)	(1,233)	–	(2,777)
At 31 March 2006	52,614	75,805	130,939	27,034	14,314	300,706
Exchange differences	551	1,119	1,992	850	–	4,512
Charge for the year	2,743	3,176	2,875	3,494	–	12,288
Impairment charge	(22)	74	6,613	153	(231)	6,587
Disposals	(1,897)	(4,809)	(12,518)	(75)	–	(19,299)
At 31 March 2007	53,989	75,365	129,901	31,456	14,083	304,794
Net book value:						
At 31 March 2007	54,383	32,856	120,609	5,084	18,374	231,306
At 31 March 2006	47,739	30,143	92,206	7,209	9,977	187,274

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

As at the date of approval of these consolidated financial statements, the Group is in the process of obtaining approvals from the respective government bodies to confirm the Group's ownership in respect of certain assets. Impact on land use right is as described in Note 7 whilst net book value of affected gas pipelines and leasehold buildings, included in property, plant and equipment, as at 31 March 2007 amounted to about HK$26 million and HK$1 million, respectively (2006: HK$28 million and HK$1 million, respectively).

The Directors believe that such evidence of ownership should be obtainable in due course without significant additional cost to the Group.

7. LAND USE RIGHTS

	Group *HK$'000*
As at 1 April 2005	44,470
Exchange differences	1,279
Additions	1,119
Amortisation charge	(988)
As at 31 March 2006	45,880
Exchange differences	2,156
Additions	3,115
Amortisation charge	(1,160)
Impairment charge	(265)
As at 31 March 2007	49,726

The Group's interests in land use rights are held under leases of between 10 to 50 years in the PRC.

As at the date of approval of these consolidated financial statements, the Group is in the process of obtaining approvals from respective government bodies to confirm the ownership of the Group's land use rights amounting to approximately HK$3 million (2006: HK$3 million).

8. INTANGIBLE ASSETS

The cost of licenses held by the Group approximately RMB7 million has been fully provided for by year ended 31 March 2007.

9. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary	**(47,748)**	(47,748)
	–	–
Amount due from a subsidiary	**402,490**	409,345
Less: Provision for amount due from a subsidiary	**(402,490)**	(409,345)
	–	–

Provision for interest in a subsidiary represents the estimated impairment of the Group's interest in this subsidiary. The amount due from a subsidiary which basically represents the Company's indirect investment cost in all of its other subsidiaries is unsecured, interest free and has no fixed terms of repayment.

9. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of all the subsidiaries at 31 March 2007 are set out in the following three sections:

(a) Investment holding companies:

	Place of incorporation	Particulars of issued and fully paid capital	Commitment in respect of further capital contributions *HK$ Million*	Deadline for fully paid-up registered capital	Effective interest held in 2006 and 2007 *(Note (v))* Direct	Indirect (%)
Winstar Venture Limited	British Virgin Islands ("BVI")	US$200 ordinary shares	N/A	N/A	100	–
Wah Sang Gas Investment Group Limited	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (iii))*	N/A	N/A	–	100
Wah Sang Gas Equipment and Engineering Company Limited	BVI	US$0.05 million ordinary shares	N/A	N/A	–	100
Wah Sang Gas (China) Investment Co., Ltd.[1]	PRC	US$45 million	156	22 December 2005	–	100
			156			

9. INTERESTS IN SUBSIDIARIES *(Continued)*

(b) Subsidiaries to be retained after the proposed Reorganisation (Note 1(b)):

		Particulars of issued and fully paid capital *(Note (i))* *HK$ Million*	Commitment in respect of further capital contributions *HK$ Million*	Deadline for fully paid-up registered capital	Effective indirect interest held in 2006 and 2007 *(Note (v))* *(%)*
1	淄博華燊燃氣有限公司 Zibo WS[2] *(Note (ii))*	25	–	N/A	100
2	天津華燊燃氣實業有限公司 Tianjin WS[1]	23	–	N/A	100
3	濱州華燊燃氣有限公司 Binzhou WS#	21	–	N/A	100
4	招遠華燊燃氣有限公司 Zhaoyuan WS#	20	–	N/A	100
5	德清華燊燃氣開發有限公司 Deqing WS[2]	20	–	N/A	90
6	涿州華燊燃氣发展有限公司 Zhuozhou WS#	10	–	N/A	85
7	南京華燊燃氣有限公司 Nanjing WS#	10	–	N/A	100
8	秦皇島華燊燃氣有限公司 Qinhuangdao WS#	9	–	N/A	100
9	天津華燊能源发展有限公司 Tianjin WSEnergy#	9	–	N/A	100
10	三河燕燊燃氣發展有限公司 SanheYanSang#	7	–	N/A	90
11	昌樂華燊燃氣有限公司 Changle WS#	7	–	N/A	99
12	德州華燊燃氣有限公司 Dezhou WS#	5	–	N/A	100
13	青島膠南華燊燃氣有限公司 QingdaoJiaonan WS#	8	–	N/A	80
14	青島萊西華燊燃氣有限公司 QingdaoLaixi WS#	16	23	17 June 2005	100
15	鷹潭華燊燃氣有限公司 Yingtan WS[1]	4	21	20 June 2005	100
16	張家港華燊燃氣有限公司 Zhangjiagang WS#	3	18	17 June 2004	98
17	阜寧華燊燃氣有限公司 Funing WS#	2	12	2 November 2003	100
18	青島膠州華燊燃氣有限公司 QingdaoJiaozhou WS#	2	11	27 September 2003	100
19	沂水華燊燃氣有限公司 Yishui WS#	2	11	15 March 2004	100
20	莒縣華燊燃氣有限公司 Juxian WS#	2	11	13 June 2004	100

9. INTERESTS IN SUBSIDIARIES *(Continued)*

(b) Subsidiaries to be retained after the proposed Reorganisation (Note 1(b)): *(Continued)*

		Particulars of issued and fully paid capital *(Note (i))* *HK$ Million*	Commitment in respect of further capital contributions *HK$ Million*	Deadline for fully paid-up registered capital	Effective indirect interest held in 2006 and 2007 *(Note (v))* *(%)*
21	海鹽華燊燃氣開發有限公司 Haiyan WS[1]	15	10	12 November 2003	100
22	湖州南潯華燊燃氣有限公司 HuzhouNanxun WS[1]	10	10	5 September 2004	100
23	北京空港華燊燃氣有限公司 BeijingAirport WS#	2	10	22 May 2004	85
24	海陽華燊燃氣有限公司 Haiyang WS#	2	10	28 September 2003	100
25	睢寧華燊燃氣有限公司 Suining WS#	1	8	23 November 2004	100
26	儀征華燊燃氣有限公司 Yizheng WS#	10	8	28 June 2003	100
27	桐廬華燊燃氣有限公司 Tonglu WS#	12	8	5 November 2004	98
28	句容華燊燃氣有限公司 Jurong WS#	2	7	24 October 2003	99
29	金湖華燊燃氣有限公司 Jinhu WS#	1	6	7 June 2004	100
30	栖霞華燊 Qixia WS#	6	5	29 April 2004	100
			189	*(Note (iv))*	

9. INTERESTS IN SUBSIDIARIES *(Continued)*

(c) Subsidiaries to be sold to TEDA after the proposed Reorganisation (Note 1(b)): *(Continued)*

		Particulars of issued and fully paid capital *(Note (i))* *HK$ Million*	Commitment in respect of further capital contributions *HK$ Million*	Deadline for fully paid-up registered capital	Effective indirect interest held in 2006 and 2007 *(Note (v))* *(%)*
1	新泰華燊燃氣有限公司 Xintai WS#	17	–	N/A	100
2	壽光華燊燃氣開發有限公司 Shouguang WS[2]	16	–	N/A	75
3	東營華燊燃氣有限公司 Dongying WS#	13	–	N/A	100
4	冀州華燊燃氣有限公司 Jizhou WS#	11	–	N/A	98
5	博興華燊燃氣有限公司 Boxing WS#	7	–	N/A	100
6	衡水華燊燃氣發展有限公司 Hengshui WS[2]	5	–	N/A	90
7	濟南市華燊燃氣有限公司 Jinan WS#	1	–	N/A	100
8	江山華燊燃氣有限公司 Jiangshan WS#	4	21	18 June 2004	100
9	徐州華燊燃氣有限公司 Xuzhou WS#	4	20	25 October 2004	100
10	寧國華燊燃氣有限公司 Ningguo WS#	3	17	16 December 2004	99
11	懷寧華燊燃氣有限公司 Huaining WS#	3	17	18 December 2004	100
12	南昌華燊燃氣有限公司 JiangxiNanchang WS#	3	17	18 August 2004	100
13	益陽華燊燃氣有限公司 Yiyang WS#	3	16	29 September 2003	100
14	宿遷華燊燃氣有限公司 Suqian WS#	3	16	13 October 2003	100
15	黃山華燊燃氣有限公司 Huangshan WS[2]	–	16	23 September 2005	100
16	貴溪華燊燃氣有限公司 Guixi WS[1]	3	15	12 August 2005	100
17	高安華燊燃氣有限公司 Gaoan WS#	2	14	6 August 2004	100
18	靖江華燊燃氣有限公司 Jingjiang WS#	2	13	15 April 2004	99

9. INTERESTS IN SUBSIDIARIES *(Continued)*

(c) Subsidiaries to be sold to TEDA after the proposed Reorganisation (Note 1(b)): *(Continued)*

		Particulars of issued and fully paid capital *(Note (i))* *HK$ Million*	Commitment in respect of further capital contributions *HK$ Million*	Deadline for fully paid-up registered capital	Effective indirect interest held in 2006 and 2007 *(Note (v))* *(%)*
19	邳州華燊燃氣有限公司 Pizhou WS#	2	13	25 April 2004	100
20	新沂華燊燃氣有限公司 Xinyi WS#	2	13	18 June 2004	100
21	耒陽華燊燃氣有限公司 Leiyang WS[1]	2	13	3 July 2004	100
22	攸縣華燊燃氣有限公司 Youxian WS#	2	13	5 March 2005	100
23	豐縣華燊燃氣有限公司 Fengxian WS#	2	12	18 June 2004	100
24	寧鄉華燊燃氣有限公司 Ningxiang WS#	2	12	20 June 2004	100
25	瀏陽華燊燃氣有限公司 Liuyang WS#	2	12	13 November 2003	100
26	泰州華燊燃氣有限公司 Taizhou WS#	4	11	1 November 2003	99
27	寧陽華燊燃氣有限公司 Ningyang WS#	2	11	25 March 2004	100
28	清苑益民華燊燃氣有限公司 QingyuanYimin WS#	2	10	18 June 2004	99
29	沛縣華燊燃氣有限公司 Peixian WS[1]	–	10	11 December 2005	100
30	易縣富江華燊燃氣有限公司 YixianFujiang WS#	2	9	28 August 2004	99
31	安新利華華燊燃氣有限公司 AnxinLihua WS#	2	9	15 November 2004	99
32	郴州華燊燃氣有限公司 Chenzhou WS#	11	8	14 June 2004	100
33	微山華燊燃氣有限公司 Weishan WS#	3	6	3 September 2003	100
			344		

9. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) Paid up capital of each subsidiary has been translated from original currency of contribution to HK dollar equivalent.

(ii) "WS" through out this Note is the short form used for "Wah Sang Gas Co., Ltd.". English translation of name of subsidiaries is for identification purpose only and does not represent the entities' official name which is only in Chinese.

(iii) The principal rights and restrictions of non-voting deferred shares held by Wah Sang Gas Investment Group Limited are set out below:

- No part of the profits shall be distributed among the holders of the non-voting deferred shares.
- On return of assets on winding up or otherwise, one half of balance of the Company's assets, after the first HK$100,000,000 million, shall belong to the holders of non voting deferred shares.
- Non-voting deferred shareholders are not entitled to receive notice of or to attend or vote at any general meeting of the Company.

(iv) The Company's commitment to inject capital into the subsidiaries retained after the proposed Reorganisation amounts to approximately HK$189 million. Although the deadlines for injecting the commitments have expired, all of these subsidiaries are still operating as at date of these consolidated financial statements.

(v) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection.

(vi) All of the subsidiaries are incorporated and operating in the PRC and are principally in the business of connection services and sale of gases. Their legal forms are indicated as follows:

[1] wholly foreign owned enterprises
[2] sino-foreign equity joint ventures
sino-foreign co-operative joint ventures

(vii) All the subsidiaries in the PRC adopt 31 December as their financial year end pursuant to the domestic regulation.

10. INVENTORIES

	Group 2007 HK$'000	Group 2006 HK$'000
Materials for gas pipelines	**28,820**	18,629
Gases	**2,957**	3,580
	31,777	22,209

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2007 HK$'000	Group 2006 HK$'000
Trade receivables		**79,738**	88,916
Less: Provision for impairment of trade receivables		**(49,472)**	(34,704)
	(a)	**30,266**	54,212
Advance to suppliers		**91,280**	92,344
Other receivables		**32,204**	17,536
Less: Provision for impairment of other receivables		**(83,362)**	(83,362)
		40,122	26,518
Deposit paid to a related party	*(b)*	**7,000**	7,000
		77,388	87,730

11. TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the Group's and Company's trade and other receivables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Renminbi	**69,073**	79,443
Hong Kong Dollars	**8,315**	8,287
	77,388	87,730

(a) Other than sale of gas on cash basis, the majority of the Group's credit sales are generally on a credit term of three months to a year. Ageing analysis of the trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0-90 days	**26,761**	28,765
91-180 days	**11,439**	16,236
181-360 days	**8,374**	16,407
Over 360 days	**33,164**	27,508
	79,738	88,916
Less: Provision for impairment of trade receivables	**(49,472)**	(34,704)
	30,266	54,212

(b) The balance of HK$7 million is a deposit intended for the acquisition of a subsidiary of Tsinlien Group Company Limited ("Tsinlien") (Note 12(c)) which is recoverable should the acquisition be aborted.

(c) The carrying amounts of trade and other receivables approximate their fair values due to their short-term maturity.

12. TRADE AND OTHER PAYABLES

		Group	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**101,358**	87,473
Amounts due to related parties			
— TEDA	*(b)*	**75,765**	37,072
— Others	*(c)*	**37,103**	35,304
Accrued expenses			
— Interest for borrowings		**111,155**	50,131
— Others		**25,901**	23,624
Advance from customers		**58,615**	37,241
Other payables		**34,594**	35,273
		444,491	306,118

(a) Ageing analysis of the trade payables is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0-90 days	**34,132**	34,829
91-180 days	**12,523**	14,512
181-360 days	**15,799**	8,573
Over 360 days	**38,904**	29,559
	101,358	87,473

12. TRADE AND OTHER PAYABLES *(Continued)*

(a) *(Continued)*

The carrying amounts of the Group's and Company's trade and other payables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Renminbi	**417,230**	288,423
Hong Kong Dollars	**27,261**	17,695
	444,491	306,118

(b) Of the unsecured amount due to TEDA, about HK$58 million bears annual interest of 7%, whilst the remaining HK$18 million is interest free.

(c) Amounts due to other related parties

	Group	
	2007	2006
	HK$'000	*HK$'000*
Tsinlien *(Note)*	**32,175**	30,063
Minority shareholder of a subsidiary	**4,928**	5,074
Others	**–**	167
	37,103	35,304

Note: The balance payable to Tsinlien is unsecured with no fixed repayment terms. Of the balance due, RMB24 million bears an average annual interest of 6% (2006 6%) whilst the remaining balance of RMB8 million is interest free.

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

(d) The carrying amounts of trade and other payables approximate their fair values due to their short-term maturity.

13. BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings, unsecured:				
— PRC banks	**348,521**	333,947	**–**	–
— Hong Kong syndicated banks	**210,000**	210,000	**210,000**	210,000
— Other Hong Kong banks	**24,880**	24,880	**24,880**	24,880
Payable within one year	**583,401**	568,827	**234,880**	234,880
Borrowing from TEDA Finance Bureau ("TFB")	**70,714**	48,398	**–**	–
	654,115	617,225	**234,880**	234,880

Note:

All of the Group's borrowings as at 31 March 2007 are payable on demand but the eventual settlement of all borrowings is part of the proposed Reorganisation (Note 1(b)).

The carrying amounts of all borrowings approximate their fair values as at 31 March 2007.

The effective annual interest rates at the balance sheet date were as follows:

	Group				Company			
	2007		2006		**2007**		2006	
	HK$	***RMB***	*HK$*	*RMB*	***HK$***	***RMB***	*HK$*	*RMB*
PRC banks *(Note)*	**–**	**8.6%-9.6%**	–	5.3%-7.6%	**–**	**–**	–	–
Hong Kong syndicated banks	**6.7%**	**–**	6.7%	–	**6.7%**	**–**	6.7%	–
Other Hong Kong banks	**7.0%**	**–**	7.0%	–	**7.0%**	**–**	7.0%	–
Borrowing from TFB	**–**	**5.4%**	–	5.4%	**–**	**–**	–	–

Note:

The effective interest rates include penalty for overdue borrowings.

13. BORROWINGS *(Continued)*

The carrying amounts of the borrowings are denominated in the following currencies.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollars	**234,880**	234,880	**234,880**	234,880
Renminbi	**419,235**	382,345	**–**	–
	654,115	617,225	**234,880**	234,880

The Group did not have any undrawn borrowing facility as at 31 March 2007 (2006: Nil).

14. SHARE CAPITAL

	Number of shares *(million)*	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2006 and 31 March 2007	5,000	50,000
Issued and fully paid:		
At 1 April 2006 and 31 March 2007	2,177	21,770

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 26 February 2000 and, unless otherwise cancelled or amended, will remain in force until 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.

14. SHARE CAPITAL *(Continued)*

Movements in the number of share options outstanding are as follows:

	Number of options ('000) 2007	2006
At the beginning of the year	28,500	66,500
Lapsed	(11,500)	(38,000)
At the end of the year	17,000	28,500

The expiry dates and exercise price of these options are tabled below:

Expiry date	Exercise price	Number of options('000) 2007	2006
For Directors:			
11 October 2006	0.568	–	10,000
10 April 2007	0.596	**12,000**	12,000
		12,000	22,000
For other employees:			
11 October 2006	0.568	–	1,500
10 April 2007	0.596	**2,500**	2,500
14 August 2008	1.02	**2,500**	2,500
		5,000	6,500
		17,000	28,500

No share options were granted, exercised or cancelled during the year.

15. RESERVES

(a) Group

	Share premium HK$'000	Contributed surplus *(i)* HK$'000	Exchange fluctuation reserve *(ii)* HK$'000	Statutory reserves *(iii)* HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2005	191,079	28,800	193	2,561	(705,716)	(483,083)
Loss for the year	–	–	–	–	(115,500)	(115,500)
Exchange differences	–	–	(6,382)	–	–	(6,382)
Balance at 31 March 2006	191,079	28,800	(6,189)	2,561	(821,216)	(604,965)
Loss for the year	–	–	–	–	(98,138)	(98,138)
Exchange differences	–	–	(15,612)	–	–	(15,612)
Balance at 31 March 2007	191,079	28,800	(21,801)	2,561	(919,354)	(718,715)

(b) Company

	Share premium HK$'000	Contributed surplus *(iv)* HK$'000	Exchange reserve *(ii)* HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 March 2005	191,079	47,547	–	(500,894)	(262,268)
Loss for the year	–	–	–	(3,726)	(3,726)
Exchange differences	–	–	(6,459)	–	(6,459)
Balance at 31 March 2006	191,079	47,547	(6,459)	(504,620)	(272,453)
Loss for the year	–	–	–	(174)	(174)
Exchange differences	–	–	(10,146)	–	(10,146)
Balance at 31 March 2007	191,079	47,547	(16,605)	(504,794)	(282,773)

15. RESERVES *(Continued)*

Notes:

(i) Contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 26 February 2000 in preparation for the listing of the Company's shares on SEHK and the nominal value of the Company's shares issued in exchange therefor.

(ii) The exchange fluctuation reserve arose upon translation of the consolidated financial statements from the functional to the presentation currency.

(iii) 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 each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective board of Directors. The statutory reserves are not distributable unless the aforesaid subsidiaries in the PRC are dissolved.

(iv) Contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 26 February 2000, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of its contributed surplus under certain circumstances.

16. OTHER LOSS, NET

	2007 ***HK$'000***	2006 *HK$'000*
Interest income	**(538)**	(457)
Loss on disposal of property, plant and equipment	**7,998**	6,134
Impairment charge of property, plant and equipment *(Note 6)*	**6,587**	47,626
Impairment charge of land use rights	**265**	—
	14,312	53,303

17. OPERATING LOSS

Operating loss is stated after charging the following:

	2007 **HK$'000**	2006 *HK$'000*
Cost of inventories sold	**299,063**	280,317
Cost of connection services	**42,270**	41,215
Employee benefit expense *(Note 18(a))*	**22,913**	27,113
Depreciation *(Note 6)*		
—Cost of sales	**8,794**	8,572
—Administrative expenses	**3,494**	3,387
Provision for impairment of trade and other receivables	**14,768**	14,820
Inventory obsolescence and write-off	**3,904**	6,487
Amortisation	**1,160**	988
Auditor's remuneration	**4,600**	4,300
Other professional fees	**2,350**	5,300

18. EMPLOYEE BENEFIT EXPENSE

(a) The analysis of employee benefit expense is as follows:

	2007 **HK$'000**	2006 HK$'000
Wages and salaries	**22,606**	21,666
Pension costs	**5,066**	5,167
Other post-employment benefits	**94**	280
	27,766	27,113

18. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments

The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2007 **HK$'000**	2006 *HK$'000*
Fees	**–**	207
Other emoluments:		
Salaries	**2,931**	2,723
	2,931	2,930

During the year, no options were granted to the Directors under the share option scheme.

During the year, none of the Directors waived any emoluments. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

Details of emoluments of individual Directors and supervisors are set out as below:

	2007 **HK$'000**	2006 *HK$'000*
Executive Directors:		
Wang Gang	**–**	–
Cheung Man Hoi *(ii)*	**1,465**	1,300
Shum Ka Sang *(iii)*	**1,300**	1,300
Shi Dun Hong *(iii)*	**166**	123
Zhang Hongru *(iii)*	**–**	–
Wang Guanghao *(iii)*	**–**	–
Non-executive Directors:		
Ng Eng Leong *(i)*	**–**	40
Cui Shu Ming *(i)*	**–**	167
	2,931	2,930

18. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments *(Continued)*

Except for Wang Gang, all of the Directors have resigned as follows:

(i) during the year ended 31 March 2006
(ii) during the year ended 31 March 2007
(iii) subsequent to year ended 31 March 2007

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 Directors (2006: 4 Directors) whose emoluments are reflected in the analysis presented above.

	2007 ***HK$'000***	2006 *HK$'000*
Salaries and other emoluments	**3,578**	3,278

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Over HK$1,000,001	**2**	1

19. FINANCE COSTS, NET

	2007 ***HK$'000***	2006 *HK$'000*
Interest on bank loans wholly repayable within five years	**53,988**	36,160
Interest on amounts due to related parties	**5,314**	1,532
Functional currency gain	**(10,146)**	(6,459)
	49,156	31,233

20. TAXATION

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2006: Nil).

The subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at rates ranging from 15% to 33% (Note 29). As all the subsidiaries are either wholly foreign owned enterprise or sino-foreign equity joint venture or sino-foreign co-operative joint venture, they enjoy a tax holiday of two years commencing from the first tax profit making year followed by a 50% reduction in EIT for the next three years.

The amount of taxation charged to the consolidated income statement represents:

	2007 ***HK$'000***	2006 *HK$'000*
Current taxation:		
— PRC enterprise income tax	**4,687**	8,524

The taxation on the loss before taxation of the Group differs from the theoretical amount that would arise using the statutory enterprise income tax rate of 33% in the PRC as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Loss before taxation	**(93,153)**	(106,907)
Tax calculated at 33% (2006: 33%)	**(30,741)**	(35,279)
Effect of tax exemption/deduction	**(5,136)**	(5,976)
Expenses not deductible for taxation purposes	**4,855**	32,764
Tax losses for which no deferred income tax asset was recognised *(Note 24)*	**36,311**	17,015
Utilisation of previously unrecognised tax losses	**(602)**	—
Taxation charge	**4,687**	8,524

21. LOSS ATTRIBUTABLE TO EQUITY HOLDERS

The loss attributable to equity holders is dealt with in the financial statements of the Company to the extent of approximately HK$174,000 (2006: HK$3,726,000).

22. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss attributable to equity holders of the Company of HK$98 million (2006: HK$116million).

The basic loss per share is based on the weighted average number of 2,177 million (2006: 2,177 million) ordinary shares in issue during the year.

The diluted loss per share is equal to its basic loss per share since the outstanding share options are anti-dilutive.

23. CASH GENERATED FROM OPERATIONS

Reconciliation of loss before taxation to net cash generated from/(used in) operations:

	2007 **HK$'000**	2006 *HK$'000*
Loss before taxation	**(93,153)**	(106,907)
Adjustments for:		
— Interest income	**(538)**	(457)
— Depreciation	**12,288**	11,959
— Amortisation	**1,160**	988
— Impairment charge on property, plant and equipment	**6,587**	47,626
— Impairment charge on land use right	**265**	—
— Impairment charge on trade and other receivables	**14,768**	14,820
— Finance costs	**49,156**	31,233
— Loss on disposal of property, plant and equipment *(Note(i))*	**7,998**	6,134
— Loss on disposal of a subsidiary	**—**	142
Changes in working capital:		
— Inventories	**(9,568)**	(4,898)
— Trade and other receivables	**(4,426)**	(34,635)
— Trade and other payables	**29,915**	25,071
Net cash generated from/(used in) operations	**14,452**	(8,924)

23. CASH GENERATED FROM OPERATIONS *(Continued)*

Note:

(i) Proceeds from disposal of property, plant and equipment comprise:

	2007	2006
	HK$'000	*HK$'000*
Net book value	**11,843**	10,499
Proceeds from disposal	**(3,845)**	(4,365)
Loss on disposal	**7,998**	6,134

24. DEFERRED TAXATION

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets in respect of losses amounting to approximately HK$120 million (2006: HK$70 million) which can be carried forward against future taxable income. These tax losses have an expiry of five years.

25. BANK BALANCES AND CASH

Bank balances and cash of the Group include Renminbi deposits and cash in PRC of approximately HK$27 million (2006: HK$15 million). The conversion of these Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulation of foreign exchange controls promulgated by the PRC government.

The Group's bank balances and cash are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong Dollar	**579**	43
Renminbi	**27,415**	15,096
	27,994	15,139

26. CONTINGENT LIABILITIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Guarantees for bank loans used by the Group's subsidiaries	**348,520**	333,947

27. COMMITMENTS

(a) The Group's capital commitments are as tabled below (Company: None in 2007 and 2006)

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for in respect of:		
Property, plant and equipment	**18,000**	33,700
Capital contributions to subsidiaries established in the PRC *(Note 9 (b))*	**189,000**	189,000
	207,000	222,700

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2007	2006
	HK$'000	*HK$'000*
Not later than one year	**2,887**	2,731
Later than one year and not later than five years	**2,317**	4,053
Later than five years	**4,054**	4,864
	9,258	11,648

28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Other than as disclosed in Notes 11, 12 and 19 to these consolidated financial statements, there is no other significant related party transaction during the year ended 31 March 2007.

Key management compensation is described in Note 18.

29. SUBSEQUENT EVENT

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law amends the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these consolidated financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 March 2007. Management will continue to evaluate the impact as more detailed regulations are announced.

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 1 February 2008.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Wang Gang
Dai Yan
Lam Man Lim
Guan Xue Bin

AUTHORISED REPRESENTATIVE

Wang Gang

QUALIFIED ACCOUNTANT

Lam Man Lim

COMPANY SECRETARY

Lam Man Lim

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3205-07 Shell Tower
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

WEBSITE

www.wahsanggas.com

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK EXCHANGE LISTING

The Growth Enterprise Market of the
Stock Exchange of Hong Kong Limited

STOCK CODE

8035

AUDITORS

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

Woo Kwan Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPLE BANKERS

CITIC Ka Wah Bank Limited
9th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

China Construction Bank
No. 19 One Plus Nanjing road
Hexi District
Tianjin PRC

China Merchants Bank
Hong Kong Branch
21st Floor, Bank of America Tower
Central
Hong Kong