China Conservational Power Holdings Limited
中國環保電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 290

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

The Board of Directors (the "Board") of China Conservational Power Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	3	**102,427**	166,243
Cost of sales		**(91,361)**	(146,396)
Gross profit		**11,066**	19,847
Other operating income	5	**3,912**	3,601
Selling expenses		**(151)**	(585)
Administrative expenses		**(82,325)**	(51,291)
Unrealised holding (losses) gains on listed other investments		**(68)**	7,513
Loss on disposal of listed other investments		**(4,753)**	–
Impairment losses	6	**(18,437)**	(22,010)
Loss from operations	7	**(90,756)**	(42,925)
Finance costs	8	**(394)**	(326)
Share of results of associates		**(3,596)**	(294)
Gain on disposal of subsidiaries		**595**	–
Share of results of a joint venture		**(2,601)**	(13,854)
Loss before taxation		**(96,752)**	(57,399)
Taxation	9	**(36)**	(86)
Loss before minority interests		**(96,788)**	(57,485)
Minority interests		**2,412**	287

Net loss for the year		**(94,376)**	(57,198)
Dividends	*10*	**–**	–
Loss per share	*11*		
– basic		**(27.9 cents)**	(23.1 cents)
– diluted		**N/A**	N/A

Notes :

1. GENERAL

China Conservational Power Holdings Limited (the "Company") was incorporated in the Cayman Islands on 2 January 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in electrical engineering contracting, trading of electrical equipment and materials, internet travel booking services, investment holding, securities brokerage and financing, company secretarial services and sea freight forwarding services. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 May 2001.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. These new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

3. TURNOVER

Turnover represents the aggregate of the value of contract work carried out, sea freight forwarding service income, the proceeds from sales of goods, brokerage income, margin interest earned, interest income from unsecured loans, company secretarial service income and internet travel booking service income during the year, and is analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
Electrical engineering contracting	**43,307**	104,812
Sea freight forwarding service income	**49,010**	34,637
Sales of goods	**4,616**	19,782
Brokerage income from securities dealing	**2,405**	4,960
Margin interest from securities brokerage business	**1,554**	1,400
Interest income from unsecured loans	**1,499**	–
Others	**36**	652
	102,427	166,243

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- Electrical engineering contracting
- Sale of electrical goods
- Securities brokerage and financing
- Sea freight forwarding services

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2005							
TURNOVER							
External sales	**43,307**	**3,306**	**5,458**	**49,010**	**1,346**	**–**	**102,427**
Inter-segment sales	**–**	**1,670**	**–**	**–**	**–**	**(1,670)**	**–**
Total revenue	**43,307**	**4,976**	**5,458**	**49,010**	**1,346**	**(1,670)**	**102,427**

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS							
Segment results	**(2,977)**	**(821)**	**250**	**(312)**	**(3,835)**	**–**	**(7,695)**
Other operating income							**3,792**
Unrealised holding losses on listed other investments							**(68)**
Unallocated expenses							**(86,785)**
Loss from operations							**(90,756)**
Finance costs							**(394)**
Share of results of associates							**(3,596)**
Gain on disposal of subsidiaries							**595**
Share of results of a joint venture							**(2,601)**
Loss before taxation							**(96,752)**
Taxation							**(36)**
Loss before minority interests							**(96,788)**
Minority interests							**2,412**
Net loss for the year							**(94,376)**

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
As at 31 March 2005							
ASSETS							
Segment assets	**14,276**	**3,053**	**49,258**	**13**	**400**	**–**	**67,000**
Interests in associates							**2,467**
Unallocated corporate assets							**175,256**
Consolidated total assets							**244,723**
LIABILITIES							
Segment liabilities	**10,263**	**1,423**	**3,375**	**94**	**116**	**–**	**15,271**
Unallocated corporate liabilities							**40,353**
Consolidated total liabilities							55,624
OTHER INFORMATION							
Additions of property, plant and equipment and intangible assets	**5**	**–**	**242**	**–**	**323**	**2,224**	**2,794**
Amortisation of goodwill and trading right	**–**	**–**	**251**	**–**	**78**	**282**	**611**
Depreciation	**265**	**143**	**305**	**–**	**84**	**2,663**	**3,460**
Impairment losses recognised in income statement	**–**	**–**	**–**	**–**	**1,720**	**16,717**	**18,437**
Allowance for doubtful debts	**984**	**455**	**–**	**–**	**154**	**6,974**	**8,567**
Loss on disposal of property, plant and equipment	**–**	**–**	**618**	**–**	**–**	**119**	**737**

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Internet travel booking services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2004								
TURNOVER								
External sales	104,812	19,782	6,360	34,637	10	642	–	166,243
Inter-segment sales	–	7,078	4	–	–	78	(7,160)	–
Total revenue	104,812	26,860	6,364	34,637	10	720	(7,160)	166,243

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Internet travel booking services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS								
Segment results	154	722	1,276	111	(23,964)	(291)	–	(21,992)
Other operating income								3,334
Unrealised holding gains on listed other investments								7,513
Unallocated expenses								(31,780)
Loss from operations								(42,925)
Finance costs								(326)
Share of results of associates								(294)
Share of results of a joint venture								(13,854)
Loss before taxation								(57,399)
Taxation								(86)
Loss before minority interests								(57,485)
Minority interests								287
Net loss for the year								(57,198)

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding services *HK$'000*	Internet travel booking services *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
As at 31 March 2004								
ASSETS								
Segment assets	31,224	5,902	30,330	1,660	1,122	1,987	–	72,225
Interests in associates								6,063
Interest in a joint venture								2,601
Unallocated corporate assets								202,929
Consolidated total assets								283,818
LIABILITIES								
Segment liabilities	24,992	3,750	14,331	225	7,726	237	–	51,261
Unallocated corporate liabilities								12,910
Consolidated total liabilities								64,171
OTHER INFORMATION								
Additions of property, plant and equipment and intangible assets	12	278	484	–	–	1,899	1,059	3,732
Amortisation of goodwill and trading right	–	–	251	–	1,423	78	–	1,752
Depreciation	338	139	375	–	257	4	2,444	3,557
Impairment losses recognised in income statement	–	–	–	–	22,010	–	–	22,010
Allowance for doubtful debts	–	187	–	–	–	–	–	187
Bad debts written off	–	–	–	–	–	11	–	11
Loss on disposal of property, plant and equipment	–	99	–	–	–	–	4	103

(b) Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods, securities brokerage and financing, and sea freight forwarding services are located in Hong Kong. Work-in-progress of waste combustion electric power is located in the PRC.

Over 90% of the Group's revenues during the two years ended 31 March 2005 were from Hong Kong. Accordingly, no geographical information on revenue is presented.

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets		Additions to property, plant, equipment and intangible assets	
	At 31 March		For the year ended 31 March	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**121,334**	203,662	**2,174**	3,732
The PRC	**123,117**	80,083	**620**	–
	244,451	283,745	**2,794**	3,732
Others	**272**	73	**–**	–
	244,723	283,818	**2,794**	3,732

5. OTHER OPERATING INCOME

	2005	2004
	HK$'000	*HK$'000*
Other operating income includes:		
Gain on disposal of investments in unlisted other investments	**–**	500
Gain on disposal of development rights	**100**	–
Handling charges	**120**	267
Interest income	**2,295**	2,635
Rental income	**640**	–
Sundry income	**757**	199
	3,912	3,601

6. IMPAIRMENT LOSSES

	2005	2004
	HK$'000	*HK$'000*
Impairment losses in respect of:		
Investments in unlisted other investments	**10,700**	–
Goodwill arising from acquisition of an associate	**5,364**	–
Goodwill arising from acquisition of subsidiaries	**2,373**	22,010
	18,437	22,010

7. LOSS FROM OPERATIONS

	2005	2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Allowance for doubtful debts	**8,567**	187
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses	**78**	1,501
Amortisation of goodwill arising on acquisition of an associate included in administrative expenses	**282**	–
Amortisation of trading right in respect of securities trading included in administrative expenses	**251**	251
Auditors' remuneration	**530**	484
Bad debts written off	**–**	11
Cost of inventories recognised as expense	**3,860**	13,140
Depreciation of property, plant and equipment		
Owned assets	**3,156**	3,387
Assets under finance leases	**304**	170
Exchange losses	**674**	105
Provision for obsolete inventories	**115**	–
Provision for amount due from an investee company	**5,995**	–
Provision for amount due from an associate	**22,354**	–
Loss on disposal of property, plant and equipment	**737**	103
Loss on disposal of listed other investments	**4,753**	–
Operating lease rentals in respect of		
– rented premises	**5,193**	4,497
– motor vehicles	**83**	647
Staff costs		
Directors' remuneration		
– fees	**989**	179
– other emoluments	**4,958**	5,926
– retirement benefit scheme contributions	**36**	38
	5,983	6,143
Other staff costs	**13,160**	17,870
Other staff retirement benefit scheme contributions	**460**	595
	13,620	18,465
Total staff costs	**19,603**	24,608

8. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**357**	310
Interest on obligations under finance leases	**29**	16
Interest on other borrowings	**8**	–
	394	326

9. TAXATION

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	**–**	324
Underprovision (overprovision) in prior years	**36**	(238)
	36	86

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2005		2004	
	HK$'000	*%*	*HK$'000*	*%*
Loss before taxation	**96,752**		57,399	
Tax credit at the domestic income tax rate of 17.5% (2004: 17.5%)	**16,932**	**17.5**	10,045	17.5
Tax effect of share of results of associates	**(629)**	**(0.7)**	(51)	(0.1)
Tax effect of share of results of a joint venture	**(455)**	**(0.5)**	(2,425)	(4.2)
Tax effect of expenses that are not deductible in determining taxable profit	**(8,138)**	**(8.4)**	(4,292)	(7.5)
Tax effect of income that is not taxable in determining taxable profit	**125**	**0.1**	1,411	2.5
Tax effect of tax losses not recognised	**(8,452)**	**(8.7)**	(5,377)	(9.4)
Tax effect of tax losses utilised but not previously recognised	**13**	**–**	256	0.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	**652**	**0.7**	82	0.1
(Underprovision) overprovision in prior years	**(36)**	**–**	238	0.4
Others	**(48)**	**–**	27	0.1
Taxation charge for the year	**(36)**	**–**	(86)	(0.1)

10. DIVIDENDS

No dividend has been paid or declared by the Company during the year.

The directors do not recommend the payment of a final dividend.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(94,376)**	(57,198)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**338,518**	247,697

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group recorded an audited loss attributable to shareholders of approximately HK$94,376,000 (2004: loss of approximately HK$57,198,000). Turnover of the year was HK$102,427,000, representing a decrease of 38.4% as compared to the corresponding period of last year. The decrease was mainly attributable to the decrease of the expense of government public works as well as the structural changes in government housing policies, bringing the construction of public housing to a halt. The increase in losses of the year mainly came from the provision for non-core business, the share of losses of a joint venture and the provision of impairment of goodwill, accounts receivable and inventories. Recognising the importance of effective cost control in the process of diversifying the Group's business, the management would continue to enhance the implementation of various cost-cutting measures.

Electrical Engineering Contracting Business

During the year, the Group continued its outstanding work in progress without any addition of new projects. The Group's electrical engineering contracting business generated a turnover of HK$43,307,000, representing a decline of 58.7% from HK$104,812,000 last year. The turnover of engineering contracting business represents 42.3% of the total turnover (2004: 63%).

The term contract for electrical maintenance work for Hong Kong Housing Authority ("HKHA") and the electrical engineering work for Ho Man Tin South Estate Phase 3, certain school improvement projects and Tin Shui Wai Area 102-phase 3 were completed during the year under review. As at 31 March 2005, the Group's outstanding electrical engineering contracts on hand amounted to approximately HK$21,365,000.

With the halt of constructing public housing and substantial decline in the number of public housing projects, the Group's electrical engineering contracting division mainly focused on school improvement programmes, electrical installation work for Tung Chung Area 30 and 31 Phase 3&5, various electrical maintenance work for HKHA (Northern District 1（北區一）) and Lei Cheng Uk Estate project. It is believed that the electrical engineering contracting business will continuously shrink.

Electrical Materials and Components Trading Business

Given the continued unfavourable market condition of local construction industry coupled with the halt of public housing projects resulting from the structural changes in government housing policies, the external sales from electrical materials and components trading of the Group decreased by 76.7% to approximately HK$4,616,000 from approximately HK$19,782,000 in the corresponding period of last year. In addition, with the import of electrical appliances from the Mainland China, it is believed that this situation will hardly be improved in short-term.

Securities Brokerage and Financing Business

Hong Tong Hai Securities Limited ("HTHS") and Hong Tong Hai Capital Limited are mainly engaged in direct investment, securities brokerage, assets management and external financing business. Although the Hong Kong stock market has shown signs of recovery and is active recently, the business will hardly achieve surprisingly good development in short-term under keen competitions caused by the elimination of the minimum brokerage fee regulation. The sales of securities brokerage and financing business of the Group decreased to HK$5,458,000 from HK$6,360,000 in the corresponding period of last year, representing a decrease of approximately 14.2%. However, the Company's board of directors believes that the financial sector will play a more important role in Hong Kong amidst the transformation of the economy. Moreover, overseas financial firms are being admitted as "Qualified Foreign Institutional Investors" to operate in the PRC capital markets. It is also expected that those PRC firms with "Qualified Domestic Institutional Investors" status will be allowed to invest in the Hong Kong financial market. The fact that China Ping An Insurance（中國平安保險）is allowed to invest in overseas stock markets is also a good news. It is believed that the Group's securities brokerage, assets management and external financing business will have substantial growth potentials. In the middle of the year, HTHS successfully applied for Asset Management License（資產管理牌照）from Hong Kong Securities and Futures Commission, which is expected to benefit our securities business.

Sea Freight Forwarding Services Business

The implementation of Closer Economic Partnership Arrangement (CEPA) has strengthened Hong Kong's role as the gateway to Mainland China and facilitated the trading between the Straits. Taking advantage of this, the management has commenced sea freight forwarding services business in China, Hong Kong, Taiwan and Asia in the second half of 2003 and registered a significant turnover right after. As at the end of the year, the Group recorded a turnover of HK$49,010,000 of sea freight forwarding services, representing an increase of approximately 41.5% from HK$34,637,000 of the corresponding period of last year. The result is remarkable.

Other Businesses

The Group recorded a realised loss of approximately HK$4,753,000 during the year from the disposal of approximately 2.6% equity interests in South Sea Holding Company Limited, a listed company in Hong Kong. However, taking into account the accumulated unrealized gain of HK$10,291,000 included in the year ended 31 March 2004, the effective investment in South Sea Holding Company Limited contributed a profit of HK$5,538,000 to the Group. Another joint venture entity which is engaged in credit rating business in Beijing also recorded a loss of approximately HK$2,600,000 and the Group had to share the loss of HK$3,596,000 of an associated company. In addition, by applying prudence principle, the Group has made provision of HK$7,737,000 for impairment of goodwill. In the meantime, the Group has made provision of approximately HK$47,731,000 for impairment of certain long-term investments, inventories, accounts receivable and inventories.

FINANCIAL REVIEW AND ANALYSIS

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK118,585,000 (as at 31 March 2004: HK$208,779,000) and HK$53,042,000 (as at 31 March 2004: HK$62,239,000) respectively, as at 31 March 2005, while the current ratio was about 2.24 times (as at 31 March 2004: 3.35 times). As at 31 March 2005, the Group's aggregate cash balance amounted to HK$13,303,000 (as at 31 March 2004: HK$41,095,000), representing approximately 11.2% (as at 31 March 2004: 19.7%) of total current assets. The board of directors believes that the Group has adequate funds for the business operation and maintains a good liquidity.

As shown in the Group's consolidated balance sheet as at 31 March 2005, consolidated shareholders' funds amounted to approximately HK$139,937,000 (as at 31 March 2004: HK$219,400,000); whereas the Group's total borrowing was about HK$10,723,000 (as at 31 March 2004: HK$4,881,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interests calculated on the prime lending rate whereas finance charges are fixed on the date the finance leases are entered. Comparing the stock in the corresponding period of last year, the stock as at the end of this period decreased 60.2%, which was mainly attributed to the shrinkage of the electrical materials and components trading business, which led to the reduction of the Group's inventories.

As at 31 March 2005, the gearing ratio, defined as total debts over total assets, was approximately 4.38% (as at 31 March 2004: 1.72%). The increase in the gearing ratio was mainly due to the bank borrowings arising from the Group's margin securities business.

Placing of New Shares and Use of Proceeds

On 4 November 2004, the Company entered into an agreement with an independent agent for the placement of 64,454,000 new shares. All new shares of HK$0.10 each share were placed to independent investors at the placing price of HK$0.23 each share. The proceeds from the abovementioned placing of shares mainly will be used for identifying the new investment projects in the PRC and as the Group's general working capital.

On 22 March 2005, the Company entered into an agreement of placing with an independent agent for the placement of 77,344,000 new shares. All new shares of HK$0.40 each share were placed conditionally on a fully underwritten basis. The proceeds from the abovementioned placing of shares mainly will be used for the payment of the acquisition of a company engaged in the distribution of medicine and investment in the PRC, with no more than 49% interest and related expenses. If the above acquisition does not proceed, the funds from the placing of new shares will be used as liquidity. The above mentioned placing of shares was completed in April 2005.

Major Investments

The Group entered into a co-operation agreement with China Sciences Enterprise Group (Holding) Corporation （中科實業集團（控股）公司） (hereinafter refer as to the "China Sciences Group"（中科集團） relating to the formation of a joint venture "(Dongguan China Sciences Conservational Power Co., Ltd.) 東莞中科環保電力有限公司" (hereinafter refer as to the "Dongguan CSCP"). The registered capital of this joint venture is RMB110 million, among which RMB56.1 million, representing 51% interest in the joint venture, will be contributed by the Group. The joint venture was formally established on 5 November 2004 for 25 years until 4 November 2029. On 24 November 2004, all parties involved had already injected their registered capital in cash to the joint venture in accordance with their proportion to the registered capital. The Group disposed of this joint venture to another listed connected company, China Sciences Conservational Power Limited ("CSCP") at a consideration of 100,000,000 CSCP's Convertible Preference Shares ("Preference Share") in July 2005.

On 29 March 2004, the Group entered into a conditional sale and purchase agreement with an independent third party, under which the Group purchased 40% interest equity of an investment company with an account receivable at HK$28,000,000. The acquired company holds 89% effective interests of an enterprise engaged in container depots and the provision of logistic services in Shanghai, the PRC. The contract was completed on 3 April 2004.

On 2 June 2004, the Group further acquired the remaining 49% of the issued share capital of a subsidiary, namely, TopEast Engineering Limited, for a cash consideration of HK$49,000. On 9 September 2004, the Group further acquired the remaining 49% of the issued share capital of another subsidiary, namely Country Super Limited, for a cash consideration of HK$490,000. During the year, a subsidiary, Honsda (HK) Electronics Limited, commenced household electrical appliances trading business and it contributed insignificant turnover and results to the Group.

Foreign Exchange Management

Since the Company's shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this year were reduced accordingly because of the decrease in overseas purchases at times of reduced trade activities. As at 31 March 2005, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities

As at the balance sheet date, the Group had no material contingent liabilities for both years.

Pledge of Assets

At 31 March 2005, the Group had pledged bank deposits of approximately HK$2 million (2004: HK$4 million) to secure certain bank facilities available to the Group.

In addition, the Group's overdrafts of HK$8,490,000 as at the balance sheet date were secured on the securities held by the Group on behalf of its customers.

PROSPECTS

The deteriorating waste problem in Mainland China cities has already aroused serious concerns of all levels of the Mainland Chinese Government. As shown by statistics, medium to large cities in the Mainland China are producing 100 million tons of waste per year, and a large city of a size such as Guangzhou is creating 6,000 tons of waste each day. Among over 670 medium to large cities of this kind in the whole nation, approximately 30% of them are trapped in wastes. As such, the Group considers that the above situation represents a new investment opportunity. Apart from going on with its existing electrical engineering business, the Group is determined to develop waste combustion electric power business in the Mainland China. As a result, the Group and China Sciences Group established Dongguan CSCP in Dongguan, Guangdong, which mainly engages in generating electricity through waste combustion.

The total investment of Dongguan CSCP amounts to about RMB328 million, about 33% of which will be provided by the Group and China Sciences Group in accordance with their proportionate equity interests in the Plant, while the remaining 66% will be raised externally through financing and other channels. Dongguan CSCP is ready on 5 November 2004 with the injection of the registered capital completed on 29 November 2004 and it is expected to commence trial running by the fourth quarter of 2005 at the earliest. Upon official commencement of production, the Plant will be able to process 1,000 tons of waste per day, resolving the urban waste problem in the Dongguan city. On the other hand, heat generated during the combustion process can be used for power generation and put onto power network. The annual waste treatment volume of the entire project will reach 365,000 tons, while the power generation capacity will be 240 million kWh per year. The total operation life span is 25 years.

In July 2005, the Group, based on the grounds stated below, disposed 51% equity interest in Dongguan CSCP for a consideration of the convertible preference shares ("Preference Shares") of CSCP which is equivalent to HK$76 million. Apart from the disposal of the 51% equity interest in Dongguan CSCP, the Group has no intention to directly invest in any other incineration and processing business. As stated in the announcement published by CSCP, the company was setting up joint ventures in Guilin and Meizhou, the PRC to carry on waste incineration and processing business, the board was of the view that, in the event of the Company exercises the conversion right attaching to the Preference Shares and the new options, the Group would be able to continue to have an exposure to the waste incineration and processing business through its interest in the shares in CSCP and to enjoy potential returns from CSCP.

The Preference Shares bear a fixed preferential dividend at the rate of 3% per annum. Therefore, the directors consider that the holding of the Preference Shares could provide the Group with an opportunity to enjoy a stable dividend return with redemption in full amount as well as to capture any potential returns from the businesses of CSCP by converting the Preference Shares into shares in CSCP and exercising the new options. The Group is able to increase its share of return from the businesses of CSCP by increasing its interest in CSCP via the exercise of the new options at the current share price of CSCP during the three-year option period.

Hong Kong has a brighter prospect in sight, while the pressure for deflation is decreasing. As such, the Hong Kong economy is on the track to improvement. In order to maintain its competitiveness in the market, the Group has to equip itself with the capability to provide diversified and comprehensive services. To this end, the Group has already commenced its securities brokerage, financing, corporate consultant, asset management and company secretary business through certain subsidiaries. The directors of the Company believe, the Group can capitalise on the opportunities of undertaking a range of businesses, which in turn will enhance greater flexibility in related businesses. However, the Group does not intend to over-emphasise on those business.

The swift growth in the PRC economy, the implementation of CEPA and the launch of the "9+2" Pan-Pearl River Delta Policy have enhanced the trading and business relationships with the PRC. In view of this, the Group is confident with its in logistics business development in the PRC, Hong Kong, Taiwan and other Asia countries. Therefore, we expect our Group's sea freight forwarding services business will be stable increasing.

Due to the changes in public housing and the infrastructure policies during recent years, the demand for the Group's electrical equipment trading are relatively weak and it is expected that this situation will continue. Meanwhile, the Mainland China has recorded tremendous progress with giant strides. In view of this, the Group has therefore been exploring new investment opportunities in the Mainland China. Apart from the existing core businesses of electrical engineering and electrical equipment trading, the Group also diversified into waste combustion electric power business and sea freight forwarding services business, and has been actively identifying some emerging investments, such as the pharmaceutical industry, that generate stable revenue as its long-term investments in the PRC.

As mentioned in the Chairman's Statement, the board of directors holds a positive view on the investment in the pharmaceutical industry in the PRC and has signed the letters of intent with two companies which are engaged in the distribution of medicine and hospital management software development in December 2004 and July 2005 respectively. After that, due diligence review and discussion have been carried out and they are going smoothly.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in force prior to 1 January 2005, which remains applicable for accounting periods commencing before 1 January 2005 under the transitional arrangements.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-Executive Directors. Mr. Loo Chung Keung, Steve chairs the Committee. During the year ended 31 March 2005, the Audit Committee convened two meetings and reviewed with management the accounting principles and practices adopted by the Group in the course of its review of the financial statements, and has also considered selected auditing, internal control and financial reporting matters.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2005, the total number of staff in the Group mainly employed in Hong Kong was over 45 (2003: 60). Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits including Mandatory Provident Funds, medical insurance, annual double pay and commission, share options might also be granted to eligible employees of the Group.

CONFIRMATION FOR INDEPENDENCE

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-Executive Directors are independent.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set in the Model Code of Appendix 10 of the Listing Rules. The Directors have complied with such code of conduct throughout the year covered by this announcement.

PUBLICATION OF THE FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the annual results of the Group for the year ended 31 March 2005 required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

APPRECIATION

I would like to take this opportunity to express any sincerest gratitude to our shareholders for their support, and to all our staff, business associate and customers for their trust and guidance.

On behalf of the Board
Chan Tat Chee
Chairman

Hong Kong, 25 July 2005

As at the date of this announcement, the Board consists of Mr. Chan Tat Chee, Mr. Hon Ming Kong, Mr. Lee Yu Leung, Mr. Lin Hoi Kwong and Mr. Zhao Lin, all of whom are executive directors; Mr. Li Yong, Alfa, an non-executive director; Mr. Loo Chung Keung, Steve, Mr. Wong Tik Tung, Mr. Tsoi Wai Kwong and Mr. Au Yeung Ka Cheung, all of whom are independent non-executive directors.

Please also refer to the published version of this announcement in China Daily.