



**華桑燃氣控股有限公司 \***  
**WAH SANG GAS HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*  
(Stock Code: 8035)

**Final Results Announcement for the year ended 31 March 2004**

**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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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of directors (the "Board") of Wah Sang Gas Holdings Limited ("the Company") hereby to announces the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004. The final results and the audited financial statements of the Group for the financial year ended 31 March 2004 have been approved by the Board at its meeting on 11 June 2007.

## ADVERSE OPINION

In the auditor's opinion dated 11 June 2007, because of the significance of the effects of the matters described in the below basis for adverse opinion paragraphs, the consolidated financial statements do not give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004 and of the Group's results for the year then ended in accordance with accounting principles generally accepted in Hong Kong. In all other respects, in the auditor's opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for adverse opinion

- (i) As set out in the below paragraphs under the heading of "SUSPENSION OF TRADING", it has come to the attention of the new directors (the "new management") of the Company that there was falsification of transactions and records by the former management and the new management have carried out a reconstruction of the accounting records of the Group (the "Reconstruction").

As a result of the Reconstruction, the new management have identified adjustments of approximately RMB764,103,000 (equivalent to HK\$720,444,000) to reduce the net assets of the Group in the original books and records as at 31 March 2004. The management 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.

Statement of Auditing Standards 450 "Opening Balances and Comparatives" issued by the HKICPA requires that the auditor obtains sufficient audit evidence that the opening balances do not contain misstatements which materially affect the current financial year consolidated financial statements. However, the auditor was unable to perform satisfactory audit procedures to confirm that the Reconstruction carried out by the new management ensure proper cut-off in respect of the opening position of the current year and prior periods. As a result, the auditor was unable to obtain reasonable assurance that the opening net assets of the Group as at 1 April 2003 are free from material misstatement. Any adjustment to the opening net assets of the Group will have a consequential effect on the loss of the Group for the year ended 31 March 2004.

- (ii) As set out in the below paragraph under the heading "Reconstruction of accounts", new management have not performed a full assessment to estimate the recoverable amount of the fixed assets of the Group as at 31 March 2004 and accordingly the amount of impairment loss to be recognised in the income statement of the Group for the year then ended in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 31 "Impairment of Assets". In consequence, the auditor was unable to carry out auditing procedures necessary to obtain adequate assurance regarding the recoverable amount of fixed assets of HK\$351,283,000 in the consolidated balance sheet as at 31 March 2004. Any impairment adjustment to fixed assets will have a consequential significant effect on the loss of the Group for the year and shareholders' deficit of the Group as at 31 March 2004.



- (iii) As set out in the below Note 1 to the "NOTES TO THE FINANCIAL STATEMENTS", new management have not performed an assessment to quantify the effect of the adoption of SSAP 12 "Income Taxes" in the preparation of the consolidated financial statements for the year ended 31 March 2004. Any adjustment arising from this assessment will have a consequential effect on the state of affairs of the Group and of the Company as at 31 March 2004 and of the loss of the Group for the year then ended. In addition, these consolidated financial statements do not contain an explanation of the relationship between tax expense and loss for the year in accordance with SSAP 12.
- (iv) As set out in the below paragraph headed "Reconstruction of accounts", the consolidated financial statements do not contain comparative information and consolidated cash flow statements in accordance with SSAP 1 "Presentation of Financial Statements" and SSAP 15 "Cash Flow Statements", respectively. In the auditor's opinion, the preparation of such information is necessary for a proper understanding of the state of affairs of the Group and of the Company and of the loss of the Group for the year then ended.

### **EMPHASIS OF MATTERS**

The auditor drew attention to the below paragraphs headed "Going Concern" which states that the Group incurred a net loss of approximately HK\$152,993,000 during the year ended 31 March 2004 and its net current liabilities and shareholders' deficit as at that date amounted to approximately HK\$361,516,000 and HK\$227,881,000, respectively. The financial statements have been prepared on a going concern basis, assuming upon the successful outcome of the Proposed Reorganisation as set out in the below paragraph headed "Proposed Reorganisation", which aims to be implemented by the Group to improve the financial position and business of the Group. Subsequent to 31 March 2004, Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA"), a potential shareholder, has been providing and will continue to provide financial assistance to the Group for its working capital purposes. Neither the Group's nor the Company's financial statements include any adjustments that would result from the failure of the Proposed Reorganisation.

### **SUSPENSION OF TRADING**

At the direction of the Securities & Future Commission, trading in the shares of the Company has been suspended with effect from 6 April 2004 and up to the date of this announcement.

Upon the suspension of trading of the Company's shares, the Group underwent a reorganisation whereby new management were appointed to oversee the operations of the Group.

It has come to the attention of the new management that there were falsification of transactions and accounting records by the former management. The results of such falsification had led to significant overstatements of revenue, cost of sales, fixed assets, taxes recoverable, trade and other receivables and prepayments, dividends paid and payable and certain other assets and liabilities of the Group and investments in certain subsidiaries of the Company. The dividend paid and payable are in respect of dividends declared by subsidiaries based on these falsified accounting records of the subsidiaries at the time the declaration was made.

The new management have carried out a reconstruction of the accounting records of the Group ("the Reconstruction") by seeking to identify and exclude false transactions and balances from the accounting records and making provisions for doubtful trade and other receivables and prepayments for the year ended 31 March 2004 and the prior years.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Reconstruction of accounts**

The financial statements have been prepared from the Reconstructed accounting records mentioned in the above section headed "SUSPENSION OF TRADING" and are based on the historical cost convention, and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except that the comparative information and consolidated cash flow statements were not presented as required by Hong Kong Statements of Standard Accounting Practice ("SSAP") 1 "Presentation of Financial Statements" and 15 "Cash Flow Statements", assessment on the effect of adoption of SSAP 12 "Income Taxes" was not performed and a full impairment review on fixed assets was not performed in accordance with SSAP 31 "Impairment of Assets".

### **Going concern**

The Group has incurred a net loss of approximately HK\$152,993,000 for the year ended 31 March 2004 and as at that date, its net current liabilities and shareholders' deficit amounted to approximately HK\$361,516,000 and HK\$227,881,000, respectively.

As at the date of approval of the financial statements, 11 June 2007, the Group has settled bank loans of approximately HK\$30,140,000 and the remaining balance of approximately HK\$560,168,000 is overdue.

As at 31 March 2004, the Group has breached certain of its financial covenants in relation to the Hong Kong syndicated bank loans of HK\$220,000,000.

These financial statements have been prepared on a going concern basis, assuming upon the successful outcome of the Proposed Reorganisation as set out in the section below headed "Proposed Reorganisation", which aims to improve the financial position and business of the Group. Subsequent to 31 March 2004, TEDA, a potential shareholder as set out in the section below headed "Proposed Reorganisation", has been providing and will continue to provide financial assistance to the Group for its working capital purposes.

### **Operational Review**

The principal activities of the Group include the construction of gas pipelines, the production and sale of liquefied petroleum gas ("LPG") and piped gas, and the sale of gas appliances.

### **Sales Revenue**

During the year under review, sales revenue recognised for gas sales was approximately HK\$491.9 million, and connection services of approximately HK\$47.4 million. Total revenues for the year amounted to HK\$540.6 million, with HK\$1.3 million of other revenues.

### **Operating Loss**

During the year under review, the Group reported an operating loss of HK\$126.6 million, mainly due to the high costs of sales for connection services, slim margin on gas sales and high selling, general and administration expenses. Loss attributable to equity holders of the Company was HK\$153.0 million, after taking into consideration of finance costs of HK\$22.2 million, taxation of HK\$6.3 million, and credit balance of minority interests of HK\$2.1 million.



## Capital Expenditure

As at 31 March 2004, the Group had total fixed assets at cost of HK\$399.9 million, after taking into consideration the total adjustments (deduction) of HK\$593.4 million made pursuant to the Reconstruction of accounts as mentioned above. Accumulated depreciation and impairment amounted to HK\$48.6 million, resulting in a net book value of fixed assets of HK\$351.3 million.

## Bank Financing

As at 31 March 2004, total bank loans amounted to HK\$590.3 million, of which PRC banks' portion was HK\$325.3 million and Hong Kong syndicated banks' portion of HK\$265.0 million.

## PROSPECTS

### Proposed Reorganisation

The Group is undergoing a major reorganisation which will involve debt restructuring following negotiations with the banks and injection of significant new capital by a potential shareholder, TEDA. The reorganisation will be subject to approval from the shareholders of the Company. The reorganisation aims to streamline the Group's operations and to improve the financial position of the Group. Upon completion of the reorganisation, the Directors expect that the Group's shareholders' deficit will be improved to a positive shareholders' equity position. The proposed reorganisation is set to restore the Group's capital base which is fundamental to the future prospects of the Group.

## FINANCIAL SUMMARY

As set out in the above paragraph (iv) under the heading "Basis for adverse opinion", the financial statements and notes as contained below do not have comparative figures in accordance with SSAP 1 and SSAP 15 and Chapter 18 of the GEM Listing Rules.

### Consolidated income statement

For the year ended 31 March 2004

|  | Note | HK\$'000  |
|--|------|-----------|
| Turnover   | 2    | 539,285   |
| Cost of sales                                      |      | (533,696) |
| Gross profit                                       |      | 5,589     |
| Other revenues                                     |      | 1,302     |
| Selling and distribution costs                     |      | (7,057)   |
| Administrative expenses                            |      | (94,692)  |
| Other operating expenses                           |      | (31,755)  |
| Operating loss                                     |      | (126,613) |
| Finance costs                                      | 4    | (22,180)  |
| Loss before taxation                               |      | (148,793) |
| Taxation   | 5    | (6,321)   |
| Loss after taxation                                |      | (155,114) |
| Minority interests                                 |      | 2,121     |
| Loss attributable to equity holders of the Company |      | (152,993) |

**Loss per share attributable to the equity holders of the Company during the year** (expressed in Hong Kong cents per share)

|           |   |           |
|-----------|---|-----------|
| - basic   | 6 | 7.1 cents |
| - diluted | 6 | 7.0 cents |

**Consolidated balance sheet**

As at 31 March 2004

|  | Note | HK\$'000         |
|--|------|------------------|
| <b>ASSETS</b>                                |      |                  |
| <b>Non-current assets</b>                    |      |                  |
| Intangible assets                            |      | 6,532            |
| Fixed assets                                 |      | 351,283          |
|  |      | <u>357,815</u>   |
| <b>Current assets</b>                        |      |                  |
| Inventories                                  |      | 18,872           |
| Trade receivables                            | 7    | 7,505            |
| Prepayments and other receivables            |      | 21,320           |
| Amounts due from related companies           |      | 7,219            |
| Pledged bank deposits                        |      | 471              |
| Bank balances and cash                       |      | 75,790           |
|  |      | <u>131,177</u>   |
| <b>Current liabilities</b>                   |      |                  |
| Trade and bills payable                      | 8    | 27,623           |
| Tax payable                                  |      | 100              |
| Other payables and accruals                  |      | 83,293           |
| Amount due to minority shareholders          |      | 4,942            |
| Bank loans                                   | 10   | 376,735          |
|  |      | <u>492,693</u>   |
| <b>Net current liabilities</b>               |      | <u>(361,516)</u> |
| <b>Total assets less current liabilities</b> |      | <u>(3,701)</u>   |
| <b>Represented by:</b>                       |      |                  |
| Share capital                                |      | 21,770           |
| Reserves                                     | 9    | (249,651)        |
| Shareholders' deficit                        |      | <u>(227,881)</u> |
| Minority interests                           |      | 10,607           |
| <b>Non-current liabilities</b>               |      |                  |
| Bank loans                                   | 10   | 213,573          |
|  |      | <u>(3,701)</u>   |

**Consolidated statement of changes in equity**

For the year ended 31 March 2004

|   | HK\$'000     |
|---|--------------|
| Total equity as at 1 April 2003, as previously reported   | 661,154      |
| Adjustments made pursuant to the Reconstruction   | (720,444)    |
| Total equity as at 1 April 2003, as restated  | (59,290)     |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | 601          |
| Net gain not recognised in the income statement   | 601          |
| Loss for the year   | (152,993)    |
| Dividends paid (HK\$1.2 cents per ordinary share)   | (25,934)     |
| Issue of shares   | 9,735        |
|   | (227,881)    |
| Shareholders' (deficit) per unit of ordinary share  | (10.5) cents |

**NOTES TO THE FINANCIAL STATEMENTS****1 Basis of preparation - adoption of revised accounting standards**

The Group adopted the revised SSAP 12 "Income Taxes" issued by the HKICPA which is effective for accounting period commencing on or after 1 January 2003. New management have not assessed the effect of adoption of SSAP 12 for the purpose of preparation of these financial statements. In addition, these consolidated financial statements do not contain an explanation of the relationship between tax expense and loss for the year in accordance with SSAP 12.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 April 2005.

The Group did not early adopt these new HKFRSs in the financial statements for the year ended 31 March 2004. The Group is in the process of assessing the impact of these changes and they do not expect these changes to have a significant impact on the Group's results and financial position, except for the following:

- HKAS 1 will affect the presentation of minority interest and other disclosures.
- HKAS 17 will result in a change in the accounting policy relating to the reclassification of land use rights from fixed assets to operating leases.
- HKAS 32 and 39 will result in a change in the accounting policy relating to the classification, recognition and measurement of financial assets and financial liabilities.
- HKFRS 2 will result in a change in the accounting policy relating to share-based payments.

## 2 Segment information

The Group is principally engaged in the provision of connection services to its network of pipelines ("Connection Services") and sale of gases in the PRC. There are no sales or other transactions between the business segments. Business segment analysis is as follows:

|                                     | On-site<br>gas sales <sup>(a)</sup><br>HK\$'000 | Piped<br>gas sales<br>HK\$'000 | Bottled<br>gas sales <sup>(b)</sup><br>HK\$'000 | Connection<br>Services<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------|---|--------------------------------|---|------------------------------------|-------------------|
| Turnover                            | 417,440   | 27,143                         | 47,315  | 47,387                             | 539,285           |
| Segment results                     | (5,140)   | (10,201)                       | (2,013)   | 12,165                             | (5,189)           |
| Interest income                     |   |                                |   |                                    | 806               |
| Unallocated gains                   |   |                                |   |                                    | 496               |
| Unallocated costs                   |   |                                |   |                                    | (122,726)         |
| Operating loss                      |   |                                |   |                                    | (126,613)         |
| Finance costs                       |   |                                |   |                                    | (22,180)          |
| Loss before taxation                |   |                                |   |                                    | (148,793)         |
| Taxation                            |   |                                |   |                                    | (6,321)           |
| Loss after taxation                 |   |                                |   |                                    | (155,114)         |
| Minority interests                  |   |                                |   |                                    | 2,121             |
| Loss attributable to shareholders   |   |                                |   |                                    | (152,993)         |
|                                     |   |                                | Piped<br>gas sales<br>HK\$'000                  | Connection<br>services<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets                      |   |                                | 380,228   | 24,894                             | 405,122           |
| Unallocated assets                  |   |                                |   |                                    | 83,870            |
| Total assets                        |   |                                |   |                                    | 488,992           |
| Segment liabilities                 |   |                                | 45,877  | 33,284                             | 79,161            |
| Unallocated liabilities             |   |                                |   |                                    | 627,005           |
| Taxation payable                    |   |                                |   |                                    | 100               |
| Total liabilities                   |   |                                |   |                                    | 706,266           |
| Other information:                  |   |                                |   |                                    |                   |
| Capital expenditure                 |   |                                | 142,462   |                                    | 142,462           |
| Depreciation                        |   |                                | 15,396  |                                    | 15,396            |
| Impairment of goodwill, unallocated |   |                                | -   |                                    | 7,705             |
| Impairment of fixed assets          |   |                                | 15,311  |                                    | 15,311            |
| Amortisation charge                 |   |                                | 68  |                                    | 68                |



Note:

- (a) On-site gas sales represent the wholesale of LPG to individual agents directly from the suppliers' depots.
- (b) Bottled gas sales include sale of gas appliances of HK\$544,000.

### 3 Operating loss

Operating loss is stated after charging the following:

|  | HK\$'000          |
|--|-------------------|
| Amortisation of intangible assets                        | 68                |
| Auditor's remuneration                                   | 4,908             |
| Cost of inventories sold                                 | 480,969           |
| Depreciation   | 15,396            |
| Impairment of goodwill                                   | 7,705             |
| Impairment of fixed assets                               | 15,311            |
| Loss on disposal of fixed assets                         | 126               |
| Operating leases rental in respect of land and buildings | 2,596             |
| Provision for:   |                   |
| - amount due from a minority shareholder                 | 1,556             |
| - amount due from a related company                      | 590               |
| - doubtful debts for trade receivables                   | 7,502             |
| - doubtful prepayments and other receivables             | 15,839            |
| Staff costs (including directors' emoluments)            | 33,491            |
| Penalty payable to SAFE                                  | 6,358             |
|  | <u>          </u> |

### 4 Finance costs

|   | <u>Group</u><br>HK\$'000 |
|---|--------------------------|
| Interest on bank loans wholly payable within five years | 22,180                   |
|   | <u>          </u>        |

### 5 Taxation

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

The subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at a rate 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 the tax holiday of two years commencing from the first tax profit making year followed by a 50% reduction in EIT for the next three years.

The amount of taxation charged to the consolidated income statement represents current taxation of PRC enterprise income tax.

### 6 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$152,993,000.

The basic loss per share is based on the weighted average number of 2,168,039,178 ordinary shares in issue during the year. The diluted earnings per share is based on 2,168,039,178 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 32,742,697 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 7 Trade receivables

Other than the sale of gas on a cash basis, the majority of the Group's credit sales are generally on a credit term of three months to a year. As at 31 March 2004, the ageing analysis of the trade receivables is as follows:

|                                    | <u>Group</u><br>HK\$'000 |
|------------------------------------|--------------------------|
| 0-90 days                          | 3,503                    |
| 91-180 days                        | -                        |
| 181-360 days                       | 6,396                    |
| Over 360 days                      | 16,190                   |
|                                    | <hr/>                    |
|                                    | 26,089                   |
| Less: Provision for doubtful debts | (18,584)                 |
|                                    | <hr/>                    |
|                                    | 7,505                    |
|                                    | <hr/> <hr/>              |

## 8 Trade and bills payable

The ageing analysis of the trade and bills payable as at 31 March 2004 is as follows:

|               | <u>Group</u><br>HK\$'000 |
|---------------|--------------------------|
| 0-90 days     | 18,528                   |
| 91-180 days   | 1,541                    |
| 181-360 days  | 2,513                    |
| Over 360 days | 5,041                    |
|               | <hr/>                    |
|               | 27,623                   |
|               | <hr/> <hr/>              |

## 9 Reserves

|  | Share<br>premium<br>HK\$'000 | Contributed<br>surplus (i)<br>HK\$'000 | Leasehold<br>land and<br>buildings<br>revaluation<br>reserve<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Statutory<br>reserve (ii)<br>HK\$'000 | Enterprise<br>development<br>fund (ii)<br>HK\$'000 | Retained<br>earnings/<br>(accumulated<br>loss)<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|--|--|--|---------------------------------------|--|--|-------------------|
| Company and subsidiaries:  |                              |  |  |  |                                       |  |  |                   |
| At 1 April 2003, as previously reported  | 181,502                      | 28,800                                 | 5,703  | (235)  | 15,590                                | 885  | 381,363  | 613,608           |
| Adjustments made pursuant to the<br>Reconstruction (Note (i) under paragraphs<br>headed "Basis for adverse opinion") | -                            | -                                      | (5,703)  | -  | (13,029)                              | (885)  | (700,827)  | (720,444)         |
| At 1 April 2003, as restated   | 181,502                      | 28,800                                 | -  | (235)  | 2,561                                 | -  | (319,464)  | (106,836)         |
| Exchange differences   | -                            | -                                      | -  | 601  | -                                     | -  | -  | 601               |
| Loss for the year  | -                            | -                                      | -  | -  | -                                     | -  | (152,993)  | (152,993)         |
| Issue of shares options  | 9,577                        | -                                      | -  | -  | -                                     | -  | -  | 9,577             |
| At 31 March 2004   | 191,079                      | 28,800                                 | -  | 366  | 2,561                                 | -  | (472,457)  | (249,651)         |



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 share on SEHK and the nominal value of the Company's shares issued in exchange therefor.
- (ii) 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 reserve and enterprise development fund. The statutory reserve can be used to offset the accumulated losses or to increase capital upon approval by the respective board of directors. The enterprise development fund can be used for the future development of the subsidiaries. Both the statutory reserve and the enterprise development funds are not distributable unless their aforesaid subsidiaries in the PRC are dissolved.

## 10 Bank loans

|   | <u>Group</u><br>HK\$'000 |
|---|--------------------------|
| Bank loans wholly repayable within five years,<br>unsecured |                          |
| - PRC banks   | 325,308                  |
| - Hong Kong syndicated                                      | 220,000                  |
| - Other Hong Kong banks                                     | 45,000                   |
|   | <hr/> 590,308            |
| Current portion of bank loans                               | (376,735)                |
|   | <hr/> <hr/> 213,573      |

At 31 March 2004, the Group's bank loans were repayable as follows:

|                            | <u>Group</u><br>HK\$'000 |
|----------------------------|--------------------------|
| Within one year            | 376,735                  |
| In the second year         | 175,858                  |
| In the third to fifth year | 37,715                   |
|                            | <hr/> 590,308            |

- (a) As at the date of approval of these financial statements, the Group has settled bank loans of approximately HK\$30,140,000 and the remaining balance of approximately HK\$560,168,000 is overdue.

As at 31 March 2004, the Group has breached certain of its financial covenants in relation to the Hong Kong syndicated bank loans of HK\$220,000,000. As a result, these bank loans are classified as current liabilities in these financial statements.

- (b) PRC and Hong Kong bank borrowings bore annual interest ranging at rates from 5% to 5.8% and 2.3% respectively.

## 11 Contingent liabilities

Guarantees for subsidiaries

Company  
HK\$'000

Guarantees for bank loans of subsidiaries

345,288

## 12 Commitments

- (a) Capital commitments

Group  
HK\$'000

Contracted but not provided for:

Capital commitments in respect of land and buildings, gas pipelines and machinery and equipment

26,469

Remaining consideration in respect of acquisition of a subsidiary of Tsinlien Group Company Limited, a related company

63,000

Commitments in respect of capital contributions to subsidiaries established in the PRC

724,980

814,449

Note: As at the date of approval of these financial statements, 11 June 2007, the registered share capital of the subsidiaries incorporated in the PRC has not been fully paid up yet. Although the deadline for injecting the remaining capital commitment for the PRC subsidiaries has expired, all of these subsidiaries except for Nanchang City Changbei Wah Sang Gas Co., Ltd. which has been disposed during the financial year ended 31 March 2006, are still operating at the date of approval of these financial statements.

- (b) Commitments under operating leases

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

Group  
HK\$'000

Not later than one year

607

Later than one year and not later than five years

1,751

Later than five years

1,410

3,768

## **SUBSEQUENT EVENTS**

### **Penalty charged by the State Administration of Foreign Exchange (“SAFE”)**

Subsequent to 31 March 2004, SAFE of the People’s Republic of China (the “PRC”) issued a penalty notice to Wah Sang Gas (China) Investments Company Limited, a principal subsidiary of the Company. As mentioned in the notice, several subsidiaries of the Group were in breach of the Regulations on Foreign Exchange Control of the PRC. The alleged breaches involved the fund remittance of approximately HK\$36,411,000 out of suspected falsified profits recorded in certain PRC subsidiaries of the Company to certain Hong Kong subsidiaries of the Company and the reinvestment of funds of approximately RMB92,433,000 (equivalent to approximately HK\$87,152,000) out of the suspected falsified profits from different PRC subsidiaries to other PRC subsidiaries. SAFE imposed an initial penalty of approximately RMB28,743,000 (equivalent to approximately HK\$27,101,000) on a subsidiary, Wah Sang Gas (China) Investments Company Limited. The penalty was subsequently finalised and reduced to approximately RMB6,743,000. (equivalent to approximately HK\$6,358,000)

### **New Corporate Income Tax Law (the new “CIT Law”)**

On 16 March 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the new “CIT Law”). The new CIT Law amends the corporate income tax rate from a range of 15% to 33% to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 March 2004. The Company will continue to evaluate the impact as more detailed regulations are announced.

### **Legal proceedings in relation to the filing of the audited consolidated financial statements of the Company under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)**

Due to the failure by the Company to file its audited consolidated financial statements for the year ended 31 March 2004 with the Hong Kong Companies Registry together with its annual return in compliance with section 336(1) of the Companies Ordinance, the Registrar of Companies applied to the High Court of Hong Kong for an order against the Company and some of its directors that they shall make good the default within 14 days from the date of the order. The Court made an order on 15 May 2007 (“the Order”) against the Company and some of its directors requiring them to make good the default within 28 days from the date of the Order. Pursuant to the Order, the Company filed its audited consolidated financial statements for the year ended 31 March 2004 with the Hong Kong Companies Registry on 12 June 2007. The Company understands that the Registrar of Companies is considering whether the documents filed by the Company comply fully with the terms of the Order.

## **PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES**

During the year ended 31 March 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.



## SHARE OPTIONS GRANTED AND EXPIRED

Details of the share options outstanding as at 31 March 2004 which have been granted under the Scheme are as follows:

|  | <u>Number of shares subject to outstanding options</u> |                               |                                 |                              | As at<br>31 March<br>2004 |
|--|--|-------------------------------|---------------------------------|------------------------------|---------------------------|
|  | As at<br>1 April<br>2003                               | Granted<br>during<br>the year | Exercised<br>during<br>the year | Lapsed<br>during the<br>year |                           |
| Directors, chief executive and<br>substantial shareholders | 117,500,000  | -                             | (10,000,000)                    | (3,000,000)                  | 104,500,000               |
| Other employees  | 17,300,000   | 1,200,000                     | (5,800,000)                     | (4,200,000)                  | 8,500,000                 |
| Total  | <u>134,800,000</u>                                     | <u>1,200,000</u>              | <u>(15,800,000)</u>             | <u>(7,200,000)</u>           | <u>113,000,000</u>        |

As at the date of this report, all the outstanding share options as mentioned above have been lapsed or cancelled.

## AUDIT COMMITTEE

During the year under review, the audit committee had two members comprising two independent non-executive directors, namely Mr. Ng Eng Leong and Mr. Cui Shuming. 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. With the resignation of Mr. Ng and Mr. Cui respectively on 7 June 2005 and 9 January 2006, the audited financial statements for the year ended 31 March 2004 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, 11 June 2007.

## 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 2004.

## ISSUANCE OF ANNUAL REPORT

The Board is fully aware of the compliance requirements to issue the overdue annual reports for the year ended 31 March 2004, 2005, 2006 and 2007. The Board will inform the shareholders of the Company by way of an announcement as soon as practicable when the Company is able to announce the results for the year 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, 11 July 2007

*As at the date of this announcement, the board of directors of the Company has the following executive directors: Mr. Shum Ka Sang, Mr. Wang Gang, Mr. Shi Dun Hong, Mr. Dai Yan and Mr. Lam Man Lim. There is no independent non-executive director.*

*\* For identification purpose only*