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 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.

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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.

This report, for which the directors of Wah Sang Gas Holdings Limited (the "Director(s)") 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 ("GEM Listing Rules") 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 (the "Board") 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 2008.

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 and commercial customers and as well as individual households. During the nine months ended 31 December 2008, the Group recorded an 11.3% increase in connection fee as compared to the same period last year.

As at 31 December 2008, the accumulated number of connected households reached approximately 375,056, representing an increase of approximately 50,056 from the accumulated number as at 31 March 2008 (Increase in the same period last year: 58,156 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 2008, the accumulated length of pipeline network of the Group amounted to approximately 908 kilometers, an increase of approximately 74 kilometers from the length as recorded as at 31 March 2008.

During the nine months ended 31 December 2008, consumption of piped gas by residential and industrial customers amounted to approximately 518×10^6 and $1,380 \times 10^6$ mega-joules respectively, a growth of 24% and 6% over the same period last year, which were mainly attributable to the remarkable growth in the first 2 quarters while there was only a moderate growth in the third quarter. Overall, the increases were attributable to the growing numbers of connected households, industrial customers and expanding geographical coverage.

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 $1,480 \times 10^6$ mega-joules; while wholesale of LPG amounted to approximately $1,300 \times 10^6$ mega-joules during the nine months ended 31 December 2008.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2008

		Three months ended 31 December		Nine months ended 31 December	
	Notes	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Turnover	2	**131,585**	183,703	**494,576**	432,934
Cost of Sales		**(105,654)**	(154,476)	**(414,997)**	(353,177)
Gross profit		**25,931**	29,226	**79,579**	79,757
Other (loss)/income – net		**(2,906)**	9,754	**(5,300)**	9,645
Selling and marketing expenses		**(246)**	(562)	**(1,300)**	(1,213)
Administrative expenses		**(18,992)**	(25,659)	**(68,213)**	(62,074)
Operating gain		**3,787**	12,759	**4,766**	26,115
Finance costs, net		**(18,178)**	(12,825)	**(48,950)**	(42,180)
Loss before taxation		**(14,391)**	(66)	**(44,184)**	(16,065)
Income tax		**(3,789)**	(3,959)	**(8,525)**	(11,176)
Loss for the year		**(18,180)**	(4,025)	**(52,709)**	(27,241)
Loss attributable to:					
Equity holders of the Company		**(18,255)**	(4,471)	**(52,952)**	(27,687)
Minority Interest		**75**	446	**243**	446
		(18,180)	(4,025)	**(52,709)**	(27,241)
Loss per share attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per share) —basic and diluted		**0.9 cents**	0.2 cents	**2.4 cents**	1.3 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2008

	Attributable to equity holders of the Company			
	Share Capital *HK$'000*	Reserves *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
Balance at 1 April 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)
Balance at 1 April 2008	21,770	(857,593)	7,145	(828,678)
(Loss)/profit for the period	–	(52,952)	243	(52,709)
Exchange differences	–	(16,442)	(1,579)	(18,021)
Balance at 31 December 2008	21,770	(926,987)	5,809	(899,408)

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 2008. Moreover, HK (IFRIC) – Int 12, being effective from 1 January 2008, does not have any significant impact on the Group's financial statements.

2. TURNOVER

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

	unaudited		unaudited	
	Three months ended 31 December 2008	Three months ended 31 December 2007	**Nine months ended 31 December 2008**	Nine months ended 31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
On-site gas sales *(Note)*	**13,660**	69,297	**160,011**	138,942
Piped gas sales	**61,326**	53,594	**160,316**	124,462
Bottled gas sales	**6,437**	14,121	**24,880**	35,373
Total of Gas sales	**81,423**	137,012	**345,207**	298,777
Connection services	**50,162**	46,691	**149,369**	134,157
	131,585	183,703	**494,576**	432,934

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 2008

	On-site gas sales HK$'000	Bottled gas sales HK$'000	Piped gas sales HK$'000	Connection services HK$'000	Total HK$'000
Turnover	160,011	24,880	160,316	149,369	494,576
Segment results	615	240	(863)	79,587	79,579
Unallocated costs					(74,813)
Operating profit					4,766
Finance costs					(48,950)
Loss before taxation					(44,184)
Taxation					(8,525)
Loss for the period					(52,709)

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)

4. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2008 (2007: Nil).

Gross Profit Margin

During the nine months ended 31 December 2008, the Group continued to face with keen competitions and substitute fuels owing to lack of capital expenditure in completing the strategically important pipeline networks. In spite of that, the Group maintained a gross profit margin of approximately 16.1% for the nine months ended 31 December 2008 (Gross profit margin for the nine months ended 31 December 2007: 18.4%). The reduction was mainly attributable to the decrease in the proportion of turnover derived from the connection services, which was a relatively high gross margin contributor. Moreover, sales of piped gas and other gases have a relatively lower gross profit margin under the regulated pricing structure.

Selling and marketing costs

Selling and marketing costs increased by 7% to approximately HK$1,300,000 for the nine months ended 31 December 2008 from approximately HK$1,213,000 in the corresponding period in 2007. The increase in sales and marketing costs was mainly attributable in the increase in salaries, overheads and transportation expenses in the distribution of gases.

Other (loss)/income — net

Other loss in 2008 represented compensation claims while the gain in 2007 represented the design fee for the Second Pipeline Network, both of them are of non-recurring nature.

Administrative expenses

Administrative expenses increased by 10% to approximately HK$68,213,000 for the nine months ended 31 December 2008 from approximately HK$62,074,000 in the corresponding period in 2007. The increase was mainly attributable to the professional fees incurred for the preparation of resumption of trading exercise.

Finance costs

Accrued finance costs increased by 16% to approximately HK$48,950,000 for the nine months ended 31 December 2008 from approximately HK$42,180,000 in the corresponding period in 2007. 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. The actual settlements of the respective finance costs are part of the proposed Restructuring (as defined herein) in accordance with the settlement/debt restructuring agreements.

Income Tax

No Hong Kong profits tax was provided for the nine months ended 31 December 2008 as the Group had no assessable profits arising in or derived from Hong Kong. (2007 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 2008 have to make provision EIT for approximately HK$8,525,000, comparing to approximately HK$11,176,000 in the corresponding period in 2007.

Loss attributable to equity holders

As a result of the above, the loss attributable to equity holders of the Group was approximately HK$52,952,000 for the nine months ended 31 December 2008, comparing to a loss attributable to equity holders of approximately HK$27,687,000 in the corresponding period in 2007.

Basic loss per share for the nine months ended 31 December 2008 was HK2.43 cents, as compared to a loss per share of HK1.31 cents for the same period last year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Resources

During the nine months ended 31 December 2008, the Group generally financed its operations with internally generated resources. As at 31 December 2008, 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 significantly improved assuming the successful outcome of the proposed restructuring as set out in Note 1(b) to the consolidated financial statements for the year ended 31 March 2008 in the annual report of the Company (the "Restructuring"). The Restructuring 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 2008.

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 RESTRUCTURING

An announcement was made on 29 May 2008 by the Company in relation to the Restructuring comprising of Debt Restructuring, the Subscription, the Open Offer, the General Offer, the Disposal and the Continuing Connected Transactions (such terms and other capitalised terms have the same meanings as defined in the announcement), 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 Restructuring Proposal 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 years 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 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 Proposal, 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 Shares, the New Convertible Preference Shares and new Redeemable Preference Shares.

The dispatch of the Circular will be delayed further as the amount of time needed to complete the Circular far exceeded the original anticipation of the Directors. The Company is continuing the process of completing supplemental agreements with counter-parties to extend the validity of various agreements that have time-sensitive clauses. In addition, there are a number of comments from the regulators that are outstanding and need to be addressed. The Company has accordingly applied to the Stock Exchange for another wavier from strict compliance with Rules 19.38 and 20.49 of the GEM Listing Rules, by further extending the deadline for dispatch of the Circular to no later than 31 March 2009.

The Directors look forward to an early completion of the Restructuring Proposal and resumption of trading of the Shares on GEM after satisfactory fulfillment of regulatory requirements and approval from the shareholders of the Company at a special general meeting to be convened.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the nine months ended 31 December 2008. 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 2008.

SHARE OPTIONS GRANTED AND EXPIRED

During the nine months ended 31 December 2008, 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 2008 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 2008.

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, 10 February 2009

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