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 2008

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 Co., Ltd	incorporated: Hunan Province[Δ]
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[Δ]	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[Δ]	Hebei Province
99%	Yixian Fujiang Wah Sang Gas Co., Ltd[Δ]	Hebei Province
99%	Anxin Lihua Wah Sang Gas Co., Ltd[Δ]	Hebei Province
99%	Qingyuan Yimin Wah Sang Gas Co., Ltd[Δ]	Hebei Province
100%	Zibo Wah Sang Gas Co., Ltd	Shandong Province
100%	Jinan Wah Sang Gas Co., Ltd[Δ]	Shandong Province
100%	Binzhou Wah Sang Gas Co., Ltd	Shandong Province
100%	Xintai Wah Sang Gas Co., Ltd[Δ]	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[Δ]	Shandong Province
75%	Shouguang Wah Sang Gas Development Co., Ltd[Δ]	Shandong Province
100%	Boxing Wah Sang Gas Co., Ltd[Δ]	Shandong Province
100%	Ningyang Wah Sang Gas Co., Ltd[Δ]	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

[Δ] Subsidiaries to be disposed of under the Disposal Agreement signed on 28 May 2008.

		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$^{\Delta}$
100%	Liuyang Wah Sang Gas Co., Ltd	Hunan Province$^{\Delta}$
100%	Ningxiang Wah Sang Gas Co., Ltd	Hunan Province$^{\Delta}$
100%	Chenzhou Wah Sang Gas Co., Ltd	Hunan Province$^{\Delta}$
100%	Leiyang Wah Sang Gas Co., Ltd	Hunan Province$^{\Delta}$
100%	Youxian Wah Sang Gas Co., Ltd	Hunan Province$^{\Delta}$
100%	Fengxian Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
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$^{\Delta}$
100%	Suqian Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
100%	Suining Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Xinyi Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
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$^{\Delta}$
99%	Taizhou Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
98%	Zhangjiagang Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
100%	Peixian Wah Sang Gas Co., Ltd	Jiangsu Province$^{\Delta}$
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$^{\Delta}$
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$^{\Delta}$
100%	Huaining Wah Sang Gas Co., Ltd	Anhui Province$^{\Delta}$
100%	Huangshan Wah Sang Gas Co., Ltd	Anhui Province$^{\Delta}$
100%	Nanchang Wah Sang Gas Co., Ltd	Jiangxi Province$^{\Delta}$
100%	Gaoan Wah Sang Gas Co., Ltd	Jiangxi Province$^{\Delta}$
100%	Yingtan Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Guixi Wah Sang Gas Co., Ltd	Jiangxi Province$^{\Delta}$

$^{\Delta}$ Subsidiaries to be disposed of under the Disposal Agreement signed on 28 May 2008.

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 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 its 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 restructuring of the Group (as further described below). The annual report for the year ended 31 March 2007 was issued on 9 May 2008.

PROPOSED RESTRUCTURING

The Company announced its restructuring proposal in its announcement dated 29 May 2008 ("the Announcement") which involves, inter alia, the Debt Restructuring, the Subscription, the Open Offer, the General Offer, the Disposal and the Continuing Connected Transactions (the "Restructuring").

Upon the completion of the Restructuring, the Group will have an injection of net funds of approximately HK$873 million from the Subscription and the Disposal (after expenses relating to the Restructuring Proposal), not including the proceeds from the Open Offer and the issue of new shares to restore public float.

The Restructuring is subject to approval by the Company's independent shareholders that will be sought at an upcoming special general meeting. Details of the transactions contemplated under the Restructuring, including those included in the Announcement, will be published in the circular to shareholders of the Company, together with all necessary information to be required by the independent shareholders for their assessment and consideration. Through the Restructuring, the Group aims to streamline its operations and improve its financial position. Upon completion of the Restructuring, 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.

The circular in respect of the Restructuring will be despatched 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 necessarily indicate that the Restructuring will be successfully implemented and completed as the conditions precedent to the Restructuring 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 were certain changes to the members of the board of directors. The present board of directors would like to thank those directors who 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, 27 June 2008

As discussed in the annual report 2007, 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.

Despite the very difficult circumstances in which the Company operated in the past 5 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. The Company also issued its Annual Report for the year ended 31 March 2007 on 9 May 2008.

3. ANNOUNCEMENT OF UNAUDITED QUARTERLY AND INTERIM RESULTS FOR THE THREE QUARTERS ENDED 31 DECEMBER 2007

The Company has also worked diligently to enable announcement of the Group's unaudited results for the three quarters ended 30 June 2007, 30 September 2007 and 31 December 2007 respectively on 5 March 2008.

4. IDENTIFICATION OF A POTENTIAL STRATEGIC INVESTOR

A potential investor, Tianjin TEDA Investment Holding Co., Ltd. ("TEDA") has been providing interim resources to the Group amounting to approximately RMB120 million up to 31 March 2008 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.

5. 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, HK$426 million and HK$587 million for each of the five years ended 31 March 2008 respectively, showing continuing operations of the Group.

6. PROPOSED RESTRUCTURING

Announcement has been made on 29 May 2008 by the Company that the Restructuring involves Debt Restructuring, the Subscription, the Open Offer, the General Offer, the Disposal and the Continuing Connected Transactions, of which:

(a) Reached 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 Company has also entered into the Settlement Agreement with the Syndicated Banks (as part of its debt restructuring) under which the Company will issue 40,000,000 Convertible Preference Shares to the Syndicated Banks. These Convertible Preference Shares are to be purchased by Tsinlien BVI/TEDA HK at the end of the 5 year period. Tsinlien BVI is a wholly-owned subsidiary of Tsinlien Group Company Limited which is the controlling shareholder of Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of The Hong Kong Stock Exchange.

(b) Disposal of certain subsidiaries

In order to streamline the Group's operations and focus the application of the funds raised to more profitable and prospectus cities, the Group had entered into the Disposal Agreement on 28 May 2008 with Tsinlien BVI under which Tsinlien BVI agreed to acquire the entire issued share capital in a subsidiary of the Company which will indirectly hold equity interest in its 33 subsidiaries in the PRC for a consideration of approximately HK$91 million.

(c) Issue of new ordinary shares, redeemable preference shares and convertible preference shares

As an integral part of the Restructuring Propsoal, the Company and Tsinlien BVI, entered into the Subscription Agreement on 28 May 2008, pursuant to which Tsinlien BVI agreed to subscribe for and the Company has agreed to issue and allot the new ordinary shares, the new convertible preference shares and new redeemable preference shares.

The directors look 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 approval from the shareholders of the Company at a special general meeting to be convened.

OPERATIONAL REVIEW

The principal activities of the Group include the provision of connection services and sale of gases through its pipeline network and distribution channels. 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 five financial years ended 31 March 2008 is set out below in order to provide the shareholders a better understanding on the operations and results of the Group.

Note: The financial summaries for the two years ended 31 March 2005 are prepared in accordance with accounting principles generally accepted in Hong Kong whilst those for the three years ended 31 March 2008 are prepared under Hong Kong Financial Reporting Standards ("HKFRS"). The adoption of HKFRS has no significant impact to the Group's financials other than presentational changes.

Results

For the year ended 31 March

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**587,479**	425,950	423,273	508,852	539,285
Cost of sales	**(529,730)**	(369,677)	(350,964)	(413,241)	(533,696)
Gross profit	**57,749**	56,273	72,309	95,611	5,589
Other revenue		–	–	–	1,302
Selling and marketing expenses	**–**	(1,660)	(1,974)	(3,191)	(7,057)
Administrative expenses	**(63,334)**	(84,298)	(92,706)	(67,802)	(94,692)
Other gains/(losses) — net	**1,164**	(14,312)	(53,303)	(57,242)	(189,321)
Operating loss	**(4,421)**	(43,997)	(75,674)	(32,624)	(284,179)
Finance costs, net	**(37,866)**	(49,156)	(31,233)	(30,936)	(22,180)
Loss before income tax	**(42,287)**	(93,153)	(106,907)	(63,560)	(306,359)
Income tax expense	**(13,132)**	(4,687)	(8,524)	(9,913)	(6,321)
Loss for the year	**(55,419)**	(97,840)	(115,431)	(73,473)	(312,680)
Minority interests	**5,491**	(298)	(69)	(2,020)	2,121
Net loss attributable to equity holders	**(49,928)**	(98,138)	(115,500)	(75,493)	(310,559)

Assets, liabilities and minority interests

As at 31 March

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**478,679**	418,191	358,232	349,968	331,426
Total liabilities	**(1,307,357)**	(1,103,540)	(930,609)	(800,811)	(706,266)
Minority interests	**(7,145)**	(11,596)	(10,818)	(10,470)	(10,607)
Equity holders' deficit	**(835,823)**	(696,945)	(583,195)	(461,313)	(385,447)

Sales Revenue

Sales revenue of approximately HK$587 million reflects a year on year increase of HK$162 million. Piped-gas sales accounted for approximately HK$198 million, an increase of approximately HK$68 million from HK$130 million recorded for the previous year, or an increase of 52%. Connection service fees accounted for approximately HK$146 million, or 24.8% of total revenue (2007: 24.8%), an increase of approximately HK$40 million.

Operating Loss

The Group reported operating losses of approximately HK$4 million. For the year ended 31 March 2008, loss attributable to equity holders of the Company was approximately HK$50 million for the year (2007: HK$98 million), after taking into consideration of finance costs of approximately HK$38 million (2007 HK$49 million).

Bank Financing and Liquidity

As at 31 March 2008, total bank borrowings amounted to approximately HK$617 million. of which amounts due to PRC banks was approximately HK$382 million and amount due the Hong Kong banks was approximately HK$235 million. As at 31 March 2008, the total current assets of the Group amounted to approximately HK$166 million, while the total current liabilities amounted to approximately HK$1,307 million, resulting in a negative liquidity of approximately HK$1,141 million. The year on year increase was principally due to additional interests accruals.

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 2008, no share option has been granted under the Scheme. As at 31 March 2008, all the outstanding share options have lapsed or have been cancelled. As at the date of this report, no new share option has been granted or outstanding under the Scheme.

INTRODUCTION

The Company has applied the principles and complied with the code provisions and some 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 "Listing Rules") throughout the year ended 31 March 2008, 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 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 2008.

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 2008, twelve (12) board meetings were held and the following is an attendance record of the meetings by each director and their respective entitlements:

Attendants	Number of meetings attended/ entitled	Attendance percentage
Wang Gang (appointed on 3 May 2004)	12 Out of 12	100%
Dai Yan (appointed on 25 June 2007)	6 Out of 8	75%
Lam Man Lim (appointed on 25 June 2007)	8 Out of 8	100%
Guan Xue Bin (appointed on 24 July 2007)	5 Out of 5	100%
Zhang Hongru (resigned on 9 June 2007)	0 Out of 2	0%
Wang Guanghao (resigned on 9 June 2007)	1 Out of 2	50%
Shum Ka Sang (resigned on 22 October 2007)	6 Out of 7	86%
Shi Dun Hong (resigned on 22 October 2007)	7 Out of 7	100%

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 bye-laws into consideration in selecting and recommending candidates of directorship during the year.

In accordance with the Company's bye-laws, 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

Duirng the year under review, the Company has an independent committee ("Committee") which comprised Messrs. Ip Shing Hing, Japhet Sebastian Law, Tse Tak Yin, and Lau Siu Ki, Kevin. 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$5.2 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 2008, 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 to 32 of the annual report of the Company.

The audited financial statements for the year ended 31 March 2008 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 27 June 2008.

AUDIT COMMITTEE

The Company did not have an audit committee throughout the year ended 31 March 2008 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 2008, PricewaterhouseCoopers-Beijing noted that the Company had continued to enhance its 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 improvements over its internal control system, 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 2008.

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 2008, 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 Provision 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 2008, 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 2008 (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 the Stock Exchange, 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 on Corporate Governance Practices in assisting directors of the Board in discharging their respective fiduciary duties.

EXECUTIVE DIRECTORS

Existing Directors:

Mr. Dai Yan, aged 55, 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 45, 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), a wholly owned subsidiary of TEDA; the vice general manager of 泰達津聯熱電公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd.) a subsidiary 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 52, is the qualified accountant and company secretary of the Company. Mr. Lam graduated with a Master 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 bye-laws 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 forthcoming shareholders' 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 2008.

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 2008 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, 2007 and 2008 financial figures had reflected the result of a reconstruction of the accounting records of the Group. Details of the 2008 figures (with 2007 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 five 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 loss of approximately HK$55 million for the year ended 31 March 2008 and as at that date, its net current liabilities and equityholders' deficit amounted to approximately HK$1,141 million and HK$836 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 Restructuring to improve the financial position and business of the Group.

(b) Subsequent to 31 March 2008, TEDA has also been providing and will continue to provide financial assistance to the Group for its working capital purposes.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 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 13 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 14 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 2008.

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 (2007: nil).

DIRECTORS

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

Executive directors:

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)
Shum Ka Sang	(resigned on 22 October 2007)
Wang Guanghao	(resigned on 9 June 2007)
Shi Dun Hong	(resigned on 22 October 2007)
Zhang Hongru	(resigned on 9 June 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 shareholders' 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 2008, 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 2008, 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 2008.

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 2008, no share options remain outstanding.

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 2008, 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 13 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 2008, 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	39.73%
Santa Resources Limited *(Note 2)*	Long	–	–	496,188,000	496,188,000	22.79%
Wah Sang Gas Development *(Note 1)*	Long	–	–	819,350,000	819,350,000	39,73%
Mdm. Wu Man Lee *(Note 3)*	Long	–	865,000,000	–	865,000,000	39.73%

Notes:

1. As at 31 March 2008, 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 2008, 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 2008, sales to the Group's five largest customers accounted for 9% (2007: 14%) of the total sales for the year and sales to the largest customer included therein accounted for 2% (2007: 6%).

Purchases from the Group's five largest suppliers accounted for 49% (2007: 62%) of the total purchases of fuel gas for the year and purchases from the largest supplier of fuel gas included therein accounted for 21% (2007: 36%).

Subcontracting fees paid to the Group's five largest pipeline subcontractors accounted for 18% (2007: 23%) of the total subcontracting fees incurred for the year and subcontracting fees paid to the largest pipeline subcontractors included therein accounted for 5% (2007: 9%).

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 ended 31 March 2008, 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 2008.

AUDIT COMMITTEE

During the year ended 31 March 2008, 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 2008 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 27 June 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 2008 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

Guan Xue Bin
Director

Hong Kong, 27 June 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 95, which comprise the consolidated and company balance sheets as at 31 March 2008, 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 judgement, 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 2008 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 2.1(a) to the consolidated financial statements in relation to the Group's net loss of approximately HK$55 million for the year ended 31 March 2008 and its net current liabilities and equity holders' deficit as at that date of approximately HK$1,141 million and HK$836 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 Restructuring as set out in Note 1(b) to the consolidated financial statements. The Restructuring involves debt restructuring and the injection of significant new capital into the Group by a potential shareholder, Tianjin TEDA Investment Holding Co., Ltd. ("TEDA").

The Company has disclosed details of the Restructuring in an announcement on 29 May 2008. The Directors are in progress of executing the necessary actions to obtain the shareholders' approval in the upcoming special general meeting.

Meanwhile, 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, 27 June 2008

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**53,717**	49,726
Property, plant and equipment	7	**258,617**	231,306
		312,334	281,032
Current assets			
Inventories	10	**34,227**	31,777
Trade and other receivables	11	**81,973**	77,388
Cash and cash equivalents	12	**50,145**	27,994
		166,345	137,159
Total assets		**478,679**	418,191
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	**21,770**	21,770
Share premium		**191,079**	191,079
Other reserves	14(a)	**(79,390)**	9,560
Accumulated losses		**(969,282)**	(919,354)
Equity holders' deficit		**(835,823)**	(696,945)
Minority interest		**7,145**	11,596
Total equity		**(828,678)**	(685,349)
LIABILITIES			
Current liabilities			
Trade and other payables	15	**607,403**	444,491
Current income taxation liabilities		**4,934**	4,934
Borrowings	16	**695,020**	654,115
Total liabilities		**1,307,357**	1,103,540
Total equity and liabilities		**478,679**	418,191
Net current liabilities		**(1,141,012)**	(966,381)
Total assets less current liabilities		**(828,678)**	(685,349)

Guan Xue Bin
Director

Lam Man Lim
Director

BALANCE SHEET
As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	9	**–**	–
Current assets			
Trade and other receivables		**199**	167
Cash and cash equivalents		**3**	4
		202	171
Total assets		**202**	171
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	**21,770**	21,770
Share premium		**191,079**	191,079
Other reserves	14(b)	**2,912**	30,942
Accumulated losses		**(494,418)**	(504,794)
Total equity		**(278,657)**	(261,003)
LIABILITIES			
Current liabilities			
Trade and other payables		**43,979**	26,294
Borrowings		**234,880**	234,880
Total liabilities		**278,859**	261,174
Total equity and liabilities		**202**	171
Net current liabilities		**(278,657)**	(261,003)
Total assets less current liabilities		**(278,657)**	(261,003)

Guan Xue Bin
Director

Lam Man Lim
Director

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2008

	Note	**2008 HK$'000**	2007 HK$'000
Revenue	5(a)	**587,479**	425,950
Cost of sales		**(529,730)**	(369,677)
Gross profit		**57,749**	56,273
Other gains/(losses) — net	18	**1,164**	(14,312)
Selling and marketing expenses		**–**	(1,660)
Administrative expenses		**(63,334)**	(84,298)
Operating loss	19	**(4,421)**	(43,997)
Finance costs, net	21	**(37,866)**	(49,156)
Loss before income tax		**(42,287)**	(93,153)
Income tax expenses	22	**(13,132)**	(4,687)
Loss for the year		**(55,419)**	(97,840)
Loss attributable to:			
Equity holders of the Company		**(49,928)**	(98,138)
Minority interest		**(5,491)**	298
		(55,419)	(97,840)
Loss per share attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share) — basic and diluted	24	**2.3 cents**	4.5 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2008

	Attributable to equity holders of the Company						
	Share capital *HK$'000*	**Share premium** *HK$ '000*	**Other reserves** *HK$'000*	**Accu-mulated losses** *HK$'000*	**Total** *HK$'000*	**Minority interest** *HK$'000*	**Total** *HK$'000*
Balance at 1 April 2006	21,770	191,079	25,172	(821,216)	(583,195)	10,818	(572,377)
(Loss)/profit the year	–	–	–	(98,138)	(98,138)	298	(97,840)
Exchange differences	–	–	(15,612)	–	(15,612)	480	(15,132)
Balance at 31 March 2007	21,770	191,079	9,560	(919,354)	(696,945)	11,596	(685,349)
Loss for the year	–	–	–	(49,928)	(49,928)	(5,491)	(55,419)
Exchange differences	–	–	(88,950)	–	(88,950)	1,040	(87,910)
Balance at 31 March 2008	21,770	191,079	(79,390)	(969,282)	(835,823)	7,145	(828,678)

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash generated from operations	25	**21,261**	14,452
Income tax paid		**(8,198)**	(7,019)
Net cash from operating activities		**13,063**	7,433
Cash flows from investing activities			
Purchase of property, plant and equipment		**(32,275)**	(57,948)
Purchase of land use rights		**(355)**	(3,115)
Proceeds from sale of property, plant and equipment		**2,662**	3,845
Interest received		**393**	538
Net cash used in investing activities		**(29,575)**	(56,680)
Cash flows from financing activities			
Proceeds from borrowings		**–**	22,316
Advances from TEDA		**37,002**	38,693
Net cash from financing activities		**37,002**	61,009
Net increase in cash and cash equivalents		**20,490**	11,762
Cash and cash equivalents at beginning of the year		**27,994**	15,139
Exchange gains		**1,661**	1,093
Cash and cash equivalents at end of the year		**50,145**	27,994

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 ("WSGC"), 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 restructuring

The Group is planning to undergo a major restructuring ("Restructuring") 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 Company made an announcement on the Restructuring on 29 May 2008. The proposed Restructuring is subject to approval by the Company's independent shareholders that will be sought at an upcoming special general meeting. Through the Restructuring, 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 Restructuring.

1. GENERAL INFORMATION *(Continued)*

(b) Proposed restructuring *(Continued)*

Injection of new captial

As an integral part of the Restructuring, the Group and Tsinlien BVI, ultimately on behalf of TEDA, entered into the Subscription Agreement on 28 May 2008, pursuant to which the Group has agreed to issue and allot and Tsinlien BVI has agreed to subscribe with a total consideration of HK$800 million for the new Shares, the new Convertible Preference Shares and new Redeemable Preference Shares. An open offer will be made to all shareholders, other than shareholders excluded by laws of a relevant place or requirements of a relevant regulatory body or stock exchange in place, after the new Convertible Preference Shares and the new Redeemable Preference Shares have been allotted to Tsinlien BVI.

Debt restructuring

As part of the Restructuring, the Group also entered into the following significant debt restructuring arrangements. These arrangements are conditional to various items tied to the successful completion of the Group's Restructuring. The key terms of these arrangements affecting the Group's cash flow are summarised below:

(i) Loan due to Hong Kong syndicated banks based on Settlement Agreement dated 24 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 upon the date of resumption;

— 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, Tsinlien BVI 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.

1. GENERAL INFORMATION *(Continued)*

(b) Proposed restructuring *(Continued)*

Debt restructuring

(ii) *Amount due to TEDA and TEDA Finance Bureau*

It was agreed that the overdue amount due to TEDA and TEDA Finance Bureau of approximately RMB75 million and RMB70 million, respectively will be paid upon 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.

(iii) *Loan due to China Merchant Bank (Hong Kong)*

The Company will repay the principal of approximately HK$24.9 million over a 5 years' period plus interest on such amount at a reduced rate of 2.5% per annum up to date of resumption of trading of its shares (the "Resumption Date") and at 4% per annum thereafter.

(iv) *Loan due to Agricultural Bank of China*

The Agricultural Bank of China, Tianjin Branch agreed in principle to maintain the existing loan of RMB65 million due by the Group until 30 June 2010.

(v) *Loan due to Construction Bank*

The Group agreed to repay the entire outstanding bank loan as at 31 March 2008 of RMB280 million within three months from the Resumption Date plus interest accruing from the Resumption Date.

Disposal of certain subsidiaries

In order to streamline the Group's operations and focus the application of the funds raised to more profitable and prosperous cities, the Group entered into the Disposal Agreement on 28 May 2008 with Tsinlien BVI under which Tsinlien BVI agreed to acquire (ultimately on behalf of TEDA) the entire issued share capital in a subsidiary of the Company which will indirectly hold equity interests in 33 of the Group's subsidiaries in the PRC for consideration of approximately HK$91 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of Wah Sang Gas Holdings Limited 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 consolidated financial statements, are disclosed in Note 4.

(a) Going concern

The Group incurred a loss of approximately HK$55 million for the year ended 31 March 2008 and as at that date, its net current liabilities and equity holders' deficit amounted to approximately HK$1,141 million and HK$836 million, respectively.

The consolidated financial statements have been prepared on a going concern basis, assuming the successful outcome of the proposed Restructuring 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 Restructuring.

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

2.1 Basis of preparation *(Continued)*

(b) *Standards, amendment and interpretations effective for the financial year ended 31 March 2008 and relevant to the Group*

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1 (Amendment), "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments.

- HK(IFRIC) — Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(c) *Standards, amendments and interpretations effective for the year ended 31 March 2008 but not relevant to the Group*

- HK(IFRIC) — Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"

- HK(IFRIC) — Int 8, "Scope of HKFRS 2"

- HK(IFRIC) — Int 9, "Re-assessment of embedded derivatives"

- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions"

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

2.1 Basis of preparation *(Continued)*

(d) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

Unless otherwise stated, the expected impact of the initial application of these standards is still being assessed by management.

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

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

2.1 Basis of preparation *(Continued)*

(d) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*** *(Continued)*

- HK(IFRIC) — Int 12, "Service concession arrangements" (effective from 1 January 2008). HK(IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The expected impact is still being assessed in detail by management, but the adoption of HK(IFRIC) — Int 12 on 1 January 2008 may affect the classification and measurement of assets related to piped gas sales and connection services.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

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

2.1 Basis of preparation *(Continued)*

(d) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group* *(Continued)*

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

2.1 Basis of preparation *(Continued)*

(e) *Standards and interpretations to existing standards that are not yet effective and not relevant to the Group*

- HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009).
- HK(IFRIC) — Int 13, "Customer loyalty programmes" (effective from 1 July 2008).
- HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).
- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009).

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities (including special purpose 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.

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

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements, to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.6). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) 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.

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

2.2 Consolidation *(Continued)*

(c) 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.

2.3 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 georgraphical 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.

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.

2.4 Foreign currency translation

(a) 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").

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

2.4 Foreign currency translation *(Continued)*

(a) *Functional and presentation currency* *(Continued)*

The 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.

(b) *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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) 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 translation differences are recognised as a separate component of equity.

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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.

2.5 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

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

2.5 Property, plant and equipment *(Continued)*

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

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.

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

2.6 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 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)*

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.9 Cash and cash equivalents

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

2.10 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.

2.11 Trade payables

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

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

2.12 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.

2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax 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 income tax 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

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

2.13 Current and deferred income tax *(Continued)*

Deferred income tax 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.

2.14 Employee benefits

(a) 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.

(b) 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.

(c) 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.

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

2.14 Employee benefits *(Continued)*

(c) Pension obligations *(Continued)*

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 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.

2.15 Provisions

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.

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

2.16 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.

(a) 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.

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.

(b) 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.

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

2.16 Revenue recognition *(Continued)*

(c) 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.

2.17 Borrowing costs

All borrowing costs are expensed as incurred.

2.18 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), including upfront payment made for leasehold land and land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

2.19 Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The gearing ratio will be greatly improved upon the successful completion of the Restructuring.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves. The management of the Group review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital.

The Group's overall strategy remains unchanged from prior year.

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cashflow interest rate risks and fair value interest rate risks

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the borrowing costs. Fair value interest rate risk is considered insignificant as all fixed rate borrowings are current.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and bank borrowings (Note 16). The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuation relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

3. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES *(Continued)*

Cashflow interest rate risks and fair value interest rate risks *(Continued)*

Cash flow interest rate risk (Continued)

The impact on the Group's cash flow is due in part to its sensitivity to interest rates which has been determined based on the exposure to the floating-rate at the balance sheet date. If interest rates on interest bearing payables and borrowings had been 100 basis points higher/lower and all other variables were held constant, loss for the year will increase/decrease by HK$7.5 million (2007: HK$7.2 million).

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. The directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The directors considered that the sensitivity of the Group's exposure towards the change in foreign exchange rates mainly arises from its Hong Kong dollars borrowings.

The Company uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 31 March 2008 would have been decreased/increased by approximately HK$12 million as a result of foreign exchange gains/losses on translation of borrowings denominated in Hong Kong dollars (2007: HK$11 million).

3. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES *(Continued)*

Credit risk

The maximum credit risk of the Company includes the carrying value of its financial assets on books and is increased by the notional amount of financial guarantee contract issued for its subsidiaries. As at year end, the notional amount of such financial guarantee issued is HK$383 million.

In order to minimise the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Concentration of credit risk with respect to trade receivables is limited as the Group has a large number of customers who are nationally dispersed. Therefore, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

The credit risk on liquid funds is limited because the counterparties are reputational PRC banks. The Group has no significant concentration of credit risk as the exposure is spreaded over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group is highly dependent on the financial support from TEDA.

3. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay, including both interest and principal cash flows:

Liquidity and interest rate tables

	Weighted average effective interest rate %	**Within 1 year *HK$ million***	**Total undiscounted cash flow *HK$ million***
2008			
Trade and other payables	**N/A**	**101**	**101**
Borrowings (PRC)	**9.4%**	**589**	**589**
Borrowings (HK)	**7.7%**	**276**	**276**
Amount due to related parties	**7.0%**	**103**	**103**
		1,069	**1,069**

	Weighted average effective interest rate %	Within 1 year *HK$ million*	Total undiscounted cash flow *HK$ million*
2007			
Trade and other payables	N/A	101	101
Borrowings (PRC)	7.0%	498	498
Borrowings (HK)	7.7%	258	258
Amount due to related parties	8.6%	89	89
		946	946

Note: The above represents the liquidity position of the Group as at 31 March 2008 before the Restructuring.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 for property, plant and equipment

The Group performs annual tests to assess whether its property, plant and equipment have suffered from any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on the 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 receivables

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 circumstances indicate that the balances may not be collectible. The identification of doubtful debts require the use of judgement and estimates, where the expectation is different from the original estimate, such difference may impact the carrying value of receivables and doubtful debt expenses in the year in which such estimates has been made.

(c) Revenue recognition of connection services

Revenue from connection services is recognised on the percentage of completion method as described in Note 2.16(a).

Any changes to the estimated total cost may have material impact on the revenue and profit recognised in each accounting period over the contract term.

5. 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) Revenue which represents turnover recognised during the year are as follows:

	2008 **HK$'000**	2007 *HK$'000*
Trading in:		
— on-site gas sales *(Note)*	**200,545**	154,285
— piped gas	**198,234**	130,039
— bottled gas	**42,911**	35,855
	441,690	320,179
Connection services	**145,789**	105,771
Total turnover	**587,479**	425,950

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 in (b) and (c) below, 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. SEGMENT INFORMATION *(Continued)*

(b) Segment results are as follows:

	For the year ended 31 March 2008				
	On-site gas sales *HK$'000*	**Bottled gas sales** *HK$'000*	**Piped gas sales** *HK$'000*	**Connection services** *HK$'000*	**Total** *HK$'000*
Revenue	**200,545**	**42,911**	**198,234**	**145,789**	**587,479**
Segment results	**1,246**	**(6,083)**	**(18,323)**	**80,909**	**57,749**
Unallocated costs					**(62,170)**
Operating loss					**(4,421)**
Finance costs, net					**(37,866)**
Loss before income tax					**(42,287)**
Income tax expense					**(13,132)**
Loss for the year					**(55,419)**

	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*
Revenue	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, net					(49,156)
Loss before income tax					(93,153)
Income tax expense					(4,687)
Loss for the year					(97,840)

5. SEGMENT INFORMATION *(Continued)*

(c) Segment assets and liabilities are as follows:

	As at 31 March 2008			
	Piped gas sales HK$'000	Connection services HK$'000	Unallocated HK$'000	Total HK$'000
Assets	**349,155**	**50,118**	**79,406**	**478,679**
Liabilities	**37,375**	**107,641**	**1,162,341**	**1,307,357**
Other information:				
Amortisation charge	**1,171**	**–**	**–**	**1,171**
Capital expenditure	**32,630**	**–**	**–**	**32,630**
Depreciation	**9,213**	**–**	**1,122**	**10,335**
Impairment for property, plant and equipment	**12,138**	**–**	**84**	**12,222**
Loss on disposal of property, plant, equipment	**31**	**–**	**–**	**31**

	As at 31 March 2007			
	Piped gas sales HK$'000	Connection services HK$'000	Unallocated HK$'000	Total HK$'000
Assets	292,963	42,506	82,722	418,191
Liabilities	32,948	94,978	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

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

6. LAND USE RIGHTS

	Group *HK$'000*
As at 1 April 2006	45,880
Exchange differences	2,156
Additions	3,115
Amortisation charge	(1,160)
Impairment charge	(265)
As at 31 March 2007	49,726
Exchange differences	4,807
Additions	355
Amortisation charge	(1,171)
As at 31 March 2008	**53,717**

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$1 million (2007: HK$3 million).

7. 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
At Cost:						
At 1 April 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
Exchange differences	10,312	11,382	23,472	3,459	3,313	51,938
Additions	2,998	586	1,531	1,856	25,304	32,275
Transfer upon completion	1,414	–	15,988	3	(17,405)	–
Disposals	(2,939)	(959)	(273)	(932)	(2,513)	(7,616)
At 31 March 2008	**120,157**	**119,230**	**291,228**	**40,926**	**41,156**	**612,697**
Accumulated depreciation and impairment:						
At 1 April 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
Exchange differences	5,472	7,661	14,709	2,857	953	31,652
Charge for the year	2,335	2,405	4,473	1,122	–	10,335
Impairment charge	638	1,917	8,551	84	1,032	12,222
Disposals	(1,466)	(68)	(107)	(855)	(2,427)	(4,923)
At 31 March 2008	**60,968**	**87,280**	**157,527**	**34,664**	**13,641**	**354,080**
Net book value:						
At 31 March 2008	**59,189**	**31,950**	**133,701**	**6,262**	**27,515**	**258,617**
At 31 March 2007	54,383	32,856	120,609	5,084	18,374	231,306

7. 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 6 whilst net book value of affected gas pipelines and leasehold buildings, included in property, plant and equipment, as at 31 March 2008 is about HK$36 million and HK$6 million, respectively (2007: HK$26 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.

8. INTANGIBLE ASSETS

The cost of licenses held by the Group of approximately RMB7 million has been fully provided for by year ended 31 March 2008.

9. SUBSIDIARIES

	Company	
	2008	2007
	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	**392,262**	402,490
Less: Provision for amount due from a subsidiary	**(392,262)**	(402,490)
	–	–

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. SUBSIDIARIES *(Continued)*

Details of all the Group's subsidiaries at 31 March 2008 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 *(Note (iv))* *HK$ million*	Effective interest held in 2007 and 2008 *(Note (v))*	
				Direct	*Indirect*
Winstar Venture Limited	British Virgin Islands ("BVI")	US$200 ordinary shares	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	–	100
Wah Sang Gas Equipment and Engineering Company Limited	BVI	US$0.05 million ordinary shares	N/A	–	100
Wah Sang Gas (China) Investment Co., Ltd.*	PRC	US$45 million	156	–	100
			156		

9. SUBSIDIARIES *(Continued)*

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

		Particulars of issued and fully paid capital *(Note (i))* *HK$ million*	Commitment in respect of further capital contributions *(Note (iv))* *HK$ million*	Effective indirect interest held in 2007 and 2008 *(Note (v))* *(%)*
1	淄博華燊燃氣有限公司 Zibo WS** *(Note(ii))*	25	–	100
2	天津華燊燃氣實業有限公司 Tianjin WS*	23	–	100
3	濱州華燊燃氣有限公司 Binzhou WS#	21	–	100
4	招遠華燊燃氣有限公司 Zhaoyuan WS#	20	–	100
5	德清華燊燃氣開發有限公司 Deqing WS**	20	–	90
6	涿州華燊燃氣發展有限公司 Zhuozhou WS#	10	–	85
7	南京華燊燃氣有限公司 Nanjing WS#	10	–	100
8	儀征華燊燃氣有限公司 Yizheng WS#	10	–	100
9	秦皇島華燊燃氣有限公司 Qinhuangdao WS#	9	–	100
10	天津華燊能源發展有限公司 Tianjin WSEnergy#	9	–	100
11	青島膠南華燊燃氣有限公司 QingdaoJiaonan WS#	8	–	80
12	三河燕燊燃氣發展有限公司 SanheYanSang#	7	–	90
13	昌樂華燊燃氣有限公司 Changle WS#	7	–	99
14	德州華燊燃氣有限公司 Dezhou WS#	5	–	100
15	青島萊西華燊燃氣有限公司 QingdaoLaixi WS#	16	23	100
16	鷹潭華燊燃氣有限公司 Yingtan WS*	4	21	100
17	張家港華燊燃氣有限公司 Zhangjiagang WS#	3	19	98
18	青島膠州華燊燃氣有限公司 QingdaoJiaozhou WS#	2	13	100
19	阜寧華燊燃氣有限公司 Funing WS#	2	12	100
20	沂水華燊燃氣有限公司 Yishui WS#	2	11	100

9. SUBSIDIARIES *(Continued)*

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

		Particulars of issued and fully paid capital *(Note (i))* *HK$ million*	Commitment in respect of further capital contributions *(Note (iv))* *HK$ million*	Effective indirect interest held in 2007 and 2008 *(Note (v))* *(%)*
21	莒縣華燊燃氣有限公司 Juxian WS#	2	11	100
22	海鹽華燊燃氣開發有限公司 Haiyan WS*	15	10	100
23	湖州南潯華燊燃氣有限公司 HuzhouNanxun WS*	10	10	100
24	北京空港華燊燃氣有限公司 BeijingAirport WS#	2	10	85
25	海陽華燊燃氣有限公司 Haiyang WS#	2	10	100
26	睢寧華燊燃氣有限公司 Suining WS#	1	8	100
27	桐廬華燊燃氣有限公司 Tonglu WS#	12	8	98
28	句容華燊燃氣有限公司 Jurong WS#	2	7	99
29	金湖華燊燃氣有限公司 Jinhu WS#	1	6	100
30	栖霞華燊 Qixia WS#	6	5	100
			184	

9. SUBSIDIARIES *(Continued)*

(c) Subsidiaries to be sold to TEDA as part of the Restructuring (Note 1(b)):

		Particulars of issued and fully paid capital *(Note (i))* *HK$ million*	Commitment in respect of further capital contributions *(Note (iv))* *HK$ million*	Effective indirect interest held in 2007 and 2008 *(Note (v))* *(%)*
1	新泰華燊燃氣有限公司 Xintai WS#	17	–	100
2	壽光華燊燃氣開發有限公司 Shouguang WS**	16	–	75
3	東營華燊燃氣有限公司 Dongying WS#	13	–	100
4	冀州華燊燃氣有限公司 Jizhou WS#	11	–	98
5	博興華燊燃氣有限公司 Boxing WS#	7	–	100
6	衡水華燊燃氣發展有限公司 Hengshui WS**	5	–	90
7	清苑益民華燊燃氣有限公司 QingyuanYimin WS#	2	–	99
8	安新利華華燊燃氣有限公司 AnxinLihua WS#	2	–	99
9	濟南市華燊燃氣有限公司 Jinan WS#	1	–	100
10	江山華燊燃氣有限公司 Jiangshan WS#	4	21	100
11	徐州華燊燃氣有限公司 Xuzhou WS#	4	20	100
12	益陽華燊燃氣有限公司 Yiyang WS#	3	19	100
13	宿遷華燊燃氣有限公司 Suqian WS#	3	19	100
14	寧國華燊燃氣有限公司 Ningguo WS#	3	17	99
15	懷寧華燊燃氣有限公司 Huaining WS#	3	17	100
16	南昌華燊燃氣有限公司 JiangxiNanchang WS#	3	17	100
17	黃山華燊燃氣有限公司 Huangshan WS**	–	16	100
18	貴溪華燊燃氣有限公司 Guixi WS*	3	15	100
19	高安華燊燃氣有限公司 Gaoan WS#	2	14	100
20	瀏陽華燊燃氣有限公司 Liuyang WS#	2	14	100

9. SUBSIDIARIES *(Continued)*

(c) Subsidiaries to be sold to TEDA as part of the Restructuring (Note 1(b)): *(Continued)*

		Particulars of issued and fully paid capital *(Note (i))* *HK$ million*	Commitment in respect of further capital contributions *(Note (iv))* *HK$ million*	Effective indirect interest held in 2007 and 2008 *(Note (v))* *(%)*
21	靖江華燊燃氣有限公司 Jingjiang WS#	2	13	99
22	邳州華燊燃氣有限公司 Pizhou WS#	2	13	100
23	新沂華燊燃氣有限公司 Xinyi WS#	2	13	100
24	耒陽華燊燃氣有限公司 Leiyang WS*	2	13	100
25	攸縣華燊燃氣有限公司 Youxian WS#	2	13	100
26	寧鄉華燊燃氣有限公司 Ningxiang WS#	2	13	100
27	豐縣華燊燃氣有限公司 Fengxian WS#	2	12	100
28	泰州華燊燃氣有限公司 Taizhou WS#	4	11	99
29	寧陽華燊燃氣有限公司 Ningyang WS#	2	11	100
30	沛縣華燊燃氣有限公司 Peixian WS*	–	10	100
31	易縣富江華燊燃氣有限公司 YixianFujiang WS#	2	9	99
32	郴州華燊燃氣有限公司 Chenzhou WS#	11	9	100
33	微山華燊燃氣有限公司 Weishan WS#	3	7	100
			336	

9. 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 Restructuring amounts to approximately HK$184 million. Although the deadlines for injecting the commitments for all of these subsidiaries have expired, they are all still operating as at date of these consolidated financial statements.

In respect of the 33 subsidiaries to be sold to TEDA, the commitments for capital contribution of HK$336 million are expected to be discharged upon sale of these subsidiaries (Note 1(b)).

(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:

* wholly foreign owned enterprises
** 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 PRC regulation.

10. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Materials for gas pipelines	**27,700**	28,820
Gases	**6,527**	2,957
	34,227	31,777

11. TRADE AND OTHER RECEIVABLES

		Group	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Trade receivables		**90,021**	79,738
Less: Provision for impairment		**(49,141)**	(49,472)
	(a)	**40,880**	30,266
Advance to suppliers		**97,899**	91,280
Other receivables		**34,867**	32,204
Less: Provision for impairment		**(91,673)**	(83,362)
	(d)	**41,093**	40,122
Deposit paid to a related party		**–**	7,000
		81,973	77,388

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Renminbi	**73,585**	69,073
Hong Kong dollars	**8,388**	8,315
	81,973	77,388

(a) Other than debt arising from sale of gas which are collected on a monthly 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 gross trade receivables is as follows:

	Group	
	2008 ***HK$'000***	2007 *HK$'000*
0 — 90 days	**26,638**	26,761
91 — 180 days	**14,054**	11,439
181 — 360 days	**17,094**	8,374
Over 360 days	**32,235**	33,164
	90,021	79,738
Less: Provision for impairment of trade receivables	**(49,141)**	(49,472)
	40,880	30,266

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Trade receivables that are not past due are generally not considered to be impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default. Balances that are past due indicate potential impairment.

As at 31 March 2008, doubtful trade receivables of HK$49 million (2007: HK$49 million) of the Group were impaired and provided for. The individually impaired receivables arose principally as a result of delinquency in settlement of debt. The ageing analysis of the trade receivables that are past due but not considered impaired is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
91 — 180 days	**344**	–
181 — 360 days	**352**	–
Over 360 days	**1,437**	–
	2,133	–

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Movements of the Group's provisions for impairment of trade receivables are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 April	**(49,472)**	(34,704)
Exchange differences	**(4,733)**	(1,515)
Impairment of trade receivables *(Note 19)*	**(570)**	(13,253)
Impairment charge reversed on settlement	**5,634**	—
At 31 March	**(49,141)**	(49,472)

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional settlements. No allowance previously charged has been written off during the year (2007: nil).

Impairment charges on trade receivables are recognised as administrative expenses in the income statement.

(d) Provision for impairment of HK$92 million principally relates to advances to suppliers which arose as a result of termination of trading relationships. Movement for 2008 is mainly because of fluctuation in exchange rate.

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

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group include Renminbi deposits and cash held in the PRC of approximately HK$49 million (2007: HK$27 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 and the Company's bank balances and cash are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**1,589**	579	**3**	4
Renminbi	**48,556**	27,415	**–**	–
	50,145	27,994	**3**	4

13. SHARE CAPITAL

	Number of shares *(million)*	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2007 and 31 March 2008	**5,000**	50,000
Issued and fully paid:		
At 1 April 2007 and 31 March 2008	**2,177**	21,770

13. SHARE CAPITAL *(Continued)*

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. All of these options lapsed by March 2008.

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

	Number of options *('000)*	
	2008	2007
At 1 April	**17,000**	28,500
Lapsed	**(17,000)**	(11,500)
At 31 March	**–**	17,000

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

	Exercise	**Number of options *('000)***	
Expiry date	**price**	**2008**	2007
For Director:			
10 April 2007	0.569	–	12,000
For employees:			
10 April 2007	0.569	–	2,500
14 August 2008	1.02	–	2,500
		–	5,000
		–	17,000

14. OTHER RESERVES

(a) Group

	Contributed surplus *(Note (i))* *HK$'000*	Exchange reserve *(Note (ii))* *HK$'000*	Statutory reserves *(Note (iii))* *HK$'000*	Total *HK$'000*
Balance at 1 April 2006	28,800	(6,189)	2,561	25,172
Translation differences	–	(15,612)	–	(15,612)
Balance at 31 March 2007	28,800	(21,801)	2,561	9,560
Translation differences	–	(88,950)	–	(88,950)
Balance at 31 March 2008	**28,800**	**(110,751)**	**2,561**	**(79,390)**

(b) Company

	Contributed surplus *(Note (i))* *HK$'000*	Exchange reserve *(Note (ii))* *HK$'000*	Total *HK$'000*
Balance at 31 March 2006	47,547	(6,459)	41,088
Translation differences	–	(10,146)	(10,146)
Balance at 31 March 2007	47,547	(16,605)	30,942
Translation differences	–	(28,030)	(28,030)
Balance at 31 March 2008	**47,547**	**(44,635)**	**2,912**

14. OTHER 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.

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.

(ii) The exchange 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.

15. TRADE AND OTHER PAYABLES

		Group	
	Note	**2008** ***HK$'000***	2007 *HK$'000*
Trade payables	*(a)*	**100,817**	101,358
Amounts due to related parties			
— TEDA	*(b)*	**134,677**	75,765
— Others	*(c)*	**41,995**	37,103
Accrued expenses			
— Interest for borrowings	*(d)*	**186,168**	111,155
— Others		**16,561**	25,901
Advance from customers		**81,122**	58,615
Other payables		**46,063**	34,594
		607,403	444,491

15. TRADE AND OTHER PAYABLES *(Continued)*

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

	2008 **HK$'000**	2007 *HK$'000*
Renminbi	**562,870**	417,230
Hong Kong dollars	**44,533**	27,261
	607,403	444,491

(a) At 31 March 2008, the ageing analysis of the trade payables (including amounts due to related parties of trading nature) were as follows:

	Group	
	2008 **HK$'000**	2007 *HK$'000*
0 — 90 days	**23,166**	34,132
91 — 180 days	**16,651**	12,523
181 — 360 days	**12,896**	15,799
Over 360 days	**48,104**	38,904
	100,817	101,358

(b) Of the unsecured amount due to TEDA, about HK$61 million bears annual interest of 7%, whilst the remaining HK$74 million is interest free.

(c) Amounts due to other related parties

	Group	
	2008 **HK$'000**	2007 *HK$'000*
Tsinlien *(Note)*	**26,610**	32,175
Minority shareholder of a subsidiary	**15,385**	4,928
	41,995	37,103

15. TRADE AND OTHER PAYABLES *(Continued)*

(c) Amounts due to other related parties *(Continued)*

Note:

The balance of RMB24 million payable to Tsinlien is unsecured, bears an average annual interest of 6% (2007: 6%) and has no fixed repayment terms.

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

(d) Out of the interest payable for borrowings, about HK$157 million will be waived by the respective lenders subject to the fulfilment of various terms of the debt restructuring agreements and settlement agreements. Accordingly, no interest has been written back in these financial statements.

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

16. BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings, unsecured:				
– PRC banks	**382,526**	348,521	**–**	–
– 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	**617,406**	583,401	**234,880**	234,880
Borrowing from TEDA Finance Bureau ("TFB")	**77,614**	70,714	**–**	–
	695,020	654,115	**234,880**	234,880

(a) All of the Group's borrowings as at 31 March 2008 are payable on demand but the eventual settlement of all borrowings is part of the proposed Restructuring (Note 1(b)).

16. BORROWINGS *(Continued)*

(b) The carrying amounts of all borrowings approximate their fair values as at 31 March 2008.

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

	Group				Company			
	2008		2007		2008		2007	
	HK$	**RMB**	HK$	RMB	**HK$**	**RMB**	HK$	RMB
PRC banks *(Note)*	**–**	**9.5% – 11.5%**	–	8.6% – 9.6%	**–**	**–**	–	–
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.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**234,880**	234,880	**234,880**	234,880
Renminbi	**460,140**	419,235	**–**	–
	695,020	654,115	**234,880**	234,880

(e) The Group did not have any undrawn borrowing facility as at 31 March 2008 (2007: Nil).

17. DEFERRED TAXATION

Deferred income tax assets are recognised for tax loss carry forward 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$215 million (2007: HK$154 million) which can be carried forward against future taxable income. These tax losses expire after five years from occurence.

18. OTHER GAINS/(LOSSES) — NET

	2008 HK$'000	2007 HK$'000
Design fee for pipelines network received from TEDA	**10,043**	—
Impairment charge of property, plant and equipment *(Note 7)*	**(12,222)**	(6,587)
Loss on disposal of property, plant and equipment	**(31)**	(7,998)
Others	**3,374**	273
	1,164	(14,312)

19. OPERATING LOSS

Operating loss is stated after charging the following:

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	**421,650**	299,063
Cost of connection services	**64,880**	42,270
Employee benefit expense *(Note 20(a))*	**32,221**	27,766
Depreciation *(Note 7)*		
— Cost of sales	**9,213**	8,794
— Administrative expenses	**1,122**	3,494
Provision for impairment of trade and other receivables	**570**	13,253
Inventory obsolescence and write-off	**2,626**	3,904
Amortisation	**1,171**	1,160
Auditor's remuneration	**5,180**	4,600
Other professional fees	**16,367**	2,350

20. EMPLOYEE BENEFIT EXPENSE

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

	2008 **HK$'000**	2007 *HK$'000*
Wages and salaries	**28,063**	22,606
Pension costs	**4,158**	5,160
	32,221	27,766

(b) Directors' emoluments

The aggregate amounts of emoluments payable to the Directors during the year of HK$2.8 million comprise only of salaries. No director fees were payable for the year 2008 (2007: HK$2.9 million salaries).

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.

20. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments *(Continued)*

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

	2008 HK$'000	2007 *HK$'000*
Executive Directors:		
Shum Ka Sang *(ii)*	**1,300**	1,300
Lam Man Lim	**1,087**	–
Guan Xue Bin	**265**	–
Shi Dun Hong *(ii)*	**169**	166
Cheung Man Hoi *(i)*	**–**	1,465
Dai Yan	**–**	–
Wang Gang	**–**	–
Zhang Hong Ru *(ii)*	**–**	–
Wang Guang Hao *(ii)*	**–**	–
	2,821	2,931

The above Directors have resigned as follows:
(i) during the year ended 31 March 2007
(ii) during the year ended 31 March 2008

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 Directors (2007: 3 Directors) whose emoluments are reflected in the analysis presented above. The emolument of each of the remaining 2 (2007: 2) individuals, is below HK$1,000,000.

21. FINANCE COSTS, NET

	2008 **HK$'000**	2007 HK$'000
Interest on bank loans wholly repayable within five years	**58,327**	53,988
Interest on amounts due to related parties	**5,882**	5,314
Functional currency gain	**(26,343)**	(10,146)
	37,866	49,156

22. INCOME TAX EXPENSES

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2007: Nil).

The subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at rates ranging from 15% to 33%. 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.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"), which is effective from 1 January 2008. Under the new EIT Law, the enterprise income tax rate applicable to the Group's subsidiaries located in mainland China from 1 January 2008 is 25%, replacing the applicable tax rate of 33%. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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

	2008 **HK$'000**	2007 HK$'000
Current income tax:		
— PRC enterprise income tax	**13,132**	4,687

22. INCOME TAX EXPENSES *(Continued)*

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. Below is the reconciliation between taxation in the consolidated income statement and the aggregate tax at the rates applicable to profits in the respective entities concerned.

	2008 ***HK$'000***	2007 *HK$'000*
Loss before income tax	**(42,287)**	(93,153)
Tax calculated at the respective applicable tax rates	**(11,131)**	(35,877)
Expenses not deductible for taxation purposes	**6,228**	4,855
Tax losses for which no deferred income tax asset was recognised *(Note 17)*	**19,648**	36,311
Utilisation of previously unrecognised tax losses	**(1,613)**	(602)
Tax charge	**13,132**	4,687

23. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS

The 2008 profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of approximately HK$10,376,000 (2007: loss of HK$174,000).

24. LOSS PER SHARE

The calculation of basic loss per share for 2008 is based on the loss attributable to equity holders of the Company of HK$50 million (2007: HK$98 million).

The basic loss per share is based on the 2,177 million (2007: 2,177 million) ordinary shares in issue during 2008.

The diluted loss per share is equal to its basic loss per share as there is no dilutive potential share for the year ended 31 March 2008 (2007: No dilutive share).

25. CASH GENERATED FROM OPERATIONS

Reconciliation of loss before income tax to net cash generated from operations:

	2008 **HK$'000**	2007 HK$'000
Loss before income tax	**(42,287)**	(93,153)
Adjustments for:		
— Interest income	**(393)**	(538)
— Depreciation	**10,335**	12,288
— Amortisation	**1,171**	1,160
— Impairment charge on property, plant and equipment	**12,222**	6,587
— Impairment charge on land use right	**—**	265
— Impairment charge on trade and other receivables	**570**	13,253
— Finance costs	**37,866**	49,156
— Loss on disposal of property, plant and equipment *(Note (i))*	**31**	7,998
Changes in working capital:		
— Inventories	**(2,450)**	(9,568)
— Trade and other receivables	**12,551**	(4,426)
— Trade and other payables	**(8,355)**	31,430
Net cash generated from operations	**21,261**	14,452

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008 **HK$'000**	2007 HK$'000
Net book amount	**2,693**	11,843
Proceeds from disposal of property, plant and equipment	**(2,662)**	(3,845)
Loss on disposal	**31**	7,998

26. FINANCIAL GUARANTEE CONTRACTS

During the year, the Company has given guarantee of approximately HK$383 million (2007: HK$349 million) to subsidiaries in respect of bank borrowings, all of which has been drawn as at 31 March 2008.

27. COMMITMENTS

(a) Capital expenditure of the Group (Company: None in 2008 and 2007) at the balance sheet date contracted but not yet incurred is as follows:

	2008 **HK$'000**	2007 *HK$'000*
Property, plant and equipment		
Contracted but not provided for	**20,000**	18,000
Capital contributions to subsidiaries		
established in the PRC *(Note 9(b))*	**184,000**	189,000
	204,000	207,000

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows (Company: None in 2008 and 2007):

	2008 **HK$'000**	2007 *HK$'000*
Not later than 1 year	**5,100**	2,887
Later than 1 year and not later than 5 years	**10,876**	2,317
Later than 5 years	**4,414**	4,054
	20,390	9,258

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.

TEDA, the potential investor, will become the major shareholder of the Group upon completion of the Restructuring (Note 1(b)) and hence is regarded by management as a related party to the Group for the year ended 31 March 2008.

Other than as disclosed in Notes 15 and 21 to these consolidated financial statements, there is no other significant related party transaction during the year ended 31 March 2008.

Key management compensation is described in Note 20.

29. EVENT AFTER THE BALANCE SHEET DATE

The Company made an announcement on the Restructuring on 29 May 2008, details of which have been disclosed in Note 1(b) of the Notes to the Consolidated Financial Statements.

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 27 June 2008.

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Lam Man Lim
Guan Xue Bin

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Wang Gang

QUALIFIED ACCOUNTANT

Lam Man Lim

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Lam Man Lim

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