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WING SHAN INTERNATIONAL LIMITED

榮山國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

CONTINUING CONNECTED TRANSACTIONS

Facilities Lease Agreement

The Directors are pleased to announce that on 30 July 2004, Shakou JV, a 80% indirectly owned subsidiary of the Company, and Funeng JV, a Sino-foreign equity joint-venture established in the PRC entered into the Facilities Lease Agreement, pursuant to which Funeng JV agreed to lease from Shakou JV certain (1) office premises; (2) factory premises; (3) land-use rights; and (4) auxiliary power generation facilities for two years commencing from the date of the Facilities Lease Agreement. The consideration is to be satisfied in cash by two annual payments of RMB4,800,000 (equivalent to approximately HK\$4,528,000) each.

As Power Construction Corporation, a wholly-owned subsidiary of Power Group Corporation, is a substantial shareholder (as defined in the Listing Rules) of Shakou JV, it is a connected person of the Company within the meaning of the Listing Rules. Funeng JV, being a subsidiary of Power Group Corporation, is an associate (as defined in the Listing Rules) of Power Construction Corporation by virtue of its being a fellow subsidiary of Power Construction Corporation and thus the entering into of the Facilities Lease Agreement between Shakou JV and Funeng JV constitutes a connected transaction of the Company and the transactions arising therefrom constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since, in respect of the aggregate consideration on an annual basis under the Facilities Lease Agreement payable by Funeng JV to Shakou JV, each of the applicable percentage ratios for connected transaction purpose is less than 2.5%, the entering into the Facilities Lease Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and no shareholders' approval is required.

THE FACILITIES LEASE AGREEMENT

Date : 30 July 2004
Parties : Shakou JV (as lessor)
Funeng JV (as lessee)

TERM

The contract term of the Facilities Lease Agreement is two years commencing from 30 July 2004 to 29 July 2006 (both days inclusive).

DETAILS OF THE FACILITIES LEASE AGREEMENT

Under the Facilities Lease Agreement, Funeng JV has agreed to lease from Shakou JV (with no option to purchase) the following facilities/premises, situated in the Shakou Power Plant, which are owned but currently not being used or utilized by Shakou JV (collectively the "Lease Properties"):-

Facilities/ Premises	Description- Leased Capacity	Usage of Facilities	Estimated Fair Market Rent per year(RMB)
(1) Office Premises	Office Building Ground Floor — total gross floor area of approximately 727 sq.m	For administrative use	113,350
(2) Factory Premises	(i) Staff Quarters Ground Floor and Second Floor – total gross floor area of approximately 743 sq.m.	For staff accommodation	80,276
	(ii) Storage Premises Ground Floor – total gross floor area of approximately 1,011sq.m.	For storage	157,746
	(iii) Fuel Processing Premises One-third of Ground Floor – total gross floor area of approximately 607 sq.m.	For installing and operating fuel processing facilities	80,124
	(iv) 220kV Transformer Facilities Premises – total gross floor area of approximately 767 sq.m.	Being the underlying site of the 220kV Transformer Facilities	101,241

Wing Shan International Limited

(3)	Land-use Rights	Roads connecting the abovementioned Office Building and Staff Quarters	Access between the abovementioned Office Building and Staff Quarters	50,000
(4)	Auxiliary Power Generation Facilities	(i) 220kV Transformer Facilities – the entire transformer	To step up voltage of electricity for transmission	2,824,975
		(ii) Water Treatment Facilities – 20% of the facilities	To process water supply for production purposes	131,325
		(iii) Fuel Processing Facilities – 26% of the facilities	To process fuel for power generation	882,900
		(iv) Fuel Processing Auxiliary Facilities – 50% of the facilities	For fuel processing use	92,700
		(v) Waste Water Treatment Facilities – 36% of the facilities	To remove and reduce toxic, pollutants and fuel contents in used water emitted from the plant	63,098
		The aggregate estimated fair market rent:		4,577,735

Pursuant to the Facilities Lease Agreement, Funeng JV has agreed to indemnify Shakou JV for any losses and damages caused by Funeng JV to the Lease Properties during the term of the Facilities Lease Agreement. Further, Shakou JV has the right to terminate the Facilities Lease Agreement at its absolute discretion without giving any reason(s) or incurring any liabilities to Funeng JV by giving 30 days' prior notice to Funeng JV.

CONSIDERATION

Under the Facilities Lease Agreement, the consideration is to be satisfied in cash by two annual payments of RMB4,800,000 (equivalent to approximately HK\$4,528,000) each. The first payment will be made within 15 working days from the date of the Facilities Lease Agreement and the second payment will be made within 15 working days upon expiration of the first anniversary of the Facilities Lease Agreement.

The consideration was negotiated on an arm's length basis and based on a valuation report prepared by an independent professional valuer in the PRC with reference to the estimated fair market rent of the Lease Properties as shown above.

INFORMATION ON THE GROUP AND SHAKOU JV

The principal activities of the Group are the generation and sale of electricity in Foshan City, Guangdong Province, the PRC.

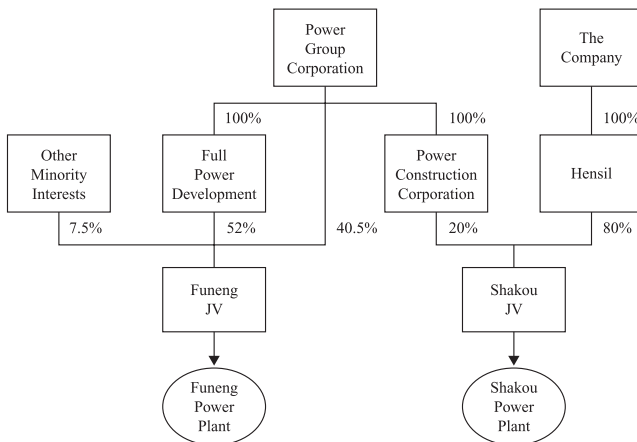
Shakou JV is a Sino-foreign equity joint venture established in the PRC which is owned as to 80% by Hensil and 20% by Power Construction Corporation. It owns and operates the Shakou Power Plant at Shakou, Foshan City, the PRC with a total installed capacity of approximately 300,000kW with maximum available capacity being utilized during period of high electricity demand. Shakou Power Plant has been one of the major commercial power plants in Foshan City since it commenced commercial operation in 1995.

INFORMATION ON FUNENG JV

Funeng JV is owned as to 40.5% by Power Group Corporation, 52% by Full Power Development and 7.5% by other minority interests, who (and their ultimate beneficial owners), to the best knowledge of the Directors, are independent of and not connected with any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). Funeng JV was established in August 2003 and its registered business activities are the generation and sales of electricity in Foshan City, the PRC. Funeng JV is currently building the Funeng Power Plant located near Shakou Power Plant with total installed capacity of approximately 360,000kW. Apart from the Funeng Power Plant which is under construction, Funeng JV owns no other power plant as at the date of this announcement. It is expected that the first phase of Funeng Power Plant would commence commercial operation in the fourth quarter of 2004 with initial capacity of approximately 180,000kW.

SHAREHOLDING STRUCTURE

Details of the shareholding structure of Shakou JV and Funeng JV as at the date of this announcement are set out below:-



REASONS FOR THE ENTERING INTO OF THE FACILITIES LEASE AGREEMENT

Alongside with its principal activities of production and sale of electricity in Foshan City as well as the operation of power plant facilities, the Group has also been actively engaged in the maintaining and strengthening of business relationship with its industry counterpart, its PRC joint-venture partner and relevant government authorities of Foshan City. The Directors consider that the entering into of the Facilities Lease Agreement would benefit the Group's business in long term prospective by promoting its business relationship with relevant government authorities of Foshan City as well as strengthening the base for future business cooperation with Funeng JV.

As the Lease Properties are currently not used or utilized by Shakou JV, the Directors are of the view that the entering into of the Facilities Lease Agreement would generate additional revenue and enhance effective utilization of the Company's resources.

In view of the persistent strong growth in electricity demand in Guangdong Province in the last decade, the Directors anticipate that electricity supply in Guangdong Province would not be able to meet electricity demand in the same area in the next two years. Hence, the Directors consider that competition between Funeng Power Plant and Shakou Power Plant would be negligible. After due and careful consideration of, among other things, (i) the terms and conditions of the Facilities Lease Agreement; (ii) the fact that the excess capacity of the auxiliary power generation facilities are currently not being utilized and not being able to contribute to the operation of Shakou JV; (iii) the current economic conditions in the PRC; and (iv) demand and supply of electricity in Guangdong Province, it appears to the Directors that the entering into of the Facilities Lease Agreement should not have any adverse effect on the operation of Shakou JV.

The Directors (including independent non-executive Directors) are of the opinion that the Facilities Lease Agreement and the terms contained therein are on normal commercial terms, are fair and reasonable and are in the interests of the Company and its shareholders as a whole and that it was entered into after due negotiations on an arm's length basis with reference to the prevailing market conditions.

CONTINUING CONNECTED TRANSACTIONS

As Power Construction Corporation, a wholly-owned subsidiary of Power Group Corporation, is a substantial shareholder (as defined in the Listing Rules) of Shakou JV, it is a connected person of the Company within the meaning of the Listing Rules. Funeng JV, being a subsidiary of Power Group Corporation, is an associate (as defined in the Listing Rules) of Power Construction Corporation by virtue of its being a fellow subsidiary of Power Construction Corporation and thus the entering into of the Facilities Lease Agreement between Shakou JV and Funeng JV constitutes a connected transaction of the Company and the transactions arising therefrom constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since, in respect of the aggregate consideration on an annual basis under the Facilities Lease Agreement payable by Funeng JV to Shakou JV, each of the applicable percentage ratios for connected transaction purpose is less than 2.5%, the entering into of the Facilities Lease Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and no shareholders' approval is required.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Company"

Wing Shan International Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange

Wing Shan International Limited

“Directors”	Directors of the Company
“Facilities Lease Agreement”	The facilities lease agreement entered into between Shakou JV as lessor and Funeng JV as lessee dated 30 July 2004
“Full Power Development”	Full Power Development Far East Limited (福能發展遠東有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Power Group Corporation
“Funeng JV”	佛山市福能發電廠有限公司 (Funeng Power Supply Co., Ltd.)*, a Sino-foreign equity joint venture incorporated in the PRC, owned as to 40.5% by Power Group Corporation, 52% by Full Power Development and 7.5% by other minority interests, who (and their ultimate beneficial owners), to the best knowledge of the Directors, are independent of and not connected with any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)
“Funeng Power Plant”	A thermal power plant owned by Funeng JV and located near Shakou Power Plant with total installed capacity of approximately 360,000kW first phase of which is expected to commence commercial operation in the fourth quarter of 2004 with initial capacity of approximately 180,000kW
“Group”	the Company and its subsidiaries
“Hensil”	Hensil Worldwide Inc., a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Power Construction Corporation”	佛山市區電力建設總公司 (Foshan City District Electric Power Construction Corporation)*, a state-owned enterprise established in the PRC and under the direct supervision of, and wholly-owned by, Power Group Corporation
“Power Group Corporation”	佛山電建集團公司 (Foshan Electric Power Construction Group Corporation)*, a state-owned enterprise established in the PRC, principally engaged in the investment of power plants and installation of power generators in Guangdong Province, the PRC
“PRC”	the People’s Republic of China
“Shakou JV”	Foshan Shakou Power Plant Company Limited (佛山市沙口發電廠有限公司), a Sino-foreign equity joint venture established in the PRC and a 80% owned subsidiary of the Company, which owns and operates Shakou Power Plant
“Shakou Power Plant”	A combined cycle power plant owned and operated by Shakou JV which is located at Shakou, Foshan City, the PRC with a total installed capacity of 300,000kW
“subsidiaries”	as defined under section 2 of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	Per cent.

* The English name is only a translation of its official Chinese name.

Note: In this announcement, Renminbi has been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB1.06

As at the date of this announcement, the board of the Company is comprised of four executive Directors, namely Mr. He Haochang, Mr. Chan Che Kan, Edward, Mr. Situ Min and Mr. Li Feng; and three independent non-executive Directors, namely Mr. Chan Ting Chuen, David, Mr. Ng Pui Cheung, Joseph and Mr. Cheung Kin Piu, Valiant.

By Order of the board
WING SHAN INTERNATIONAL LIMITED
HE Haochang
Chairman and Managing Director

Hong Kong, 2 August 2004

Please also refer to the published version of this announcement in The Standard dated 3 August 2004.