

Chairman's Statement

Dear shareholders,

BUSINESS RESULTS

In 2005, 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\$807.16 million (2004: HK\$60.47 million) for the year ended 31 December 2005. Loss per share therefore increased further from the previous 6.73 Hong Kong cents to 91.86 Hong Kong cents. The performance decline was primarily attributable to the persistent surge of fuel oil prices and on-grid tariff adjustment remained inflexible under the strict control of the relevant authorities of the Guangdong Provincial Government. In these circumstances, the Group suffered gross loss of HK\$102.07 million (2004: HK\$7.03 million).



HE HAOCHANG *Chairman*

OPERATIONAL PERFORMANCE

Despite the grave 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 (the "PRC") during the year, the Group achieved encouraging performance on operational fronts.

On the electricity generation front, electricity generation was carried out safely without serious interruption caused by unexpected mechanical breakdown or failure because routine maintenance and repairs programs were scheduled and undertaken orderly. It provided reliable supply of electricity to Foshan Municipality during peak load demand periods. On the other hand, electricity generation was reduced in low demand periods to balance the effect from increase in fuel oil prices.

On the financial management side, the Group has adopted financial measure to reduce imminent pressure caused by the performance decline on the Group's financial health. In this regard, the long-term loans due to the Group's joint-venture partner and its associate had been rescheduled for ensuring the Group's working capital sufficiency and strengthening long-term financial solidarity.

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On the market front, the Group adopted cooperative strategy to work with industry counterparts in the Guangdong Province to request for additional fuel cost surcharges. The Group also came together with other oil-fired power plants in the Foshan Municipality to request the People's Government of Foshan Municipality to give subsidies. In addition, the Group leased certain power generating facilities which are currently not used or utilized, to an 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 benefits. It also fosters future cooperation opportunities.

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 repercussion caused by the fluctuating fuel oil prices which could exert pressure on the Group's financial performance and strategy flexibility, the Group continues its strategy to reduce the full impact of increased fuel oil cost on its performance by negotiating with the relevant PRC parties of the Guangdong Provincial Government and the sole customer for additional fuel cost surcharges and increase in on-grid tariff. The Group will also request for more subsidies from the Foshan Municipality. Meanwhile, every measure would keep on to be taken to improve the performance of the Group; tremendous efforts would also be expended to ensure the financial solidarity and prospective investment opportunity.

For environmental purpose, the Group has considered the feasibility of gasification of the Group's power plant facilities when natural gas supply to Foshan Municipality is available.

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 People's Government of Foshan Municipality and in particular the greatest patience of our shareholders. On behalf of the board of directors, I must hereby express my sincere appreciation to all of you and take this opportunity to thank Mr. CHAN Che Kan, Edward (Director and Deputy Managing Director resigned on 15 September 2005) for his valuable contribution to the Company and the Group.

HE Haochang

Chairman

Hong Kong, 18 April 2006