



## Chairman's Statement

In recent years, China's economy has been in good condition with continuous, steady and a relatively faster growth. From 2001 to 2004, China's Gross Domestic Product increased by 8.6% each year on average. The long-term economic growth brought about a shortage of electricity and environmental pollution. Taking advantage of this, the Group has expanded into the area of waste incineration power processing. To generate optimal benefit from Group's investment, the Group has transferred 51% equity interest of 東莞中科環保電力有限公司 (Dongguan China Sciences Conservational Power Co., Ltd.) to another listed connected company in Hong Kong – China Sciences Conservational Power Limited (hereinafter refer as to "CSCP"), and continue to participate in the waste incineration and processing business by holding the CSCP Convertible Preference Shares (hereinafter refer as to "Preference Shares"). The Group will share its potential returns and the fixed return of dividend of 3% from the preference shares each year.

Regarding the Group's existing electrical engineering business, despite the significant recovering condition of Hong Kong's economy, the Group's electrical engineering business and electricity product trading continues to shrink due to the continuous reduction of the government's public works expense and the fact that there has not been any new public housing projects coupled with the intense market competition. The Group's sea freight forwarding services have benefited from the economic recovery and the implementation of Closer Economic Partnership Arrangement (hereinafter refer as to "CEPA"), resulting in an improved result. Securities brokerage and financing businesses have remained stable, with a slight decrease compared to last year.

China is one of the major countries expending on medical and health care. According to the World Health Organization, the China's expenditure on medical and health care reached US\$63.3 billion in 2001. During the period from 1997 to 2001, the incremental rate of the average expenditure on medical and health care per person in the China was 10.4%, topping the list of the ten countries with highest expenditure on medical and health care. The outbreaks of the "Severe Acute Respiratory Syndromes" epidemic in 2003 and the "Avian Flu" that attacked Asia in 2004 have speeded up the evolution of the pharmaceutical industry in China. Therefore, some considered the pharmaceutical industry as the chief beneficiary of these unfortunate events. The board of directors regarded the pharmaceutical industry in China as an invaluable investment opportunity in the future and started research on feasibility of investing in this industry and signed letters of intent for further due diligence on investment opportunities in early 2005. Coupled with the fact that the Group is not intended to further its direct investment in waste incineration and processing business upon its disposal of 51% equity interest of Dongguan Power Plant, the resources otherwise applied can be channelled to the investment in pharmaceutical industry. Further results is expected in the third quarter of 2005. The management of the Group will seek desirable investment opportunities in China while continue to streamline and integrate the core business of the Group.

By order of the Board

**Chan Tat Chee**

*Chairman*

Hong Kong, 25 July 2005