



# WING SHAN INTERNATIONAL LIMITED

## 榮山國際有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

### YEAR 2000 INTERIM REPORT

#### SUMMARY OF RESULTS

The directors ("Directors") of Wing Shan International Limited ("the Company") (together with its subsidiaries known as "the Group") would like to report that the unaudited consolidated interim results of the Group for the six months ended 30 June 2000 together with comparative figures for the previous corresponding period are as follows:

	Note	Six months ended 30 June	
		2000	1999
		HK\$'000	HK\$'000
Turnover		<b>362,361</b>	341,083
Cost of sales		<b>(320,591)</b>	(216,996)
Gross profit		<b>41,770</b>	124,087
Other revenue		<b>2,292</b>	3,153
Administrative expenses		<b>(6,430)</b>	(12,417)
Other operating expenses		<b>(15,811)</b>	(15,849)
Profit from operations		<b>21,821</b>	98,974
Finance cost		<b>(35,696)</b>	(40,305)
(Loss)/Profit before taxation		<b>(13,875)</b>	58,669
Taxation	1	<b>(357)</b>	(6,423)
(Loss)/Profit after taxation		<b>(14,232)</b>	52,246
Minority interests		<b>(882)</b>	(14,509)
(Loss)/Profit attributable to shareholders		<b>(15,114)</b>	37,737
Interim dividend		<b>-</b>	12,435
Basic (loss)/earnings per share	2	<b>(1.8) cents</b>	4.6 cents

Notes:

#### 1. Taxation

No provision has been made for Hong Kong profits tax as the Group sustained losses for taxation purposes during the period. The tax charge represents provision for the People's Republic of China income tax at 7.5% on the estimated assessable profits of 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co. Ltd.) ("Shakou JV") for the period.

#### 2. Basic (loss)/earnings per share

The calculation of loss per share is based on the loss attributable to shareholders of HK\$15,114,000 (1999: profit of HK\$37,737,000) and on the weighted average number of 829,018,244 (1999: 829,018,244) shares in issue during the period.

#### BUSINESS RESULTS

The Group's turnover increased by 6.2% to HK\$362.4 million (1999: HK\$341.1 million). However, the Group's cost of sales increased markedly by 47.7% to HK\$320.6 million (1999: HK\$217.0 million). Profit from operations therefore plummeted by 78.0% to HK\$21.8 million (1999: HK\$99.0 million). Despite a 11.4% fall in finance cost, the Group recorded a loss attributable to shareholders of HK\$15.1 million (1999: profit of HK\$37.7 million). The Company's loss per share for the period was 1.8 cents (1999: earnings per share of 4.6 cents).

#### INTERIM DIVIDEND

In light of the increased working capital requirement due to the prevailing high fuel price and the Group's net loss for the period, the Directors do not recommend an interim dividend (1999: 1.5 cents per share).

## **BUSINESS REVIEW**

### *Electric Power Shortage*

On the back of Guangdong Province's satisfactory economic growth and electric power industry reforms, Foshan City experienced strong electricity demand growth. During the past years, the provincial government has implemented reform programs that included the streamlining of the electric power supply administrative system and the renovation of electric power transmission and distribution networks. Electric power has become more affordable and accessible to the local end-users, especially the rural communities. Electricity demand was further stimulated as this year Guangdong Province experienced an unexpected severe hot and dry summer season. On the other hand, electric power supply was reduced. As part of the electric power industry reforms, the provincial government has closed down a large number of less efficient, polluting and small-scaled power plants during the past years. In addition, high fuel oil price has forced many oil-fired power plants in the province to suspend production to avoid incurring operating loss. Therefore, Guangdong Province experienced electric power shortage during periods of peak demand.

### *Increased Electricity Sales*

However, Shakou JV's electricity sales only increased by 0.9% to 715.9 million kilowatt-hours ("kwh") (1999: 709.3 million kwh). The less marked electricity sales growth was mainly attributable to production interruption caused by a routine major overhaul undertaken by Shakou JV on its power generating facilities in the first quarter of the year. Out of Shakou JV's total electricity sales, approximately 121.8 million kwh (1999: 10.0 million kwh) were purchased from 石灣發電廠有限公司 (Foshan Shiwan Power Plant Co. Ltd.) while approximately 594.1 million kwh (1999: 699.3 million kwh) was Shakou JV's self-generation. Shakou JV's average plant utilization rate for the period was approximately 45% (1999: 53%).

### *High Fuel Price*

Notwithstanding its turnover growth, Shakou JV recorded significant earnings decline. This was mainly due to the increased fuel oil cost as a result of rising international oil price. As fuel oil is Shakou JV's major production material and fuel oil cost accounts for a significant portion of Shakou JV's production cost, the fuel cost surge has adversely affected Shakou JV's performance for the period. Since early 1999, fuel oil price has been fluctuating and rising. Shakou JV's performance last year was not affected as it has purchased in advance sufficient fuel oil in early 1999 when fuel oil prices were relatively lower for the whole year production in 1999. However, as these lower-priced inventories were used up early this year, Shakou JV started to purchase fuel oil at the then prevailing market prices. Shakou JV's weighted average cost of heavy oil consumed for the period therefore significantly increased by 62.6% to Renminbi 1,768 (1999: Renminbi 1,087) (exclusive of value-added tax) per tonne.

### *Additional Fuel Cost Surcharge*

Being a dominant electric power producer in Foshan City, Shakou JV has striven to increase its electricity output and provide reliable and uninterrupted electricity supply to the locality during period of electric power short supply, though high fuel oil cost has significantly reduced its operating profit margins. In July this year, the electric power bureau of Foshan City reimbursed Shakou JV a lump sum payment of approximately HK\$18.1 million. This amount represented additional fuel cost surcharge to partially compensate for the increased fuel cost incurred by Shakou JV arising from the provision of additional electricity supply during period of power shortage in the first half of the year. The amount has already been accounted for in the Company's interim results of this report.

## **OUTLOOK**

Looking into the second half of the year, high fuel price is expected to exert continuous pressure on the Group's earnings. The Directors have been closely monitoring the fuel oil price and will continue to adopt strategic measures to minimize its effect on the Group's business performance. In the long-term, the Directors are optimistic of the sustained economic growth of Guangdong Province and Foshan City. The Directors are exploring possibilities in respect of making technological improvement on the Group's power plant facilities in order to reduce its reliance on fuel oil.

## DIRECTORS' INTERESTS

As at 30 June 2000, the interests of each director and chief executive of the Company in the issued capital of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

### (a) Interests in the Company's ordinary shares

Name of Directors	Number of Ordinary Shares Held	
	Personal Interests	Total Interests
YIP Siu Chun	290,196,037	290,196,037
CHAN Che Kan, Edward	205,034	205,034
MOK Kit Fong	150,000	150,000
DU Richeng (Note)	6,117,079	6,117,079

Note: Held by Main Fortune International Limited which is 50% owned by Mr. DU Richeng.

### (b) Interests in an associated corporation

80% of the equity capital of Shakou JV was beneficially owned by the Company through its wholly-owned subsidiary, Hensil Worldwide Inc. Madam YIP Siu Chun was deemed to be interested in such 80% of the equity capital of Shakou JV by virtue of her being a shareholder of the Company controlling the exercise of more than one-third of the voting power at its general meetings.

Save as disclosed herein, none of the directors and chief executives had any other beneficial interests in the share capital of the Company or its associated corporations. Furthermore, neither any of them nor their spouses or children under the age of 18 years were granted any rights or options to subscribe for shares in the Company or its associated corporations.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2000, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the Company had been notified of the following persons (other than a director or chief executive of the Company) with interests representing 10% or more of the issued share capital of the Company:

Name	Number of Shares Held
Hensil Investments Group Limited (Note)	315,000,000
Foshan Development Company Limited (Note)	315,000,000

Note: By virtue of its interests in Hensil Investments Group Limited, Foshan Development Company Limited is deemed to be interested in the 315,000,000 shares held by Hensil Investments Group Limited.

Save as disclosed herein, there was no other person (other than a director or chief executive of the Company) who was directly or indirectly interested in 10% or more of the issued share capital of the Company.

## CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**YIP Siu Chun**  
Chairman

Hong Kong, 6 September 2000

Website: <http://www.irasia.com/listco/hk/wingshan>