



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



FIRST
QUARTERLY REPORT **2007**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM maybe more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-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 companies.

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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Wah Sang Gas Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

The board of directors of Wah Sang Gas Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006.

BUSINESS REVIEW

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.

Connection Services

The Group receives connection service fees from industrial and commercial customers, property developers and property management agents for the construction of gas pipelines that connect the Group's main gas pipeline networks to the industrial, commercial customers and as well as individual households. During the relevant period, the Group recorded a 33% increase in connection fee as compared to the same period last year.

As at 30 June 2007, the accumulated number of connected households reached approximately 277,700, representing an increase of approximately 16,700 from the accumulated number as at 31 March 2007. (Increase in the same period last year: 11,600 households)

Provision of Piped Gas and Gas Sales

The Group supplies piped gas to its customers via pipeline networks and gas processing stations in each operating location. As at 30 June 2007, the accumulated length of pipeline network of the Group amounted to approximately 789 Kilometers, an increase of approximately 19 Kilometers from the length as recorded as at 31 March 2007.

During the three months ended 30 June 2007, consumption of piped gas by residential and industrial customers amounted to approximately 130×10^6 and 442×10^6 mega-joules respectively, a growth of 30% and 54% over the same period last year. Such increases were attributable to the growing numbers of connected households, industrial customers and expanding geographical coverage in the last fiscal year.

The Group also provides retail services on bottled LPG to its customers not covered in the pipeline networks. Sales of bottled LPG amounted to approximately 98×10^6 mega-joules; while wholesale of LPG amounted to approximately 400×10^6 mega-joules during the three months ended 30 June 2007.

The unaudited condensed consolidated financial statements of the Group are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months ended 30 June 2007

		Three months ended for 30 June 2007	
		2007	2006
		HK\$'000	HK\$'000
Note			
	Turnover	114,772	86,389
	Cost of sales	(95,829)	(75,845)
	Gross profit	18,942	10,544
	Other income — net	492	502
	Selling and marketing expenses	(385)	(911)
	Administrative expenses	(15,151)	(13,613)
	Operating profit/(loss)	3,899	(3,478)
	Finance costs, net	(13,008)	(10,772)
	Loss before taxation	(9,109)	(14,250)
	Income tax	(2,622)	(1,318)
	Loss for the period	(11,730)	(15,568)
	Loss attributable to:		
	Equity holders of the Company	(11,730)	(15,568)
	Minority interest	—	—
		(11,730)	(15,568)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2007

	Attributable to equity holders of the Company		Minority interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Reserves HK\$'000		
Balance at 1 April 2006	21,770	(604,965)	10,818	(572,377)
(Loss)/profit for the period		(15,568)		(15,568)
Exchange differences		10,111		10,111
Balance at 30 June 2006	21,770	(610,422)	10,818	(577,834)
Balance at 1 April 2007	21,770	(718,715)	11,596	(685,349)
(Loss)/profit for the period		(11,730)		(11,730)
Balance at 30 June 2007	21,770	(730,445)	11,596	(697,079)

Notes:

1. Basis of Presentation and Accounting Policies

The unaudited condensed financial statements have been prepared under the historical cost basis and in accordance with Hong Kong Financial reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance. The principle policies adopted are the same as those adopted in the audited consolidated financial statements of the company for the year ended 31 March 2007.

2. Turnover

Turnover of the Group for the relevant periods is analyzed as follows:

	unaudited	
	Three months ended 30 June 2007	Three months ended 30 June 2006
On-site gas sales <i>(Note)</i>	33,309	31,066
Piped gas sales	35,650	22,101
Bottled gas sales	10,074	10,658
Total of Gas sales	79,033	63,825
Connection services	35,739	22,564
	114,772	86,389

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

3. Business Segment

Income statement for the three months ended 30 June 2007

	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Turnover	33,309	10,074	35,650	35,739	114,772
Segment results	182	80	(4,986)	23,666	18,942
Unallocated costs					(15,043)
Operating profit					3,899
Finance costs					(13,008)
Loss before taxation					(9,109)
Taxation					(2,622)
Loss for the period					(11,730)

Income statement for the three months ended 30 June 2006

	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Turnover	31,066	10,658	22,101	22,564	86,389
Segment results	81	(521)	(5,688)	16,672	10,544
Unallocated costs					(14,022)
Operating loss					(3,478)
Finance costs					(10,772)
Loss before taxation					(14,250)
Taxation					(1,318)
Loss for the period					(15,568)

4. Interim Dividend

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

During the three months ended 30 June 2007, the Group continued to face with keen competitions and substitute fuels owing to lack of capital expenditure in completing the strategically important pipeline networks. Despite of that, the Group maintained a gross profit margin of approximately 16.5% for the three months ended 30 June 2007 (Gross profit margin for the 3 months ended 30 June 2006: 12.2%). The increase was mainly attributable to the increase in the proportion of turnover derived from the connection services, which was a relatively high gross margin contributor. However, sales of piped gas and other gases have a relatively lower gross profit margin.

Selling and marketing costs

Selling and marketing costs reduced by 58% to approximately HK\$385,000 for the three months ended 30 June 2007 from approximately HK\$911,000 in the corresponding period in 2006. The reduction in sales and marketing costs was mainly attributable in the over-accrual of overheads and transportation expenses in the distribution of gases in the corresponding period in 2006.

Administrative expenses

Administrative expenses increased by 11% to approximately HK\$15,151,000 for the three months ended 30 June 2007 from approximately HK\$13,613,000 in the corresponding period in 2006. The increase was mainly attributable to the professional fees incurred for the preparation of Resumption of Trading exercise.

Finance costs

Finance costs increased by 21% to approximately HK\$13,008,000 for the three months ended 30 June 2007 from approximately HK\$10,772,000 in the corresponding period in 2006. The increase was mainly attributable to (i) the exchange conversion of Renminbi to Hong Kong Dollars as the PRC loans amounted to approximately 68% of the total borrowings and (ii) increase in interest rates for the PRC loans.

Income Tax

No Hong Kong profits tax was provided for the three months ended 30 June 2007 as the Group had no assessable profits arising in or derived from Hong Kong. (2006 same period: Nil).

The subsidiaries established and operating in 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, the subsidiaries having assessable profits for the three months ended 30 June 2007 have to make provision EIT for approximately HK\$2,622,000, comparing to approximately HK\$1,318,000 in the corresponding period in 2006.

Loss attributable to equity holders

As a result of the above, the loss attributable to equity holders of the Group was approximately HK\$11,730,000 for the three months ended 30 June 2007, comparing to a loss attributable to equity holders of approximately HK\$15,568,000 in the corresponding period in 2006.

Basic loss per share for the three months ended 30 June 2007 was HK0.5 cents, as compared to a loss per share of HK0.7 cents for the same period last year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Resources

During the three months ended 30 June 2007, the Group generally financed its operations with internally generated resources. As at 30 June 2007, all the bank borrowings were unsecured and on normal commercial basis.

Directors' opinion on sufficiency of working capital

The directors are of the opinion that the Group's financial resources will be significant by improved assuming the successful outcome of the proposed Reorganisation as set out in Note 1(b) to the financial statements for the year ended 31 March 2007. The reorganization involves debt restructuring and the injection of significant new capital into the Group by a potential shareholder, Tianjin TEDA Investment Holdings Co., Ltd ("TEDA"). TEDA has been providing financial support to the Group and it has confirmed that it will continue to do so for the next twelve months from the date of approval of the consolidated financial statements for the year ended 31 March 2007.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

Save for the fact that the majority part of the bank borrowings were in Renminbi but the reporting currency is Hong Kong Dollars, the directors consider that the Group did not have any exposure to foreign exchange fluctuation as all transactions and borrowings were denominated in Renminbi and Hong Kong Dollars.

PROPOSED REORGANISATION

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

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

As at date of the approval of this report, the Group had entered into several significant debt restructuring arrangements. These arrangements are conditional to various items tied to the successful completion of the Group's Reorganisation. The key terms of these arrangements affecting the Group's cash flow are summarised below:

(1) Loan due to Hong Kong syndicated banks:

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

- HK\$10 million will be repaid;
- there will be a haircut of HK\$160 million; and
- the remaining balance of HK\$40 million is to be exchanged for equivalent worth of convertible preference shares to be issued by the Company to these banks. In addition, TEDA is obliged to buy back these shares from the banks for a cash consideration of HK\$225 million on the fifth anniversary from the date of issue in full settlement of the syndicated loan.

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

(2) Amount due to TEDA

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

ACQUISITION

On 11 August 2003, the Group has entered into a conditional Acquisition Agreement with Tsinlien Group Company limited (Tsinlien Group") to acquire approximately 89.9% of the equity interest held by Tsinlien Group in Tianjin TEDA Tsinlien Gas Co., Ltd. ("TEDA Tsinlien Gas"). TEDA Tsinlien Gas is a sino-foreign equity joint venture established in the PRC and is principally engaged in the provision of gas and liquefied gas, gas engineering works, installation of gas equipment in relation thereto in the Tianjin Economic and Technological Development Area, a strategically important industrial development zone in the Municipality of Tianjin of PRC. Tsinlien Group is the ultimate controlling shareholder of Santa Resources Limited, a substantial shareholder of the Company. The Acquisition Agreement further stipulated that completion of the acquisition is conditional on a number of conditions precedent. Some of the conditions precedent have never been met or waived and the Acquisition has not yet been completed.

The Board intended to complete the Acquisition of TEDA Tsinlien Gas on the assumption that TEDA Tsinlien Gas would manage to obtain additional subsidies from TEDA Finance Bureau on the basis of 10% on net assets effective from 2007 to 2011. In view that such subsidies would not be confirmed within a short period of time, the Group would not complete the Acquisition at this stage.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the three months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three months ended 30 June 2007.

SHARE OPTIONS GRANTED AND EXPIRED

During the period from 1 April 2007 to 30 June 2007, no share options have been granted nor expired under the share option scheme adopted on 26 February 2000. As at the date of this report, all the outstanding share options have lapsed or have been cancelled.

AUDIT COMMITTEE

During the three months under review, there was no audit committee member. The Company 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 unaudited financial statements for the three months ended 30 June 2007 had not been reviewed by the audit committee due to its non-existence at the date of the board meeting approving the unaudited financial statements.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had 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 Rule 5.48 to Rule 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry on 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 three months ended 30 June 2007.

ISSUANCE OF QUARTERLY AND INTERIM REPORTS

The Board is fully aware of the compliance requirement to issue the overdue annual, quarterly and interim reports for the periods ended 30 June 2007. As at the date of this report, the Board has made final results announcements for the years ended 31 March 2005, 2006 and 2007.

Trading in the shares of the Company will remain suspended pursuant to the direction of the Securities and Futures Commission until further notice.

On behalf of the Board of
Wah Sang Gas Holdings Limited
Lam Man Lim
Executive Director

Hong Kong, 5 March 2008

As at the date of this report, the board of directors of the Company comprises four (4) executive directors: Mr. Wang Gang, Mr. Dai Yan, Mr. Lam Man Lim and Mr. Guan Xue Bin. There is no independent non-executive director.