



華僑燃氣控股有限公司

WAH SANG GAS

HOLDINGS LIMITED

二零零零年至二零零一年第一季報告
2000/2001 First Quarter Report

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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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

HIGHLIGHTS

- For the three months ended 30 June 2000, the unaudited consolidated turnover and net profit attributable to shareholders of the Group were HK\$44,748,000 and HK\$14,818,000 respectively, increasing by 1.8 times and 12.9 times respectively from the corresponding period last year.
- For the three months ended 30 June 2000, the Group has installed approximately 11,900 meters, increasing by 3.7 times from the corresponding period last year.
- For the three months ended 30 June 2000, the consumption of piped gas by the Group's customers amounted to 52.33 X 10⁶ mega-joules, increasing by 3.8 times from the corresponding period last year.
- For the three months ended 30 June 2000, the gas sales to the Group's liquefied petroleum gas ("LPG") wholesale and retail customers reached 241.42 X 10⁶ mega-joules, increasing by approximately 10% over the corresponding period last year.
- The directors do not recommend the payment of any dividend for the three months ended 30 June 2000.

QUARTERLY RESULTS (UNAUDITED)

The directors of the Wah Sang Gas Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the period from 1 April 2000 to 30 June 2000, together with the comparative figures of the unaudited consolidated results for the corresponding period in 1999, are set out below:

	Notes	Three months ended 30 June	
		2000 HK\$'000	1999 HK\$'000
TURNOVER	2	44,748	16,150
Cost of sales		(23,527)	(12,501)
Gross profit		21,221	3,649
Selling and distribution costs		(182)	(63)
General and administrative expenses		(4,636)	(1,605)
PROFIT FROM OPERATING ACTIVITIES		16,403	1,981
Finance costs		(413)	(424)
PROFIT BEFORE TAX		15,990	1,557
Tax	3	(507)	(213)
PROFIT BEFORE MINORITY INTERESTS		15,483	1,344
Minority interests		(665)	(281)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		14,818	1,063
EARNINGS PER SHARE	4	7.69 cents	0.73 cents

(1) **Group reorganization and basis of preparation**

The Company was incorporated as an exempted company with limited liability in Bermuda on 25 October 1999 under the Companies Act 1981 of Bermuda. On 26 February 2000, pursuant to a reorganization to rationalize the Group structure in preparation for the listing of the Company's shares (the "Reorganization") on the GEM, the Company acquired the entire issued share capital of Winstar Venture Limited, the then holding company of the subsidiaries included in the Reorganization, and thereby became the holding company of the Group. The shares of the Company were listed on the GEM with effect from 16 March 2000.

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group reorganisation for both periods presented, rather than from the date of their acquisition through the Reorganisation on 26 February 2000. Accordingly, the consolidated results of the Group for the period ended 30 June 1999 and 2000 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period.

The Company is an investment holding company. Its subsidiaries are principally engaged in the construction of gas pipelines, production and sale of gas, and sale of equipment.

(2) **Turnover**

The Group's turnover represents the invoiced value of construction services performed, and gas and equipment sold, net of value-added tax, business tax and government surcharges, and after allowance for goods returned and trade discounts.

Revenue from the following activities has been included in the Group's turnover:

	Three months ended 30 June	
	2000 HK\$'000	1999 HK\$'000
Sale of LPG and piped gas	16,363	10,409
Gas pipelines construction	28,337	4,925
Sale of equipment and others	48	816
	<u>44,748</u>	<u>16,150</u>

(3) **Tax**

	Three months ended 30 June	
	2000 HK\$'000	1999 HK\$'000
Hong Kong	—	—
Mainland China	507	213
Tax charge for the period	<u>507</u>	<u>213</u>

The Group did not have assessable profits arising in Hong Kong during the period ended 30 June 2000 and 30 June 1999. Taxes on profits assessable elsewhere in the PRC have been calculated based on existing legislation, interpretations and practices at the prevailing rates of tax. For three months ended 30 June 2000 and 30 June 1999, most of the Group's PRC joint venture were exempted from income tax or were taxable at a concessionary tax rate ranging from 15% to 18%.

The Group did not have any significant unprovided deferred tax liabilities for the period.

(4) **Earnings per share**

The calculation of basic earnings per share is based on the net unaudited profit attributable to shareholders for the three months ended 30 June 2000 of approximately HK\$14,818,000 (1999: HK\$1,063,000) and on the weighted average of 192,792,000 shares (1999: 145,500,000 shares) in issue during the period ended 30 June 2000.

The number of shares used to calculate the 1999 basic earnings per share represents the pro forma issued share capital of the Company on the basis that the Reorganization had been completed on 1 April 1999.

(5) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 <i>(note)</i>	Fixed assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Enterprise development fund HK\$'000	Retained profits HK\$'000	Total HK\$'000	
At 1 April 1999		–	4,800	–	341	783	885	(10,854)	(4,045)
Translation difference on consolidation		–	–	–	25	–	–	–	25
Net profit for the period		–	–	–	–	–	–	1,063	1,063
At 30 June 1999	<u>–</u>	<u>4,800</u>	<u>–</u>	<u>366</u>	<u>783</u>	<u>885</u>	<u>(9,791)</u>	<u>(2,957)</u>	
At 1 April 2000	20,215	28,800	3,852	452	783	885	14,004	68,991	
Issue of shares	6,720	–	–	–	–	–	–	6,720	
Share issue expenses (256)	(256)	–	–	–	–	–	–	(256)	
Translation difference on consolidation	–	–	–	(11)	–	–	–	(11)	
Net profit for the period	–	–	–	–	–	–	–	14,818	14,818
At 30 June 2000	<u>26,679</u>	<u>28,800</u>	<u>3,852</u>	<u>441</u>	<u>783</u>	<u>885</u>	<u>28,822</u>	<u>90,262</u>	

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganization over the nominal value of the Company's shares issued in exchange therefor.

DIVIDEND

The board of directors has resolved not to recommend the payment of dividend for the three months ended 30 June 2000 (1999: Nil).

BUSINESS REVIEW

In line with the country-wide continuing development on the PRC's economy and environmental awareness, the demand for gas fuel in the PRC continued to increase significantly. Under this favourable market environment, the performance of the Group's piped gas business in the three months ended 30 June 2000 has been encouraging.

The operating results of the Group for the three months ended 30 June 2000 are summarized below:

- Turnover for the three months ended 30 June 2000 increased to approximately HK\$44.7 million, representing a growth of 1.8 times over the corresponding period last year;
- Profit from operating activities amounted to approximately HK\$16.4 million, representing an increase of 7.3 times over the corresponding period last year; and
- Net profit attributable to shareholders for the three months ended 30 June 2000 amounted to approximately HK\$14.8 million, representing an increase of 12.9 times over the corresponding period last year.

The above encouraging results are principally attributed to the following major achievements of the Group in its major businesses during the three months ended 30 June 2000:

Construction of gas pipeline networks

The Group received one-off fee ("connection fee") mainly from property developers or property management companies for the construction of gas pipelines which connected the gas users to the Group's main gas pipeline networks.

For the three months ended 30 June 2000, the Group recorded a sustainable growth in its connection fee revenue generated from Tianjin City, Hebei Province and Shandong Province. The Group has installed meters for approximately 11,900 households for the three months ended 30 June 2000, representing an increase of 3.7 times over the corresponding period last year.

Recently, the Group has entered into agreements to form two major cooperative joint ventures in Qinhuangdao City of Hebei Province and Guangyau County of Shangdong Province where the designed capacities are estimated to be 15,000 households and 20,000 households, respectively. The construction work of the first gas station in each of these two joint ventures is expected to commence in September 2000.

Provision of piped gas

Over the past years, the brand name of Wah Sang is well recognized by local governments and residents in the PRC, resulting in a rapid development of piped gas business in Tianjin City, Hebei Province and Shangdong Province. The Group's total length of main pipelines increased from approximately 20 kilometers in June 1999 to approximately 90 kilometers in June 2000, representing an increase of 3.5 times. Consumption of piped gas increased from approximately 10.92×10^6 mega-joules for the three months ended 30 June 1999 to approximately 52.33×10^6 mega-joules for the corresponding period in 2000, representing an increase of 3.8 times.

In line with the Group's strategy in developing the market of industrial users of piped gas in the PRC, the Group entered into an agreement in April 2000 with a Sino-foreign equity joint venture established in Tianjin to supply industrial piped gas via a gas station in Wuqing district, Tianjin City. This confirmed that the quality of the Group's piped gas and related supporting services have been recognized by enterprises managed by foreign companies, including certain multinational companies.

LPG retailing and wholesaling

In addition to gas supply via pipeline networks to customers, the Group also provides retailing services to domestic, industrial and commercial customers where the supply of piped gas has not yet been extended. The Group also wholesales LPG to other local gas distributors and industrial customers.

It was encouraging that the volume of the Group's LPG supply under retailing and wholesaling arrangements increased from 219.97×10^6 mega joules for the three months ended 30 June 1999 to 241.42×10^6 mega-joules for the corresponding period in 2000, representing an increase of approximately 10%.

FUTURE PROSPECTS

In addition to Tianjin City, Shangdong Province and Hebei Province, the Group is seeking opportunities to explore the market in Guangxi Province, Jiangsu Province, Henan Province and Heilongjiang Province where there is a total population of approximately 245 million in aggregate. Our research on the current living standard of the residents in these provinces revealed that the potential demand for gas fuel in these provinces is substantial. In this respect, we are currently conducting further study our penetration strategy in these potential major markets.

In March 2000, the Group has obtained a right from the local government to supply natural gas in Tianjin Port Free Trade Zone. The development of natural gas project in Tianjin Port Free Trade Zone will bring an extremely brilliant prospect for the Group to enter the natural gas provider industry.

With the proven equipment design and favorable market environment, the Group has successfully provided piped gas to its commercial/industrial customers. The directors of the Group is confident that the prosperous exploitation of the provision of piped gas to commercial/industrial customers in the PRC would have a considerable contribution to the future revenue of the Group. Accordingly, the Group would expedite the progress on the development of this business.

The development of gas vehicles has become a market trend in recent years, especially following the implementation of supplemental fuel duty, use of gas vehicles would likely increase significantly. Hence, seeing that gas vehicles a solution to improve air pollution problems and make cities to become more environmentally friendly, the Group will actively conduct researches to explore the feasibility of operating gas vehicles refueling stations in the PRC.

Given the prosperous market environment in the PRC and our years of experience and unique expertise in conducting gas fuel business in the PRC, the Group is aiming at becoming one of the leading gas fuel providers in the PRC via the achievement of the following objectives:

- To provide a safe, reliable supply of gas, and excellent services to customers.
- To improve the environmental conditions and upgrade the standard of living in the PRC.

All members of the Board of Directors and staff are fully committed to achieving the above objectives. We are confident that the Group would yield satisfactory returns for the Company's shareholders.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of the Company's share option scheme adopted by the Company on 26 February 2000, the Board of Directors of the Company may, at their discretion, invite any employee of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 16 March 2000.

Pursuant to the aforementioned share option scheme, the Company has granted options to certain directors to subscribe for shares of the Company. Details of which are as follows:

Name	Number of shares subject to options outstanding at the date of this report
Shum Ka Sang	2,550,000
Wang Guanghao	1,200,000
Choi Yat Choy	2,200,000
Shen Yi	2,200,000
Chen Cuiwan	1,200,000

The above options were granted on 5 May 2000, at an exercise price of HK\$6.10. The option can be exercised at any time in the next five years commencing on 6 November 2000. Save as disclosed above, at no time during the three months ended 30 June 2000 was the Company or any of its subsidiaries in party to any arrangements to enable the Company's directors or their associates or any body corporate.

DIRECTORS' INTEREST IN SECURITIES

As at 30 June 2000, the interests of the directors and their associated corporations in the share capital of the Company and shares of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of issued ordinary shares of HK\$0.10 each in the Company			
	Personal Interest	Family Interest	Corporate Interest	Other Interest
Mr. Shum Ka Sang	4,365,000	–	82,935,000 (Note)	–

Note: At 30 June 2000, Mr. Shum Ka Sang was a substantial shareholder of Wah Sang Gas Development Group (Cayman Islands) Limited ("Wah Sang Gas Development"), which beneficially held 82,935,000 shares representing a 42.95% interest in the Company.

Saved as disclosed above and as disclosed under the heading "Directors' rights to acquire shares" in this report, as at 30 June 2000 none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares held	Percentage
Mr. Shum Ka Sang	82,935,000	42.95%
	(corporate interest – note 1)	
	4,365,000 (personal interest)	2.26%
Santa Resources Limited (note 2)	58,200,000	30.14%
Wah Sang Gas Development	82,935,000	42.95%

Note

- As at 30 June 2000, Wah Sang Gas Development was owned as to 90% by Mr. Shum Ka Sang. The Corporate interest disclosed under Mr. Shum Ka Sang represents his deemed interests in the shares of the Company by virtue of its interest in Wah Sang Gas Development.
- Santa Resources Limited is a wholly owned subsidiary of Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board operated by the Stock Exchange of Hong Kong.

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of the subsidiaries purchase, sold or redeemed any of the Company's listed securities during the period.

ISSUE OF SHARES

On 5 April 2000, Oriental Patron Asia Limited ("Oriental Patron") exercised in full the over-allotment option (the "Option") granted to it in connection with the Company's initial public offering in March 2000. Pursuant to the terms of the Option, the Company further issued 5,600,000 shares of HK\$0.10 each at HK\$1.30 per share for a total cash consideration of HK\$7,280,000 for repaying outstanding bank borrowings and for general working capital purposes.

SPONSOR'S INTERESTS

As at 30 June 2000, Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor Oriental Patron Asia Limited ("Oriental Patron") were interested in 3,900,000 shares which represented 2.02% of the issued shares of the Company. Save as disclosed herein, none of Oriental Patron, its directors, employees or associates as referred to in Note 3 to rule 6.35 of the GEM Listing Rules had any interest in the shares of the Company as at 30 June 2000.

Pursuant to the agreement dated 1 November 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive fees for acting as the Company's retained sponsor for the period from 16 March 2000 to 31 March 2002.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. Two meetings have been held by the members of the audit committee since its formation.

YEAR 2000 COMPLIANCE

The Group is not threatened by the year 2000 problem as the liquefied petroleum equipment and other gas supply equipment of the Group is machinery equipment instead of computerized equipment. The Group's internal computer systems are mainly used for office automation and contain no important databases of supply business. The Group has confirmed that its internal computers are year 2000 compliant. Up to the date of this report, the Group has not encountered any material year 2000 problem.

BY ORDER OF THE BOARD
Shum Ka Sang
Chairman

Hong Kong, 10 August 2000

* *for identification purposes only*