



華燊燃氣
Wah Sang Gas

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

(Incorporated in the Bermuda with limited liability)

Stock Code : 8035



THIRD
QUARTERLY REPORT **2007**

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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 and nine months ended 31 December 2007.

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 49% increase in connection fee as compared to the same period last year.

As at 31 December 2007, the accumulated number of connected households reached approximately 316,900, representing an increase of approximately 55,900 from the accumulated number as at 31 March 2007. (Increase in the same period last year: 47,000 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 31 December 2007, the accumulated length of pipeline network of the Group amounted to approximately 820 Kilometers, an increase of approximately 49 Kilometers from the length as recorded as at 31 March 2007.

During the nine months ended 31 December 2007, consumption of piped gas by residential and industrial customers amounted to approximately 418×10^6 and $1,470 \times 10^6$ mega-joules respectively, a growth of 29% and 52% 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 300×10^6 mega-joules; while wholesale of LPG amounted to approximately $1,410 \times 10^6$ mega-joules during the nine months ended 31 December 2007.

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

CONDENSED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

For the nine months ended 31 December 2007

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	183,703	135,229	432,934	320,938
Cost of Sales		(154,476)	(117,410)	(353,177)	(280,962)
Gross profit		29,226	17,819	79,757	39,976
Other (loss)/income – net		9,754	702	9,645	(300)
Selling and marketing expenses		(562)	(418)	(1,213)	(866)
Administrative expenses		(25,659)	(16,103)	(62,074)	(41,658)
Operating profit/(loss)		12,759	2,000	26,115	(2,848)
Finance costs, net		(12,825)	(12,521)	(42,180)	(34,022)
Loss before taxation		(66)	(10,521)	(16,065)	(36,870)
Income tax		(3,959)	(2,089)	(11,176)	(4,699)
Loss for the period		(4,025)	(12,610)	(27,241)	(41,569)
Loss attributable to:					
Equity holders of the Company		(4,471)	(12,610)	(27,687)	(41,569)
Minority Interest		446	–	446	–
		(4,025)	(12,610)	(27,241)	(41,569)

Condensed Consolidated Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 HK\$'000	31 March 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		297,769	231,306
Land use rights		51,994	49,726
		349,763	281,032
Current assets			
Inventories		73,627	31,777
Trade and other receivables	5	117,570	77,388
Bank balances and cash		68,005	27,994
		259,202	137,159
Total assets		608,965	418,191
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		21,770	21,770
Other reserves		(754,193)	(718,715)
Equity holders' deficit		(732,423)	(696,945)
Minority interest		12,776	11,596
Total equity		(719,647)	(685,349)
LIABILITIES			
Current liabilities			
Trade and other payables	6	648,948	444,491
Current income tax liabilities		4,884	4,934
Borrowings	7	674,780	654,115
		1,328,612	1,103,540
Total liabilities		1,328,612	1,103,540
Total equity and liabilities		608,965	418,191

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2007

	Attributable to equity holders of the Company		Minority interest	Total
	Share Capital	Reserves		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2006	21,770	(604,965)	10,818	(572,377)
(Loss)/profit for the period	–	(41,569)	–	(41,569)
Exchange differences	–	10,806	–	10,806
Balance at 31 December 2006	21,770	(635,728)	10,818	(603,140)
Balance at 1 April 2007	21,770	(718,715)	11,596	(685,349)
(Loss)/profit for the period	–	(27,687)	446	(27,241)
Exchange differences	–	(7,791)	734	(7,057)
Balance at 31 December 2007	21,770	(754,193)	12,776	(719,647)

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		unaudited	
	Three months ended 31 December 2007 HK\$'000	Three months ended 31 December 2006 HK\$'000	Nine months ended 31 December 2007 HK\$'000	Nine months ended 31 December 2006 HK\$'000
On-site gas sales (Note)	69,297	52,252	138,942	120,823
Piped gas sales	53,594	34,938	124,462	80,342
Bottled gas sales	14,121	8,190	35,373	29,520
Total of Gas sales	137,012	95,380	298,777	230,685
Connection services	46,691	39,849	134,157	90,253
	183,703	135,229	432,934	320,938

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 nine months ended 31 December 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	138,942	35,373	124,462	134,157	432,934
Segment results	864	(1,276)	(18,017)	98,185	79,757
Unallocated costs					(53,642)
Operating profit					26,115
Finance costs					(42,180)
Loss before taxation					(16,065)
Taxation					(11,176)
Loss for the period					(27,241)

Income statement for the nine months ended 31 December 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	120,823	29,520	80,342	90,253	320,938
Segment results	2,201	(5,207)	(18,702)	61,685	39,976
Unallocated costs					(42,825)
Operating (loss)					(2,849)
Finance costs					(34,022)
Loss before taxation					(36,871)
Taxation					(4,699)
Loss for the period					(41,569)

4. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2007 (2006: Nil).

5. TRADE AND OTHER RECEIVABLE

		Group	
		31 December 2007 HK\$'000	31 March 2007 HK\$'000
	<i>Note</i>		
Trade receivables		99,777	79,738
Less: Provision for impairment		(56,691)	(49,472)
	<i>(a)</i>	43,086	30,266
Advance to suppliers		99,075	91,280
Other receivables		59,534	32,204
Less: Provision for impairment		(91,124)	(83,362)
		67,485	40,122
Deposit paid to a related party	<i>(b)</i>	7,000	7,000
		117,570	77,388

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

		Group	
		31 December 2007 HK\$'000	31 March 2007 HK\$'000
Renminbi		109,167	69,073
Hong Kong Dollars		8,403	8,315
		117,570	77,388

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

	Group	
	31 December 2007 HK\$'000	31 March 2007 HK\$'000
0-90 days	41,843	26,761
91-180 days	20,718	11,439
181-360 days	5,976	8,374
Over 360 days	31,240	33,164
	99,777	79,738
Less: Provision for impairment of trade receivables	(56,691)	(49,472)
	43,086	30,266

- (b) The balance of HK\$7 million is a deposit intended for the acquisition of a subsidiary of Tsinlien Group Company Limited which is recoverable should the acquisition be aborted.
- (c) The carrying amount of trade and other receivables approximates their fair values due to their short-term maturity.

6. TRADE PAYABLES

		Group	
		31 December 2007 HK\$'000	31 March 2007 HK\$'000
	<i>Note</i>		
Trade payables	(a)	134,460	101,358
Amounts due to related parties			
– TEDA		90,100	75,765
– Others		38,932	37,103
Accrued expenses			
– Interest for borrowings		165,744	111,155
– Others		30,983	27,316
Advance from customers		71,300	58,615
Other payables		117,429	33,179
		648,948	444,491

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

		Group	
		31 December 2007 HK\$'000	31 March 2007 HK\$'000
0-90 days		15,073	34,132
91-180 days		23,864	12,523
181-360 days		17,121	15,799
Over 360 days		78,402	38,904
		134,460	101,358

(b) Of the unsecured amount due to TEDA, about HK\$60 million bears annual interest of 7%, whilst the remaining HK\$30 million is interest free.

- (c) Amount due to other related parties

	Group	
	31 December 2007 HK\$'000	31 March 2007 HK\$'000
Tsinlien (<i>Note</i>)	33,761	32,175
Minority shareholder of a subsidiary	5,171	4,928
	38,932	37,103

Note:

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

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

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

7. Borrowings

	Group	
	31 December 2007 HK\$'000	31 March 2007 HK\$'000
Bank borrowings, unsecured		
— PRC banks	365,700	348,521
— Hong Kong Syndicated banks	210,000	210,000
— Other Hong Kong banks	24,880	24,880
Payable within one year	600,580	583,401
Borrowing from TEDA Finance Bureau	74,200	70,714
	674,780	654,115

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

During the nine months ended 31 December 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 18.4% for the nine months ended 31 December 2007 (9 months to 31 December 2006: 12.5%). 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 increased by 40% to approximately HK\$1,213,000 for the nine months ended 31 December 2007 from approximately HK\$866,000 in the corresponding period in 2006. The increase in sales and marketing costs was mainly attributable in the increase in salaries, overheads and transportation expenses in the distribution of gases.

Administrative expenses

Administrative expenses increased by 49% to approximately HK\$62,074,000 for the nine months ended 31 December 2007 from approximately HK\$41,658,000 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 24% to approximately HK\$42,180,000 for the nine months ended 31 December 2007 from approximately HK\$34,022,000 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 nine months ended 31 December 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 nine months ended 31 December 2007 have to make provision EIT for approximately HK\$11,176,000, comparing to approximately HK\$4,699,000 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\$27,687,000 for the nine months ended 31 December 2007, comparing to a loss attributable to equity holders of approximately HK\$41,569,000 in the corresponding period in 2006.

Basic loss per share for the nine months ended 31 December 2007 was HK1.31 cents, as compared to a loss per share of HK1.97 cents for the same period last year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Resources

During the nine months ended 31 December 2007, the Group generally financed its operations with internally generated resources. As at 31 December 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, disposal of subsidiaries 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 nine months ended 31 December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the nine months ended 31 December 2007.

SHARE OPTIONS GRANTED AND EXPIRED

During the period from 1 April 2007 to 31 December 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 nine 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 nine months ended 31 December 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 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 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 nine months ended 31 December 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 31 December 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.