

Chairman's Statement



On behalf of the Board of Directors (the “Board”), I am pleased to announce the annual results of China Sciences Conservational Power Limited (“China Sciences”/the “Group”) for the year ended 31 December 2004.

China Sciences marched into a new era in 2004 guided by the new and unique business direction — to engage in the waste incineration and processing environmental protection business in the PRC. After the Group completed capital restructuring in February 2004, China Sciences has been actively exploring potential business and fund raising opportunities while strengthening the Group’s shareholder base and management team with the aim of accelerating business development.

The strong support from the PRC Government has provided a solid foundation for us to develop the waste incineration and processing business in the country. For instance, the government allows all waste-to-power output to enjoy higher on-grid rate and priority of usage of the grid. There is also a compensation for any economic loss suffered by waste-to-power generators if the grids fail to absorb all of the supply. The recycle power generation method will on the one hand help the environmental protection and on the other hand to meet the escalating electricity demand of the booming Chinese economy. We believe both the PRC and China Sciences stand to benefit from the Group’s embarking on waste incineration and processing for power generation with huge room for growth.

The Group’s clear and unique business direction and market embedded with ample opportunities attracted to it a number of prominent investors including CITIC International Assets Management Limited (“CIAM”). We also have a strong management team with members possessing extensive experience in the energy sector and the waste incineration and processing industry. With all these advantages, China Sciences is equipped to further advance its technology for expanding and perfecting its waste incineration and processing business. To strengthen our financial position, during the year, we launched a number of fund raising exercises, which received overwhelming responses from investors, revealing their confidence in our new business strategy and future prospects.

During the year, the Group collaborated with different companies or partners, and also initiated various projects or acquisitions to expand its business. More importantly, we adopted an investment policy with strategic focus on four major areas including popular destination cities for tourists, industrial cities, areas near dirty coal sources and major cities, all of which have huge market potential. In the year under review, the Group set up a Joint Venture company in Guilin, the PRC, and proposed to acquire 39% equity interest in a joint venture in Dongguan (“Dongguan JV Company”), the PRC and the acquisition was completed in March 2005. Stepping into financial year 2005, the Group proposed to acquire 32.89% equity interest in Beijing China Sciences General Energy & Environment Co, Ltd. (“BCS General Energy & Environment”) and also proposed to further increase its stake in the Dongguan JV Company up to 90%. Recently, the Group proposed to acquire 100% interest in Sino Profit International Limited, which involved in the setting up of the Meizhou Joint Venture with 80% equity interest for the waste incineration and processing business.

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The above acquisitions provided the Group with many benefits. Besides tremendous business opportunities, the BCS General Energy & Environment acquisition has allowed the Group immediate access to unique industry technology. BCS General Energy & Environment owns 13 technology patents registered in the PRC. One of the most significant accomplishments of BCS General Energy & Environment is that its fluidized bed incineration technology was included as a National Key Environmental Protection Technology (Category A) by the National Environmental Protection Institution in 2003. Capitalized on BCS General Energy & Environment's mature and proven technology, we are well positioned to increase the Group's business values and efficiency as well as boost our own R&D capability.

The above developments will present many growth opportunities to China Sciences and will start generating revenue to the Group in 2006. We will strive to seize these opportunities to pave the way for our prosperous growth in the future.

APPRECIATION

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to all members of our management team and staff for their dedication and hard work throughout the year. I would also like to thank our shareholders for their confidence in the Group. In the future, we will remain focused and committed to bringing in better returns for our shareholders.

Hon Ming Kong

Chairman

28 April 2005