



**WING SHAN INTERNATIONAL LIMITED**

**榮山國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**INTERIM REPORT 2002**

**COMPANY INFORMATION****Board of Directors***Executive Directors:*

HE Haochang (*Chairman & Managing Director*)  
CHAN Che Kan, Edward (*Deputy Managing Director*)  
HUANG Yongzhong (*Appointed on 8 January 2002*)  
SITU Min  
TANG Jian

*Non-executive Director:*

LAM Siu Hung

*Independent Non-executive Directors:*

CHAN Ting Chuen, David  
WEI Zhong Ping (*Resigned on 18 June 2002*)  
NG Pui Cheung, Joseph (*Appointed on 18 June 2002*)

**Company Secretary**

CHEUNG Wing Yui

**Audit Committee**

CHAN Ting Chuen, David (*Chairman*)  
NG Pui Cheung, Joseph (*Appointed on 18 June 2002*)

**Registered Office**

Room 2105-8, Nan Fung Tower  
173 Des Voeux Road Central, Hong Kong

**Auditors**

KPMG  
Certified Public Accountants  
Hong Kong

**Registrars and Transfer Office**

Computershare Hong Kong Investor Services Limited  
Room 1901-5, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal Bankers**

Bank of China (Hong Kong) Limited,  
Hong Kong Branch  
The Hongkong & Shanghai Banking Corporation Limited,  
Hong Kong Main Office

**Website**

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

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 2002.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Performance Review**

The Group’s turnover decreased by 3.8% to HK\$300.0 million (2001: HK\$312.0 million), mainly because of the decrease of electricity sales and the decrease of additional fuel cost surcharge received from Foshan City’s local power authority. The Group’s cost of sales decreased by 8.0% to HK\$249.4 million (2001: HK\$271.0 million), mainly attributable to decreased fuel oil cost during the period. The Group’s gross profit margin improved from the previous 13.1% to 16.9%. Although administrative expenses grew by 52.3% to HK\$10.4 million (2001: HK\$6.8 million), such increase was offset by a 16.5% decrease in finance costs to HK\$20.4 million (2001: HK\$24.5 million). As a result, the Group’s loss attributable to shareholders narrowed to HK\$4.2 million (2001: HK\$10.0 million), equivalent to a loss per share for the period of 0.5 Hong Kong cents (2001: 1.2 Hong Kong cents).

### **Operation Review**

#### ***Electricity Sales***

The first half-year is cyclically the low electricity demand season of the year. Routine maintenance and repairs programs of 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co. Ltd.) (“Shakou JV”) were carried out as planned while production schedules were completed safely without major interruptions caused by mechanical failures or accidental shutdowns. Shakou JV’s electricity sales volume for the period decreased slightly by 3.1% to approximately 610.7 million kilowatt-hours (“kwh”) (2001: 630.0 million kwh). All the electricity sold were Shakou JV’s self-generation (2001: 603.9 million kwh) while no purchases (2001: 26.1 million kwh) were made from other power plants during the period. Shakou JV’s average plant utilization rate was approximately 46.9% (2001: 46.3%). In April 2002, 佛山電力工業局 (Foshan City Electric Power Industry Bureau) (“Foshan Power Bureau”) was reorganized as a result of the reform programs of the local electric power industry implemented by the Guangdong Provincial Government. All the functions and responsibilities previously undertaken by Foshan Power Bureau were immediately taken over by the relevant authorities of Foshan Municipal Government and 廣東省廣電集團有限公司佛山供電分公司 (Guang Dong Guang-dian Power Grid Group Co. Ltd. Foshan Branch) (“GDPC”). Since May 2002, Shakou JV’s electricity sales have been made to GDPC instead of Foshan Power Bureau and its related entity, 佛山電力工業總公司 (Foshan City Electric Power Industry Corporation).

#### ***Fuel Oil Prices***

Heavy oil cost accounted for approximately 76.4% (2001: 74.7%) of Shakou JV’s total cost of sales. The weighted average cost of heavy oil consumed by Shakou JV for the period decreased by 9.2% to approximately Renminbi 1,528 (2001: 1,682) per tonne (value-added tax exclusive). This was mainly attributable to the fluctuations of fuel oil prices in lower price levels during the period. Although the additional fuel cost surcharge received by Shakou JV decreased from HK\$9.1 million to HK\$6.4 million, Shakou JV’s profit margins improved compared with previous corresponding period.

### **Financial Review**

#### ***Liquidity and Financial Resources***

The Group continued to fund its operations principally by its internal cash flow generated from its operating activities. As at 30 June 2002, the Group has no outstanding bank borrowings or committed bank credit facilities. No part of the Group’s assets was charged to banks, financial institutions or other enterprises for securing any borrowings or credit facilities. Compared with its last balance sheet dated 31 December 2001, the Group’s short-term liquidity improved with net working capital deficit of HK\$10.7 million (31 December 2001: HK\$12.3 million). The Group’s total current assets were HK\$263.4 million (31 December 2001: HK\$315.6 million), primarily consisted of bank and

cash balance of HK\$118.6 million (31 December 2001: HK\$140.8 million) and trade and other receivables of HK\$132.8 million (31 December 2001: HK\$163.8 million). Total current liabilities were HK\$274.0 million (31 December 2001: HK\$327.9 million), primarily consisted of current portions of long-term Renminbi loans of HK\$150.6 million (31 December 2001: HK\$136.6 million) and trade and other payables of an aggregate amount of HK\$102.3 million (31 December 2001: HK\$163.3 million). Current ratio remained at 0.96. Compared with previous corresponding period, net cash inflow from operating activities increased to HK\$50.4 million (2001: HK\$0.8 million). Cash expenditure on tangible fixed assets for the period was HK\$9.1 million (2001: HK\$3.0 million).

### **Commitment for Significant Capital Expenditure**

As at 30 June 2002, the Group has capital expenditure commitment of approximately US\$19.5 million (equivalent to approximately HK\$150.8 million) (31 December 2001: US\$19.5 million), being the total consideration of an overhaul agreement ("Overhaul Agreement") entered into between Shakou JV and an independent European equipment supplier on 30 September 2001. Details of the Overhaul Agreement have been disclosed in the Company's circular to shareholders dated 22 October 2001. Up to the period end, a total amount of US\$5.9 million (equivalent to approximately HK\$45.3 million) has been paid from the Group's internal resources as advance payment and the remaining balance of US\$13.6 million (equivalent to approximately HK\$105.6 million) is expected to be financed by bank credit facilities. Apart from such, there was no other significant capital expenditure commitment outstanding as at period end.

### **Capital Structure and Gearing Ratio**

The Group continued to finance its non-current assets principally by a mix of long-term loans and shareholders' equity. As at 30 June 2002, total long-term loans amounted to HK\$529.7 million (31 December 2001: HK\$566.8 million), being the aggregate outstanding balance of certain unsecured Renminbi loans (including its current portions) due to Shakou JV's China joint-venture partner and its associate. These Renminbi loans were borrowed in 1997 and 1998 and were repayable by instalments semi-annually in 10 years at fixed interest rates of 10.08% per annum. In order to improve its cash-flow position vis-a-vis the increased working capital requirements due to the prevailing high fuel oil prices and the Overhaul Agreement, Shakou JV negotiated with its counterparties and obtained their agreements to allow flexible repayment schedules during the period. At the same time, the applicable interest rates charged on the Renminbi loans for the period continued to remain at the reduced 8.08% (2001: 8.08%) per annum. Shakou JV has obtained the agreements of its counter-parties to further reduce the loan rates from 8.08% per annum to 5.76% per annum with effect from 1 July 2002. The total amount of repayment made in respect of the Group's long-term loans during the period was approximately HK\$37.2 million (2001: HK\$30.7 million). Finance cost was therefore reduced from HK\$24.5 million to HK\$20.4 million. As at the period end, the Group's net assets decreased by 1.1% to HK\$1.44 billion (31 December 2001: HK\$1.46 billion), mainly due to loss attributable to shareholders for the period. Goodwill arising from acquisition of subsidiaries was HK\$657.4 million (31 December 2001: HK\$673.2 million). Gearing ratio, being total outstanding long-term debts as a percentage of shareholders' fund, improved from 38.9% to 36.8%.

### **Change of Directorship**

With effect from 18 June 2002, Mr. WEI Zhong Ping (aged over 72 and having served on the Board for almost 10 years) resigned as an independent non-executive director and the chairman of the audit committee of the Company mainly for health reason. On the same day, the Board has appointed Mr. NG Pui Cheung, Joseph to replace Mr. WEI as an independent non-executive director of the Company and as a member of the Company's audit committee. Mr. NG, aged 56, is an ex-banker, experienced in China financial businesses. He has worked in a number of reputable banking institutions which include Bank of East Asia Limited, Banque Nationale De Paris, Bank of the Orient, Societe Generale and Credit Lyonnais Securities Limited. The Board would like to extend its gratitude to Mr. WEI for his contribution to the Group and welcome Mr. NG for joining the Company.

### **Share Option Scheme**

At the extraordinary general meeting of the Company held on 22 May 2002, the resolutions relating to the termination of the existing share option scheme and the adoption of the new share option

scheme were duly passed by the shareholders of the Company. The new share option scheme of the Company complies with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), details of which have been disclosed in the Company's circular to shareholders dated 29 April 2002. As at 30 June 2002, no share option was outstanding under any of the Group's share option scheme. During the period, no share option was granted, cancelled, exercised or lapsed. After the balance sheet date, an aggregate total of 18,484,000 share options were granted at subscription price of HK\$0.35 per share to certain directors and an employee of the Company pursuant to the new share option scheme. Such share options can be exercised during a period of five years commencing from the sixth month expiry from the date of grant of the respective share options. Details of share options granted to the Company's directors were listed below:

Name of Directors	Date Granted	Exercisable Period	Price HK\$	Consideration HK\$	Number of Share Options Granted
HE Haochang	30 July 2002	30 January 2003 to 29 January 2008	0.35	1	4,200,000
CHAN Che Kan, Edward	30 July 2002	30 January 2003 to 29 January 2008	0.35	1	3,900,000
SITU Min	30 July 2002	30 January 2003 to 29 January 2008	0.35	1	3,800,000
TANG Jian	30 July 2002	30 January 2003 to 29 January 2008	0.35	1	3,800,000
LAM Siu Hung *	19 August 2002	19 February 2003 to 18 February 2008	0.35	1	828,000
CHAN Ting Chuen, David**	29 July 2002	29 January 2003 to 28 January 2008	0.35	1	828,000
NG Pui Cheung, Joseph**	25 July 2002	25 January 2003 to 24 January 2008	0.35	1	828,000
					18,184,000

\* Non-executive

\*\* Independent non-executive

### Other Information

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

### Outlook

Foshan City's electricity demand is expected to remain strong in the second half of the year. Electricity short-supply situations are highly possible especially in the peak load demand periods and such situations are expected to provide support to the existing electricity tariff. Shakou JV will closely monitor its routine maintenance and repairs programs and the major overhaul in early 2003 in order to operate its power generating facilities at its maximum capacity during peak load demand periods. Faced with the continued challenges posed by the uncertain fuel oil prices and electric power industry reform implemented by the Guangdong Provincial Government, the Group will continue to implement cost-saving measures to improve its overall cost effectiveness and production efficiency.

### OTHER DISCLOSURES

#### Interim Dividend

The Board does not recommend an interim dividend for the six months ended 30 June 2002 (2001: Nil).

## Directors' Interests

As at 30 June 2002, the interests of each director and chief executive of the Company in the issued capital of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Name of Directors	Number of Ordinary Shares Held	
	Personal Interests	Total Interests
HE Haochang ( <i>Note</i> )	6,117,079	6,117,079
CHAN Che Kan, Edward	205,034	205,034
HUANG Yongzhong ( <i>Note</i> )	6,117,079	6,117,079

*Note:* Held by Main Fortune International Limited which is 50% owned by Mr. HE Haochang and 50% owned by Mr. HUANG Yongzhong.

Save as disclosed herein, none of the directors and chief executives had any other beneficial interests in the share capital of the Company. 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.

## Substantial Shareholders

As at 30 June 2002, 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 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 1</i> )	315,000,000
Foshan Development Company Limited ( <i>Note 1</i> )	315,000,000
YIP Siu Chun ( <i>Note 2</i> )	290,196,037
Oakwood Enterprise Limited ( <i>Note 2</i> )	290,196,037

*Notes:* 1. 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.

2. Oakwood Enterprise Limited has given notification in respect of its interest in 290,196,037 shares held by Madam YIP Siu Chun.

Save as disclosed herein, there was no other person who was directly or indirectly interested in 10% or more of the issued share capital of the Company.

## Review of Interim Financial Report

The unaudited interim financial report have been reviewed by the Company's auditors, KPMG, and a review report has been received by the Board, as listed out on page 12.

## Audit Committee

The audit committee has reviewed with the management and auditors of the Company the interim report and recommended its adoption by the Board.

## Code of Best Practice

None of the directors of the Company is aware of information that would reasonably indicates 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, 20 September 2002

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

**CONSOLIDATED PROFIT AND LOSS ACCOUNT***For the Six Months Ended 30 June 2002 – Unaudited*

	Note	Six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>	2	<b>300,011</b>	311,987
Cost of sales		<b>(249,356)</b>	(271,002)
Gross profit		<b>50,655</b>	40,985
Other revenue		<b>734</b>	1,432
Other net income		<b>712</b>	306
Administrative expenses		<b>(10,361)</b>	(6,803)
Goodwill amortization		<b>(15,811)</b>	(15,811)
Profit from operations		<b>25,929</b>	20,109
Finance cost	4	<b>(20,426)</b>	(24,462)
<b>Profit/(Loss) from Ordinary Activities Before Taxation</b>	4	<b>5,503</b>	(4,353)
Taxation	5	<b>(6,110)</b>	(3,596)
<b>Loss from Ordinary Activities After Taxation</b>		<b>(607)</b>	(7,949)
Minority interests		<b>(3,546)</b>	(2,013)
<b>Loss Attributable to Shareholders</b>		<b>(4,153)</b>	(9,962)
<b>Basic Loss Per Share</b>	7	<b>0.5 cents</b>	1.2 cents

**CONSOLIDATED BALANCE SHEET**

At 30 June 2002 – Unaudited

	Note	30 June 2002 HK\$'000	31 December 2001 HK\$'000
<b>Non-Current Assets</b>			
Fixed assets		1,328,430	1,369,539
Goodwill		657,372	673,183
Prepayment for planned maintenance		45,301	45,301
		<u>2,031,103</u>	<u>2,088,023</u>
<b>Current Assets</b>			
Consumables		11,930	10,982
Trade and other receivables	9	132,831	163,813
Cash and cash equivalents		118,610	140,776
		<u>263,371</u>	<u>315,571</u>
<b>Current Liabilities</b>			
Trade and other payables	10	102,283	163,329
Provision for staff bonus and welfare		4,687	9,442
Current portion of interest-bearing loans		150,591	136,554
Current portion of interest-bearing promissory note		–	6,720
Taxation		16,483	11,807
		<u>274,044</u>	<u>327,852</u>
<b>Net Current Liabilities</b>		<u>(10,673)</u>	<u>(12,281)</u>
<b>Total Assets Less Current Liabilities</b>		<b>2,020,430</b>	<b>2,075,742</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans		379,079	423,553
Deferred taxation	11	2,204	–
		<u>381,283</u>	<u>423,553</u>
<b>Minority Interests</b>		<u>199,941</u>	<u>196,395</u>
<b>Net Assets</b>		<u><b>1,439,206</b></u>	<u><b>1,455,794</b></u>
<b>Share Capital and Reserves</b>			
Share capital		82,902	82,902
Reserves		1,356,304	1,372,892
		<u><b>1,439,206</b></u>	<u><b>1,455,794</b></u>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the Six Months Ended 30 June 2002 – Unaudited*

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net Cash Inflow from Operating Activities</b>	<b>50,398</b>	<b>784</b>
<b>Net Cash Flow From Investing Activities</b>		
Purchase of fixed assets	(9,087)	(2,991)
Interest received	734	1,432
<i>Net cash used in investing activities</i>	<b>(8,353)</b>	<b>(1,559)</b>
<b>Net Cash Flow from Financing Activities</b>		
Interest paid	(14,619)	(19,476)
Dividends paid	(12,435)	–
Dividends paid to minority shareholder	–	(4,679)
Repayment of loans	(30,437)	(30,709)
Repayment of promissory note	(6,720)	–
<i>Net cash used in financing activities</i>	<b>(64,211)</b>	<b>(54,864)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(22,166)</b>	<b>(55,639)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>140,776</b>	<b>151,286</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>118,610</b>	<b>95,647</b>
<b>Analysis of Balances of Cash and Cash Equivalents</b>		
Deposits with banks	30,355	43,857
Cash at bank and on hand	88,255	51,790
	<b>118,610</b>	<b>95,647</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the Six Months Ended 30 June 2002 – Unaudited*

	Share capital	Share premium	Capital redemption reserve	Reserve fund	Enterprise development fund	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	82,902	1,041,444	297	14,355	14,355	289,566	1,442,919
Loss for the period	–	–	–	–	–	(9,962)	(9,962)
At 30 June 2001	<u>82,902</u>	<u>1,041,444</u>	<u>297</u>	<u>14,355</u>	<u>14,355</u>	<u>279,604</u>	<u>1,432,957</u>
At 1 January 2002	82,902	1,041,444	297	17,234	17,234	296,683	1,455,794
Loss for the period	–	–	–	–	–	(4,153)	(4,153)
Dividends (Note 6)	–	–	–	–	–	(12,435)	(12,435)
At 30 June 2002	<u>82,902</u>	<u>1,041,444</u>	<u>297</u>	<u>17,234</u>	<u>17,234</u>	<u>280,095</u>	<u>1,439,206</u>

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. Basis of Preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants (the "HKSA"). KPMG's independent review report to the Board of Directors is included on page 12.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 10 April 2002.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report, with the exception of changes in accounting policies to comply with revised SSAPs issued by the HKSA, which are effective for accounting periods beginning on or after 1 January 2002, as set out below.

- (a) On adoption of SSAP11 (revised) "Foreign currency translation", the profit and loss account of subsidiary denominated in foreign currency is translated at the weighted average exchange rate during the period. In previous periods, it was translated at exchange rate ruling at the balance sheet date. The effect of such change is not material to the accounts and the comparative figures have not been restated.
- (b) Certain presentational changes have been made upon the adoption of SSAP1 (revised) "Presentation of financial statements" and SSAP15 (revised) "Cash flow statements".

### 2. Turnover

The principal activity of the Group is the generation and sale of electricity. Turnover represents the invoiced value, net of value added tax, of electricity supplied in Foshan City, Guangdong Province, the People's Republic of China ("PRC") and a fuel cost surcharge of HK\$6.4 million (2001: HK\$9.1 million) for electricity supplied.

### 3. Segment Reporting

The Group's results are almost entirely attributable to its generation and sale of electricity in the PRC. Accordingly, no segmental analysis is provided.

### 4. Profit/(Loss) from Ordinary Activities Before Taxation

Profit/(Loss) from ordinary activities before taxation is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance cost</b>		
Interest on promissory note repayable within five years	97	699
Interest on other borrowings	<u>20,329</u>	<u>23,763</u>
	<u>20,426</u>	<u>24,462</u>
<b>(b) Other items</b>		
Depreciation and amortization (other than for goodwill)	<u>44,718</u>	<u>44,946</u>

**5. Taxation**

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for PRC income tax for the period	<b>2,770</b>	3,596
Under-provision in respect of prior year	<b>1,136</b>	–
	<b>3,906</b>	3,596
Deferred taxation ( <i>Note 11</i> )	<b>2,204</b>	–
	<b>6,110</b>	3,596

No provision has been made for Hong Kong profits tax as the Group sustained losses in Hong Kong for taxation purposes during the period. The tax charge represents provision for the income tax levied by the PRC at 18% (2001: 18%) on the estimated assessable profits of the Company's subsidiary, 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co. Ltd.) ("Shakou JV"), for the period.

**6. Dividends**

	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the period, of 1.5 cents per share (2001: Nil)	<b>12,435</b>	–

**7. Basic Loss Per Share**

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$4,153,000 (2001: HK\$9,962,000) and 829,018,244 (2001: 829,018,244) shares in issue during the period.

**8. Related Party Transactions**

<b>Name of related company</b>	<b>Nature of transaction</b>	<b>Six months ended 30 June</b>	
		<b>2002</b>	<b>2001</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Gloryson Limited	Rental of office premises	<b>215</b>	346
Foshan City District Electricity Fuel Supply Company	Purchase of fuel ( <i>Note</i> )	<b>191,101</b>	208,517
Foshan City District Electric Power Construction Corporation and its associate	Interest on loans	<b>20,329</b>	23,763
Hensil Investments Group Limited	Interest on promissory note	<b>97</b>	699

*Note : The values are exclusive of value added tax.*

Rentals were paid at market rates. Madam Yip Siu Chun, being a controlling shareholder of the Company, is beneficially interested in Gloryson Limited. On 30 April 2002, Gloryson Limited disposed of the office premises to an independent third party.

During the period, the Group purchased fuel from 佛山市區電力燃料公司 (Foshan City District Electricity Fuel Supply Company) ("Fuel Company"). As at 30 June 2002, amount due to Fuel Company was HK\$60.09 million (31 December 2001: HK\$77 million). Fuel Company, being an associate of 佛山市區電力建設總公司 (Foshan City District Electric Power Construction Corporation) ("Power Construction Corporation"), is a related party to the Company because Power Construction Corporation is a substantial shareholder of Shakou JV.

During the period, Shakou JV had outstanding loans due to Power Construction Corporation and its associate pursuant to certain loan agreements entered into between Shakou JV and the respective counterparties. As at 30 June 2002, the outstanding loans, including an overdue amount of HK\$61.64 million (31 December 2001: HK\$47.61 million), amounted to approximately HK\$529.67 million (31 December 2001: HK\$560.11 million). The loans are interest-bearing at a fixed rate of 8.08% (2001: 8.08%) per annum. Apart from the outstanding loans, as at 30 June 2002, there was overdue interest payable to these parties amounting to HK\$27.27 million (31 December 2001: HK\$20.94 million), which is interest-free.

According to the loan agreements, loans overdue less than six months, over six months but within one year and over one year are subject to interest penalties at rates of 0.42%, 0.6% and 1.2% per month, respectively. The overdue interest payable is also subject to an interest penalty at a rate of 0.03% per day. No provision for these interest penalties has been made for the period ended 30 June 2002 as the lenders have waived the interest penalties on all overdue loans and interest payable as in previous years.

The outstanding amount of the promissory note at 31 December 2001 of HK\$6.72 million due to Hensil Investments Group Limited ("Hensil Investments") was fully repaid during the six months ended 30 June 2002. Hensil Investments is a controlling shareholder of the Company.

## 9. Trade and Other Receivables

Included in the trade and other receivables is a trade debtor with the following ageing analysis:

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Current	<b>82,872</b>	125,789
1 to 3 months overdue	<b>47,136</b>	35,712
	<b><u>130,008</u></b>	<u>161,501</u>

Debts are due within one month from the date of billing. All of the trade and other receivables are expected to be recovered within one year.

## 10. Trade and Other Payables

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Creditors and accrued charges	<b>14,930</b>	65,385
Amounts due to related companies	<b>87,353</b>	97,944
	<b><u>102,283</u></b>	<u>163,329</u>

Included in the trade and other payables are trade creditors with the following ageing analysis:

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Due within 1 month or on demand	<b>60,088</b>	120,583

**11. Deferred Taxation**

- (a) Movements on deferred taxation comprise:

	<b>2002</b> <b>HK\$'000</b>	2001 <b>HK\$'000</b>
At 1 January	–	–
Transfer from the consolidated profit and loss account ( <i>Note 5</i> )	<u>2,204</u>	–
At 30 June /31 December	<u><b>2,204</b></u>	<u>–</u>

- (b) Details of deferred tax of the Group are set out below:

	<b>30 June</b> <b>2002</b> <b>HK\$'000</b>	31 December 2001 Provided <b>HK\$'000</b>
Depreciation allowances in excess of related depreciation	<u>2,204</u>	<u>–</u>

**12. Commitments**

- (a) Capital commitments outstanding at 30 June 2002 not provided for in the accounts were as follows:

	<b>30 June</b> <b>2002</b> <b>HK\$'000</b>	31 December 2001 <b>HK\$'000</b>
Contracted for	<u>105,563</u>	<u>108,012</u>

On 30 September 2001, Shakou JV entered into an overhaul agreement with a third party for a large-scale inspection and overhaul of the two gas turbines of Shakou Power Plant in the beginning of 2003. The total contract price is US\$19.47 million (equivalent to HK\$150.80 million). A deposit of US\$5.84 million (equivalent to HK\$45.30 million) has been paid in the previous year and is stated as prepayment for planned maintenance in the consolidated balance sheet.

- (b) At 30 June 2002, the total future lease payments of the Group under non-cancellable operating lease in respect of office premises are payable as follows:

	<b>30 June</b> <b>2002</b> <b>HK\$'000</b>	31 December 2001 <b>HK\$'000</b>
Within 1 year	<u>249</u>	<u>572</u>

**13. Contingent Liabilities**

Shakou JV had a syndicated loan denominated in US dollar which was fully repaid on 23 March 1998. Under the loan agreement, Shakou JV is required to bear any PRC tax payable in respect of interest paid to the lenders. By a letter dated 17 March 1998, the Shakou JV's former ultimate holding company, Foshan Development Company Limited, agreed to bear any tax liabilities, including penalties, if any, which may arise from the interest paid on the syndicated loan. The estimated tax which may be payable is approximately HK\$43 million, excluding penalties.

**14. Approval of the Interim Financial Report**

The interim financial report was approved by the Board of Directors on 20 September 2002.

## **Independent Review Report to the Board of Directors of Wing Shan International Limited**

### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 5 to 11.

### **Directors' Responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

### **Review Work Performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review Conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

### **KPMG**

*Certified Public Accountants*

Hong Kong, 20 September 2002