

Dear Shareholders,

The Board of Directors (the “Board”) of Wing Shan International Limited (the “Company”) (together with its subsidiaries known as the “Group”) is pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 June 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

The Group’s turnover decreased by 13.9% to HK\$312.0 million (2000: HK\$362.4 million), inclusive of the receipt of additional fuel cost surcharge of an amount of approximately HK\$9.1 million (2000: HK\$18.1 million) for the period. The Group’s cost of sales decreased by 16.2% to HK\$271.0 million (2000: HK\$323.4 million), mainly attributable to the decreased fuel oil cost. The Group’s gross profit increased by 5.3% to HK\$41.0 million (2000: HK\$38.9 million) while gross profit margin also improved from 10.7% to 13.1%. Despite a 5.8% increase in administrative expenses to HK\$6.8 million (2000: HK\$6.4 million), the Group recorded a profit from operations of HK\$20.1 million (2000: HK\$19.0 million). As finance cost decreased by 31.5% to HK\$24.5 million (2000: HK\$35.7 million), the Group’s loss attributable to shareholders narrowed to HK\$10.0 million (2000: HK\$17.4 million), equivalent to a loss per share for the period of 1.2 cents (2000: 2.1 cents).

Financial Review

Liquidity and Financial Resources

The Group continued to fund its operations principally by its internal cash flow generated from its operating activities. Compared with its last balance sheet dated 31 December 2000, the Group’s short-term liquidity tightened further. The Group recorded net working capital deficit of HK\$15.5 million (31 December 2000: HK\$3.9 million). The Group’s total current assets were HK\$266.5 million (31 December 2000: HK\$239.5 million), primarily consisted of bank and cash balance of HK\$95.6 million (31 December 2000: HK\$151.3 million) and trade and other receivables of HK\$160.8 million (31 December 2000: HK\$81.3 million). Total current liabilities were HK\$282.0 million (31 December 2000: HK\$243.5 million), primarily consisted of current portions of long-term Renminbi loans of HK\$119.9 million (31 December 2000: HK\$106.1 million) and trade and other payables of an aggregate amount of HK\$131.8 million (31 December 2000: HK\$115.2 million). Current ratio deteriorated from 0.98 to 0.95. In order to improve its cash-flow position, 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co. Ltd.) (“Shakou JV”) negotiated with its PRC joint-venture partner and its associate and has obtained their agreements to reduce the loan interest rates for the unsecured Renminbi long-term loans from 10.08% to 8.08% per annum for the period. Cash expenditure on tangible fixed assets for the period was HK\$3.0 million. As at 30 June 2001, there was no authorization and commitment for significant capital expenditures.

Capital Structure and Gearing Ratio

As at 30 June 2001, the Group had no outstanding bank borrowings or committed bank credit facilities. The Group continued to finance its non-current assets principally by a mix of long-term debts and shareholders’ equity. Total long-term debts amounted to HK\$468.0 million (31 December 2000: HK\$519.2 million), being the aggregate outstanding balance of certain unsecured Renminbi loans due to Shakou JV’s PRC joint-venture partner and its associate. No part of the Group’s assets was charged to banks, financial institutions or other enterprises. Gearing ratio, being total outstanding long-term debts as a percentage of shareholders’ fund, improved from 44.3% to 42.4%. The Group’s net assets decreased by 0.7% to HK\$1.43 billion (31 December 2000: HK\$1.44 billion), mainly due to the loss attributable to shareholders for the period. Goodwill arising from acquisition of subsidiaries was HK\$689.0 million (31 December 2000: HK\$704.8 million).

Operation Review

Electric Power Market and Electricity Sales

Foshan City experienced sustained electricity demand growth principally due to the economic growth and electric power industry reform of Guangdong Province. As electricity demand

increases mainly concentrated on the peak load periods during which Shakou JV's power generating facilities have already been operated at almost full capacity, the electricity demand growth has only limited beneficial effect to Shakou JV. In addition, high fuel oil prices continued to discourage Shakou JV to pursue an aggressive production strategy. Shakou JV's electricity sales for the period decreased by 12.0% to 630.0 million kilowatt-hours ("kwh") (2000: 715.9 million kwh). Of the total electricity sales, approximately 26.1 million kwh (2000: 121.8 million kwh) were purchased from other local power plant in Foshan City while approximately 603.9 million kwh (2000: 594.1 million kwh) was Shakou JV's self-generation. Shakou JV's average power plant utilization rate was approximately 46% (2000: 45%).

Fuel Oil Prices

Compared with last corresponding period, heavy oil prices have gradually stabilized at lower levels. The weighted average cost of heavy oil consumed by Shakou JV for the period decreased by 4.9% to approximately Rmb1,682 per tonne (2000: Rmb1,768). This was mainly attributable to the softening of international oil market prices and the reduced cost of Shakou JV's bulk-purchases of fuel. Although additional fuel oil cost surcharge received from the local power bureau was reduced from HK\$18.1 million to HK\$9.1 million, Shakou JV's gross profit margin improved.

Outlooks

Looking into the second half of the year, international oil prices are expected to be volatile and uncertain. Shakou JV will continue to monitor closely the movement of fuel oil prices and endeavour its best effort to minimize the adverse effect on the Group's overall business results and financial position. At the same time, Shakou JV will continue to implement its planned service and maintenance programs to ensure the availability of optimal capacity at peak load demand periods. In this regard, Shakou JV is expected to enter into agreement with its equipment supplier for the purchase of the required materials in respect of a large-scale overhaul for its power generating facilities scheduled in 2003. In order to enhance its output capacity and improve its fuel consumption efficiency, Shakou JV is close to complete its feasibility study and is discussing with its equipment supplier in respect of making technological improvements to its power generating facilities.

Other Information

Save as disclosed in this report, the Group's current information in respect of employees, remuneration policies, exchange risk and contingent liabilities has not changed materially from the information disclosed in the Company's most recent published annual report.

INTERIM DIVIDEND

In light of the increased working capital requirement due to the prevailing high fuel prices and the Group's net loss for the period, the Board does not recommend an interim dividend (2000: Nil).

DIRECTORS' INTERESTS

As at 30 June 2001, 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 (<i>Note 1</i>)	290,196,037	290,196,037
CHAN Che Kan, Edward	205,034	205,034
MOK Kit Fong	150,000	150,000
HE Haochang (<i>Note 2</i>)	6,117,079	6,117,079

Note: (1) *Madam YIP Siu Chun resigned as an executive director, Chairman and Managing Director of the Company with effect from 19 July 2001.*

(2) *Held by Main Fortune International Limited which is 50% owned by Mr. HE Haochang.*

(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 2001, 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 (<i>Note</i>)	315,000,000
Foshan Development Company Limited (<i>Note</i>)	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 in Appendix 14 to the Listing Rules.

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
HE Haochang
Chairman

Hong Kong, 21 September 2001

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