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華燊燃氣控股有限公司\*

Wah Sang Gas Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 8035)

- 1. SUSPENSION OF TRADING IN SHARES  
AND APPOINTMENT OF SUB-COMMITTEE OF THE BOARD  
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THE SECURITIES AND FUTURES COMMISSION**
- 2. NOTICE OF ADMINISTRATIVE PENALTY  
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- 6. CLARIFICATION OF CERTAIN NEWSPAPER ARTICLE**
- 7. DEFAULT IN LOAN REPAYMENT**
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**1. Suspension of Trading in Shares and Appointment of Sub-committee of the Board**

The SFC has informed the Board that it has directed the suspension of trading in the shares of the Company on 6 April 2004 in light of its concerns regarding the accuracy of the profit levels of some of the Company's subsidiaries. The SFC has also raised concerns regarding suspicious fund flows involving some of the Company's subsidiaries

\* For identification purpose only

in the PRC, the manner in which the Group is being run and that the published accounting records of the Company may contain false and misleading information. The Company is taking the matter seriously and is actively ascertaining the situations related to the concerns raised by the SFC.

The Board passed a resolution on 8 April 2004 to appoint a sub-committee of the Board with responsibilities for, among other things, assisting the Board to address issues arising out of the suspension of trading in shares of the Company and co-ordinating the Company's responses to the inquiry by the SFC pursuant to section 179 of the SFO, with a view to protecting the interests of all shareholders of the Company.

The Company is in the process of instructing PricewaterhouseCoopers to perform certain procedures on the Company's accounting records and review the overall financial position of the Company and to assist the Company in addressing financial-related issues raised by the SFC and SAFE (as referred to below).

## **2. Notice of Administrative Penalty received by a Subsidiary**

The Board announces that Wah Sang Gas (China), a wholly-owned subsidiary of the Company incorporated in the PRC, received a Notice dated 6 April 2004 from SAFE on 8 April 2004 regarding certain alleged breaches of the Regulations on Foreign Exchange Control of the PRC by Wah Sang Gas (China) and its subsidiaries. The Notice was passed to the Hong Kong office of the Company on 14 April 2004. The alleged breaches involved acquisition of foreign currencies for remittance out of the PRC by way of false profits and reinvestment with false Renminbi profits, but Wah Sang Gas (China) has not been provided with the full particulars of such allegations. SAFE has provisionally expressed an intention to impose a fine of RMB28,742,720.23 (approximately HK\$27,115,774 at the exchange rate of HK\$1.00 to RMB1.06) on Wah Sang Gas (China).

Wah Sang Gas (China) has, within the deadline of 7 days from the date of receipt of the Notice from SAFE, made written representations to SAFE on 15 April 2004 in relation to the allegations to the effect that (i) remittances of foreign currencies by subsidiaries of Wah Sang Gas (China) were entirely made to the Company for injection of capital to Wah Sang Gas (China) and not for any other purpose; (ii) Wah Sang Gas (China) was not well acquainted with the detail procedures for injection of capital and the remittance of foreign currencies was unintentional; (iii) Wah Sang Gas (China) denied that there was a reinvestment by way of profits in Renminbi. Wah Sang Gas (China) is continuing investigations into the allegations by SAFE with a view to making a further representation to SAFE in relation to these matters. The Company has not received the final decision of, or otherwise response from, SAFE on these matters.

Somerley Limited has been appointed to review and consider the allegations stated in the Notice. PricewaterhouseCoopers have been invited to review the relevant financial information relating to the subsidiaries in issue. Pending the exercise to be conducted by PricewaterhouseCoopers and Somerley Limited and consultation with its PRC legal adviser, the Company will take necessary and appropriate actions to protect the interest of the Company including, without limitation, appealing against any final decision of SAFE or negotiating directly or indirectly for a more favourable penalty arrangement.

### **3. Change of Chairman, Chief Executive Officer and Executive Directors**

Pursuant to a letter of resignation from Mr. Shum Ka Sang received by the Board on 4 May 2004 (of which the Board was informed on 3 May 2004), Mr. Shum Ka Sang (the Chairman, the Chief Executive Officer and an Executive Director) has resigned as the Chairman and the Chief Executive Officer of the Company with effect from 29 April 2004 but will remain as an Executive Director.

Pursuant to a letter of resignation from Mr. Shen Yi received by the Board on 4 May 2004 (of which the Board was informed on 3 May 2004), Mr. Shen Yi (the Chief Operating Officer and an Executive Director) has resigned as an Executive Director with effect from 2 May 2004 and as the Chief Operating Officer of the Company with effect from 19 May 2004 for personal reason.

Further, with effect from 3 May 2004, Ms. Qian Mingjin (an Executive Director) has resigned as an Executive Director for personal reason and all her executive roles are suspended.

Both Mr. Shen Yi and Ms. Qian Mingjin have confirmed that there are no matters relating to their resignations that need to be brought to the attention of the Shareholders.

With a view to ensure and strengthen the business operation and management of the Company, on 3 May 2004 the Board resolved to appoint (i) Dr. Zhang Hongru as an Executive Director and the Chairman of the Company in replacement of Mr. Shum as the Chairman of the Company with effect from 3 May 2004; and (ii) Mr. Wang Gang as an Executive Director and the Chief Executive Officer of the Company in replacement of Mr. Shum as the Chief Executive Officer of the Company with effect from 3 May 2004.

Dr. Zhang Hongru, aged 47, is a senior economist, a PRC attorney and a part-time professor of Nankai University, and was an arbitrator of the Tianjin Economic Arbitration Committee. Dr. Zhang is an executive director and the General Manager of Tianjin Development Holdings Limited, a company listed on the Main Board of the Stock Exchange and a substantial shareholder of the Company. He is also the director and general manager of Tsinlien Group Company Limited, which is the holding company of Tianjin Development Holdings Limited.

Mr. Wang Gang, aged 38, has ample professional experience in thermal engineering and is the Chairman and General Manager of 天津泰達津聯燃氣有限公司 (Tianjin TEDA Gas Co. Ltd.\*), a subsidiary of Tsinlien Group Company Limited and a fellow subsidiary of Tianjin Development Holdings Limited (a substantial shareholder of the Company) operating gas supply business in Tianjin.

### **4. Enquiries by PRC Authorities**

The Company believes that Mr. Shum, Mr. Shen Yi and two other senior staff from the Accounts Department of the Group are currently engaged in the PRC, assisting the authorities in the PRC with certain enquiries, details of which are unknown to the Company. In addition, officers from the Public Securities Bureau on three occasions in

April 2004 took away from the office of Wah Sang Gas (China) certain corporate documents and accounting records of Tianjin Wah Sang Gas (China), Tianjin Wah Sang Energy Development Co. Ltd. and Wah Sang Gas Enterprises Co., Ltd.

#### **5. Further Delay in Third Quarterly Results**

The Board wishes to inform the shareholders of the Company that the announcement of the Third Quarterly Results and the despatch of the 2004 Q3 Report are delayed until further notice as the Company is still in the process of compiling the necessary information required by its auditors for the purpose. Such delay will constitute a breach of Rule 18.66 of the GEM Listing Rules.

The Board will inform the shareholders as soon as practicable when the Company is able to announce the Third Quarterly Results and despatch the 2004 Q3 Report.

#### **6. Clarification of certain Newspaper Article**

Further, the Board wishes to make certain clarifications in light of certain newspaper article published recently in relation to the PRC local governments' proposed plan to intervene and possibly, take over the gas business of the Group.

#### **7. Default in Loan Repayment**

Due to liquidity problem, the Company has defaulted in making the repayment of principal of HK\$55 million due on 10 May 2004 pursuant to an agreement for a syndicated loan arranged by CITIC Ka Wah Bank Limited dated 5 November 2002 but has repaid an amount of HK\$10 million plus the total interest payment of approximately HK\$120,000.00. The bank syndicate has in principle (though with no legal binding effect) agreed to grant time for the Company to conduct the necessary investigations and to come up with a debt repayment proposal.

China Merchants Bank Co., Ltd., Hong Kong Branch has also declared that the Company is in default under a bank facility letter dated 18 March 2003 of HK\$25,000,000 but has not indicated any immediate threat of legal enforcement action.

Apart from the above, the Company has not received any demand for early repayment from other bank creditors.

#### **8. Review of Operations**

The Board believes that the existing level of operation of the Group, which includes pipeline construction and gas supply business, is sufficient for purpose of Rule 17.26 of the GEM Listing Rules. The Board has found special teams to perform on-site review of the operation of all gas stations of the Company in the PRC, and it is anticipated that such review could be finished by the end of June 2004.

**The Company will inform its shareholders and the public of the development of the matters mentioned in this announcement as and when appropriate.**

**Trading in the shares of the Company will remain suspended until further notice.**

## **1. Suspension of Trading in Shares and Appointment of Sub-committee of the Board**

Trading in the shares of Wah Sang Gas Holdings Limited (the “Company”) was suspended by the Securities and Futures Commission (the “SFC”) on 6 April 2004 (the “Suspension”) pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571 of the Laws of Hong Kong). The SFC has informed the Company that it is concerned about the accuracy of the profit levels of some of the Company’s subsidiaries and that it requires the Company to address these matters fully before a resumption of trading can be considered.

In connection with the SFC’s inquiry (the “Inquiry”) pursuant to Section 179 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), the SFC has also raised concerns regarding suspicious fund flows involving some of the Company’s subsidiaries in the People’s Republic of China (the “PRC”), the manner in which the Company and its subsidiaries (together the “Group”) are being run and that the published accounting records of the Company may contain false and misleading information. The Company is taking this matter seriously and is actively ascertaining the situations related to the concerns raised by the SFC.

The Company is not in a position to comment on when trading in the Company’s shares will resume. However, the Company and its board (the “Board”) of directors (“Director(s)”) are taking active steps to seek to ensure that the matters raised by the SFC are addressed and that trading is resumed as soon as possible.

As part of its efforts to cooperate and assist the SFC with the Inquiry, on 8 April 2004 the Board resolved to appoint a sub-committee (the “Sub-committee”) comprising an executive Director and two independent non-executive Directors, namely Mr. Cheung Man Hoi, Mr. Ng Eng Leong and Mr. Cui Shuming, respectively, with responsibilities, among other things, in:–

- (i) assisting the Board to address the issues arising out of the Suspension;
- (ii) co-ordinating the Company’s responses to the Inquiry;
- (iii) appointing professional advisers in support of the Sub-committee’s work referred to in sub-paragraphs (i) and (ii) above; and
- (iv) reporting to the Board in relation to the above, as appropriate.

The Company is in the process of instructing PricewaterhouseCoopers to perform certain procedures on the Company’s accounting records and review the overall financial position of the Company and to assist the Company in addressing financial-related issues raised

by the SFC and the State Administration of Foreign Exchange of the PRC (“SAFE”) (as referred to below).

## **2. Notice of Administrative Penalty received by a Subsidiary**

Wah Sang Gas (China) Investments Co., Ltd (“Wah Sang Gas (China)”), a wholly-owned subsidiary of the Company incorporated in the PRC, has received a notice dated 6 April 2004 (the “Notice”) from SAFE on 8 April 2004 regarding certain alleged breaches of the Regulations on Foreign Exchange Control of the PRC by Wah Sang Gas (China) and ten of its subsidiaries. The Notice was passed to the Hong Kong office of the Company on 14 April 2004. The alleged breaches involved acquisition of foreign currencies for remittance out of the PRC by way of false profits and reinvestment with false Renminbi profits, but Wah Sang Gas (China) has not been provided with the full particulars of such allegations. SAFE has provisionally expressed an intention to impose on Wah Sang Gas (China) a fine of RMB28,742,720.23 (approximately HK\$27,115,774 at the exchange rate of HK\$1.00 to RMB1.06).

Wah Sang Gas (China) has, within the deadline of 7 days from the date of receipt of the Notice, made written representations to SAFE on 15 April 2004 in relation to the allegations to the effect that (i) remittances of foreign currencies by subsidiaries of Wah Sang Gas (China) were entirely made to the Company for injection of capital to Wah Sang Gas (China) and not for any other purpose; (ii) Wah Sang Gas (China) was not well acquainted with the proper way for injection of capital and the remittance of foreign currencies was unintentional; (iii) Wah Sang Gas (China) denied that there was a reinvestment by way of profits in Renminbi and is continuing investigations into the allegations by SAFE. The Company has not received the final decision of, or otherwise response from, SAFE on these matters.

Somerley Limited has been appointed to review and consider the allegations stated in the Notice. PricewaterhouseCoopers have been invited to review the relevant financial information relating to the subsidiaries in issue. Pending the exercise to be conducted by PricewaterhouseCoopers and Somerley Limited and consultation with its PRC legal adviser, the Company will take necessary and appropriate actions to protect the interest of the Company including, without limitation, appealing against any final decision of SAFE or negotiating directly or indirectly for a more favourable penalty arrangement.

## **3. Change of Chairman, Chief Executive Officer and Executive Directors**

On 23 April 2004, the Board resolved to appoint Mr. Cheung Man Hoi, Chief Financial Officer, as acting Chief Executive Officer, during the time when Mr. Shum Ka Sang (the then Chairman, then Chief Executive Officer and an Executive Director) was away from the office.

The appointment of Mr. Cheung Man Hoi as acting Chief Executive Officer ceased upon the appointments of Dr. Zhang Hongru as the Chairman and of Mr. Wang Gang as the Chief Executive Officer in replacement of Mr. Shum as referred to below took effect.

On 3 May 2004, the Board was informed about (and received on the next day) a letter of resignation dated 29 April 2004 from Mr. Shum Ka Sang (the Chairman, the Chief Executive

Officer and an Executive Director). Mr. Shum has, with effect from 29 April 2004, resigned as the Chairman and the Chief Executive Officer of the Company but will remain as an Executive Director.

Pursuant to a letter of resignation from Mr. Shen Yi received by the Board on 4 May 2004 (of which the Board was informed on 3 May 2004), with effect from 2 May 2004, Mr. Shen Yi (the Chief Operating Officer and an Executive Director) has resigned as an Executive Director and, with effect from 19 May 2004, as the Chief Operating Officer of the Company, for personal reason. The duties of Mr. Shen as the Chief Operating Officer are now being carried by Mr. Shi Dun Hong, the Assistant Chief Operating Officer.

Further, with effect from 3 May 2004, Ms. Qian Mingjin (an Executive Director) has resigned as an Executive Director for personal reason and all her executive roles are suspended.

Both Mr. Shen Yi and Ms. Qian Mingjin have confirmed that there are no matters relating to their resignations that need to be brought to the attention of the shareholders.

With a view to ensure and strengthen the business operation and management of the Company, the Board, in consultation with Tianjin Development Holdings Limited (the second largest shareholder of the Company), resolved on 3 May 2004 to appoint (i) Dr. Zhang Hongru as an Executive Director and the Chairman of the Company in replacement of Mr. Shum as the Chairman of the Company with effect from 3 May 2004; and (ii) Mr. Wang Gang as an Executive Director and the Chief Executive Officer of the Company in replacement of Mr. Shum as the Chief Executive Officer of the Company with effect from 3 May 2004. The appointments of Dr. Zhang Hongru and Mr. Wang Gang are not for a definite term and no emoluments have been agreed for their appointments. Neither Dr. Zhang Hongru nor Mr. Wang Gang has entered into a service contract with the Company.

Dr. Zhang Hongru, aged 47, is a senior economist, a PRC attorney and a part-time professor of Nankai University, and was an arbitrator of the Tianjin Economic Arbitration Committee. Dr. Zhang has been an executive director (since September 2001) and the General Manager (since February 2004) of Tianjin Development Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a substantial shareholder of the Company. He is also the director and general manager of Tsinlien Group Company Limited, the holding company of Tianjin Development Holdings Limited. Dr. Zhang was previously the deputy head of the Tianjin Port Free Trade Zone Administrative Committee until 2001.

Mr. Wang Gang, aged 38, has ample professional experience in thermal engineering. Since August 2003 he has been the Chairman and General Manager of 天津泰達津聯燃氣有限公司 (Tianjin TEDA Gas Co. Ltd.\*), a subsidiary of Tsinlien Group Company Limited and a fellow subsidiary of Tianjin Development Holdings Limited (a substantial shareholder of the Company) operating gas supply business in Tianjin. Mr. Wang was the Vice Manager of 泰達熱電公司 (TEDA Heat and Power Company), the Vice General Manager of 天津泰達津聯熱電有限公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd.\*) (these two companies being fellow subsidiaries of Tianjin Development Holdings Limited) and the General Manager of 國華能源發展有限公司 (Guohua Energy Development Co., Ltd.\*) from August 1997 to August 2003.

Neither Dr. Zhang Hongru nor Mr. Wang Gang has any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

#### **4. Enquiries by PRC Authorities**

The Company believes that Mr. Shum is presently engaged in the PRC, assisting the authorities in the PRC with certain inquiries, details of which are unknown to the Company. The last contact of Mr. Shum with a member of the Board was on 29 April 2004 when he gave his letter of resignation to Mr. Wang Guanghao, an Executive Director. Through a meeting arranged by the Public Security Bureau, Mr. Wang Guanghao, Dr. Zhang Hongru and Mr. Wang Gang met Mr. Shum in a conference room in a commercial building. Some other people whose identity was unknown were also present. Mr. Wang Guanghao did not ask Mr. Shum whether he was detained as the meeting was rather brief. The current situation of Mr. Shum is uncertain as there is no written notification in this respect received by the Company so far. However, his freedom of movement may be subject to constraint. The Company is not presently able to say when Mr. Shum will be able to resume his duties as an Executive Director.

The Company further believes that Mr. Shen Yi is also currently engaged in the PRC to assist the authorities with inquiries, details of which are unknown to the Company. The current situation of Mr. Shen is also uncertain as there is no written notification in this respect received by the Company so far. However, his freedom of movement may be subject to constraint.

Two other senior staff from the Accounts Department of the Group is also believed to be assisting the authorities in the PRC with certain inquiries, details of which are unknown to the Company at present. Their duties are now being carried out by other staff of the Group. The Board suspect that the PRC authorities' inquiries are related to the affairs of the Group because four persons of the Group have been involved which all happened shortly after the Group received the Notice from SAFE, and officers from the Public Securities Bureau on three occasions in April 2004 took away from the office of Wah Sang Gas (China) Investments Co., Ltd. certain corporate documents and accounting records of Tianjin Wah Sang Gas (China) Investments Co., Ltd., Tianjin Wah Sang Energy Development Co. Ltd. and Wah Sang Gas Enterprises Co., Ltd.

#### **5. Further Delay of Announcement of Third Quarterly Results for the Nine Months ended 31 December 2003**

Further to the announcements of the Company dated 13 February 2004 and 31 March 2004 respectively, the Board considers that the announcement of the results of the Group for the nine months ended 31 December 2003 (the "Thirdly Quarterly Results") and the despatch of the quarterly report for the same period of the Group are delayed until further notice as the Company is still in the process of compiling the necessary information required by its auditors for the purpose.



Such delay will constitute a breach of Rule 18.66 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The Stock Exchange reserves its right to take appropriate actions against the Company and/or its directors in respect of such breach.

The Board will inform the shareholders of the Company as soon as practicable when the Company is able to announce the Third Quarterly Results and despatch the 2004 Q3 Report.

## **6. Clarifications on Certain Newspaper Article**

The Board has noted that an article has appeared in a newspaper recently (the “Article”) regarding the proposed plans of various local governments of the PRC to intervene and, possibly take over the gas business of the Group. In light of the Article, the Board wishes to clarify that no formal notice has been received by any members of the Group that any PRC governments will intervene or take over, directly or indirectly, the Group’s gas business. There have been no interruptions in the gas supply operations of the Group and none of such gas supply operations has ceased. However, the progress of the pipeline construction of the Group has been slowed down due to liquidity problem.

The relevant departments of the PRC local governments where the Group has operational locations have indicated their primary concern that the gas supply operations should be maintained normal and uninterrupted in order to avoid any major safety incident and instability in the society. The Company has taken all measures to ensure that such concern is properly addressed.

## **7. Default in Repayment of Loan Repayment**

Due to liquidity problem, the Company has defaulted in making the repayment of principal of HK\$55 million due on 10 May 2004 pursuant to an agreement for a syndicated loan arranged by CITIC Ka Wah Bank Limited dated 5 November 2002 but has repaid an amount of HK\$10 million plus the total interest payment of approximately HK\$120,000.00. The bank syndicate has in principle (though with no legal binding effect) agreed to grant time to the Company to conduct the necessary investigations as referred to above and to come up with a debt repayment proposal for their consideration.

China Merchants Bank Co., Ltd., Hong Kong Branch has also declared that the Company is in default under a bank facility letter dated 18 March 2003 of HK\$25,000,000 but has not indicated any immediate threat of legal enforcement action.

Apart from the above, the Company has not received any demand for early repayment from other bank creditors.

## 8. Review of Operations

The Board believes that the existing level of operation of the Group, which includes pipeline construction and gas supply business, is sufficient for purpose of Rule 17.26 of the GEM Listing Rules. The Board has found special teams consisting of more than 30 members to perform on-site review of the operation of all gas stations of the Company in the PRC in order to ascertain the actual overall operation of the Group and to facilitate the new management of the Company to formulate future action plan. It is anticipated that the review could be finished by the end of June 2004.

**The Company has not received any proposal from its shareholders for restructuring of the Company.**

**The Company will inform its shareholders and the public of the development of the matters mentioned in this announcement as and when appropriate.**

**Trading in the shares of the Company will remain suspended until further notice.**

By Order of the Board of  
**Wah Sang Gas Holdings Limited**  
**ZHANG Hongru**  
Chairman

Hong Kong, 21 May 2004

*This announcement, for which the directors of the Company (other than Mr. Shum Ka Sang) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company (other than Mr. Shum Ka Sang), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*

*The board of directors of the Company comprises 9 Directors, 7 of which are executive Directors, namely, Dr. ZHANG Hongru, Mr. WANG Guanghao, Mr. WANG Gang, Mr. SHUM Ka Sang, Mr. CHEUNG Man Hoi, Mr. FAN Bao Qi and Mr. SHI Dun Hong and 2 are independent non-executive Directors, namely, Mr. NG Eng Leong and Mr. CUI Shuming.*

*This announcement will appear on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for 7 days from the day of its posting thereon.*