



## Chairman's Statement

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With rapid economic developments in recent years, China, like all other economies, is now confronted with two problems: the insufficiency of electricity supply and increasing urban waste. For instance, some major cities in China have promulgated restrictions on the consumption of electricity, particularly during the summer season, some have even come to the point of an "electricity crisis" where businesses are frequently experiencing electricity disruptions.

Meanwhile, China produces 150 million tons of urban waste per year with an annual incremental growth of 9%, while untreated waste amounts to over 70 million tons, occupying more than 800 million square meters.

In fact, the two aforementioned issues have become an underlying problem that is interfering with government policies and its people's living. Nevertheless, the increase of electricity supply and dramatic slash of waste cannot be achieved in one step, where waste combustion electric power solutions come into play, turning the dilemma into opportunities while at the same time resolving two of today's most critical social concerns. During the year, the Group has actively involved itself by investing resources into the development of the emerging waste combustion electric power industry in China. Environmental business in China is still at its preliminary stage with significant room for development and ample business opportunities. Under China's supportive policies of encouraging businesses in environmental conservation, concessions are provided in various aspects such as taxation, expenses in respect of putting electricity onto power network and waste treatment, so as to lure more investments.

The first project of waste combustion electric factory situated in Qingshan, Nancheng District of Dongguan City ("Dongguan Electric Factory"), of which the Group currently owns 51% of its equity interests, has now commenced practical works stage and is expected to commence operation as early as the end of 2005. Upon commencement of operation, the project will be able to generate revenue from the fees of waste treatment and putting generated power onto network.

Regarding the Group's existing electrical engineering, despite recent good recovery in the property market, our electrical and maintenance engineering business has been affected due to the abundant supply of completed buildings in Hong Kong the halt of public housing developments resulted from changes of government housing policies and slowdown of private developments. With more intensity industry competition, our effective revenue in this sector has been cut down and it is anticipated our Hong Kong business in this sector will be further contracted.

Equipped with years of experience in electrical engineering, the Group will begin to explore opportunities in China. During the year, we have expanded our electrical materials and component export business, where most of our key export regions are countries with rapid economic infrastructure development in recent years, such as the Asia, Australia, Italy and Britain etc. With the encouraging achievements in our export business, the Group will intensify the development in the field so as to further expand its export volume.



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The implementation of Closer Economic Partnership Agreement (CEPA) and the emergence of economic and trading collaborations in the "9+2" Pan-Pearl River Delta region have provided greater room for development for Hong Kong's reviving economy. In view of the closer business and trading relations between China and Hong Kong, the Group has already commenced logistics developments in China, Hong Kong and Taiwan where notable result of tens of millions dollars of turnover have been recorded. We believe that the business of the Group will further be benefited along with the growing trend of the Hong Kong economy.

With tides of new share listings once again emerged in Hong Kong during the past year, daily trading volume of the stock market often reaches over HK\$10 billion. The securities business operated by the Company through Hong Tong Hai Securities Limited has also achieved stable development and recorded a turnover of over HK\$6 million during the year. However, the Group does not intend to put too much focus on the securities brokerage business. It is the intention of the present management to put more emphasis on those business which will be able to generate a more stable stream of income.

With the brighter prospect in sight for Hong Kong and China's economy accelerating in full speed, collaborations between the two have reached an unprecedented level of harmony. With continuous improvements in the transportation network, there are ample business opportunities in the country. In view of this, the Group aims to further develop the China market by exploring other industries targeting waste combustion electric power and electrical engineering businesses. Non-core businesses will see further integrations while we continuously look for new areas of development in China, in particular, emerging industries with lesser competition that generate stable revenue.

On behalf of the Board  
**HON Ming Kong**  
*Chairman*

Hong Kong, 26 July 2004