

# Chairman's Statement

Dear Shareholders,

## BUSINESS RESULTS

In 2004, Wing Shan International Limited (the "Company") (together with its subsidiaries called the "Group") experienced another year of extreme difficulty. The Group reported a net loss of HK\$55.9 million (2003: HK\$17.6 million) for the year ended 31 December 2004. Loss per share therefore increased further from the previous 2.12 to 6.73 Hong Kong cents. The performance decline was primarily attributable to the persistent surge of fuel oil prices. The Group's EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) significantly decreased to HK\$79.8 million (2003: HK\$144.6 million). In light of the increased working capital requirement, the Company's board of directors (the "Board") has resolved not to recommend the payment of a final dividend for the year (2003: 1.5 Hong Kong cents per share).



**HE Haochang** *Chairman*

## OPERATIONAL PERFORMANCE

Despite the somewhat disappointing business results which reflected an industry-wide phenomenon for most fuel-oil power plants operating in Guangdong Province, the People's Republic of China ("PRC") during the year, the Group achieved encouraging performance on operational fronts. First of all, the Group achieved record high of electricity production volume with improved utilization of its existing installed capacity. Secondly, the Group's electricity sales volume complied with the production quota as allocated by the relevant authorities of Foshan Municipality thereby ensuring reliable supply of electricity at times of severe power supply shortfall to the local communities of Foshan Municipality. These were made possible as routine maintenance and repairs programs were scheduled and undertaken mostly during low demand periods so that maximum production could be accomplished during peak demand periods. Throughout the year, production was hence carried out safely without serious interruption caused by unexpected mechanical breakdown or failures. On the financial management side, the Group has adopted financial measures to reduce imminent pressure caused by the performance decline on the Group's financial health. In this regard, the long-term debts due to the Group's joint-venture partner and its associate had been rescheduled and additional sources of external financing were secured for ensuring the Group's working capital sufficiency and strengthening long-term financial solidarity. On the market front, the achievement is more encouraging. The Group sustained its market position as the dominant local power plant operator in Foshan Municipality. During the year, the Group adopted cooperative strategy to work with industry counterparts in the province to lobby for additional fuel cost surcharge. In addition, the Group entered into a facility lease agreement with a newly built oil fired power plant located in close proximity to the Group's existing power generating facilities. The transaction was expected to enhance mutual relationship and foster future cooperation opportunities.

# Chairman's Statement

## THE WAY AHEAD

The Group has been operating its electricity generation business for nearly two decades in Foshan Municipality with established market reputation for operational efficiency and management excellence. Notwithstanding the short-term repercussion caused by the fluctuating fuel oil prices which could exert pressure on the Group's financial performance and strategy flexibility, the Board is confident in the long-term business prospects of the Group's business. The Group would continue its effort to obtain additional fuel cost surcharge. While consumer tariff in the Province had been generally adjusted upwards during the year, there were also reports that the relevant authorities of Guangdong Province are contemplating to establish a fuel-linked tariff adjustment scheme for fuel oil power plant operators in the Guangdong Province to improve on-grid tariff adjustment flexibility. On the other hand, the Group will closely monitor the availability of natural gas supply to Foshan Municipality in the near future and explore the feasibility of the gasification of the Group's power plant facilities to reduce the Group's susceptibility to fuel oil prices fluctuation. While every measure would continue to be taken to improve the Group's performance, tremendous efforts would also be expended to ensure the Group's financial solidarity and facilitate necessary capital expenditure program and prospective investment opportunity.

## APPRECIATION

During the year, our management teams and all our staff have endeavored their greatest effort to brave the challenges brought about by the high fuel oil prices. I have witnessed the strongest ever unity amongst all of us at the highest team spirit to face the difficult external environment. At the same time, I have also experienced the warmest support and the most generous assistance from our suppliers, joint-venture partners, customer, the relevant authorities of the Foshan Municipal Government and in particular the greatest patience of our shareholders. On behalf of the Board, I must hereby express my sincere appreciation to all of you.

**HE Haochang**

*Chairman*

Hong Kong, 14 April 2005