



YIP Siu Chun, Chairman

Dear Shareholders,

I am pleased to introduce the annual report of Wing Shan International Limited (the "Company") and its subsidiaries (together referred as to the "Group") for the year ended 31 December 2000.

Business Results

The Group recorded loss attributable to shareholders of HK\$19.6 million (1999: profit of HK\$95.8 million). Loss per share was 2.4 Hong Kong cents (1999: earnings per share of 11.6 Hong Kong cents). The net loss reflected an industry-wide phenomenon, for oil-fired power plant operators in Guangdong Province, which was mainly attributable to the sharp rise of fuel oil prices during the year.

Dividends

In light of the increased working capital requirements due to the prevailing high fuel oil prices and the Group's net loss for the year, the directors of the Company (the "Directors") have resolved not to recommend the payment of final dividend (1999: 3.5 Hong Kong cents per share) for the year. As no interim dividend (1999: 1.5 Hong Kong cents per share) was declared for the first half year, no amount of dividends was paid for the full year (1999: HK\$41.5 million).

Business Review

The year was extremely challenging. Fuel oil prices experienced sharp rises and hovered at high levels throughout the year. Such price hikes primarily reflected international oil price fluctuations that were beyond the Group's control. The Group implemented mitigating measures to minimize the adverse effect caused by high fuel oil prices on its overall performance. While a number of oil-fired power plant operators in the province incurred operating losses as a result of scaled-down or suspended production, 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co. Ltd.) ("Shakou JV") sustained profitable operation. Essentially, not only were power-generating facilities utilized close to optimal capacity, but planned repairs and maintenance programs were also undertaken without interruption. Production efficiency and operational effectiveness were sustained at satisfactory levels. The Group fully demonstrated its competitive edges over its competitors to achieve quality performance amidst the very difficult environment.

Outlook

Despite the short-term earnings setback, the Directors are still optimistic of the electric power industry of Guangdong Province. Electricity demand is expected to sustain satisfactory growth as a result of the province's robust economic performance. As the province's electric power market matures, accelerated by the nation-wide electric power industry reforms, there will be further requirement for the delivery of more efficient and reliable as well as cheaper and cleaner electricity. To sustain its dominant market position, the Group needs to continue its strive for excellence by improving operating efficiency and enhancing cost-effectiveness. Strategically, the Group needs to explore profitable business opportunities that could give synergy to its power generation business.

Building on its management capability, technical expertise and business relationship, the group is well positioned to identify and take advantage of opportunities to invest in a diversity of profitable business associated with the economic development of Foshan City and the nearby areas in Guangdong Province.

Changes of Directors

On 8 February 2001, Mr. DU Richeng resigned as executive director of the Company in pursuit of his personal interests. The Company's board of directors (the "Board") has appointed Mr. HE Haochang as executive director with effect from the same date. Mr. HE was also appointed director and chairman of Shakou JV, responsible for its strategic management and operation. Mr. HE is presently the Chairman of Foshan Development Company Limited ("Foshan Development"), a beneficial controlling shareholder of the Company. Mr. HE is a veteran China businessman with extensive management experiences of joint-venture enterprises in the People's Republic of China (the "PRC"). I would like to thank Mr. DU Richeng for his contributions to the Group in the past and I would also like to welcome Mr. HE Haochang as director of the Company.

Appreciation

The satisfactory performance of the Group during the year could not be possible without the joint efforts of all our staff. I would like to express my wholehearted gratitude to all the Directors, management team and all the staff for their generous effort and hardworking contribution. In particular, I would also dedicate my sincere thanks to our PRC joint-venture partner and the relevant local authorities of Foshan City for their full support and guidance.

YIP Siu Chun

Chairman

Hong Kong, 17 April 2001