CHINA SCIENCES CONSERVATIONAL POWER LIMITED
中科環保電力有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

RESULTS

The board (the "Board") of directors (the "Directors") of China Sciences Conservational Power Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	**2005** ***HK$'000***	2004 *HK$'000* *(Restated)*
Turnover	*3*	**707,003**	338,140
Cost of sales		**(703,622)**	(335,459)
Gross profit		**3,381**	2,681
Other revenue		**630**	399
Administrative expenses		**(57,271)**	(33,852)
Allowance for trade and other receivables		**(168,322)**	(2,229)
Provision for impairment of goodwill		**(42,851)**	—
Amortisation of goodwill		**—**	(10,420)
Loss from operations		**(264,433)**	(43,421)
Finance costs		**(4,693)**	(1,130)
Share of results of an associate		**(945)**	—
Loss on disposal of subsidiaries		**—**	(3,404)
Gain on disposal of an associate		**—**	38,826
Loss before taxation		**(270,071)**	(9,129)
Income tax	*6*	**—**	—
Loss after taxation		**(270,071)**	(9,129)
Attributable to:			
Equity holders of the Company		**(269,656)**	(9,129)
Minority interests		**(415)**	—
		(270,071)	(9,129)
Earnings per share			
— Basic	*7*	**(26.19) cents**	(1.45) cents
— Diluted	*7*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	Note	**2005**	2004
		HK$'000	*HK$'000*
			(Restated)
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**5,158**	1,921
Construction in progress		**298,416**	—
Goodwill		**23,061**	23,444
Guaranteed income investments		**—**	—
		326,635	25,365
Current assets			
Inventories		**476**	420
Trade and other receivables	*8*	**30,274**	107,575
Investments held for trading		**56**	1,064
Pledged bank deposits		**14,413**	—
Bank balances and cash		**40,290**	37,027
		85,509	146,086
Current liabilities			
Trade and other payables	*9*	**16,432**	30,316
Obligations under finance leases		**—**	255
		16,432	30,571
Net current assets		**69,077**	115,515
Total assets less current liabilities		**395,712**	140,880
Non-current liabilities			
Obligations under finance leases		**—**	755
Bank loans		**211,387**	—
Convertible notes		**20,176**	19,856
Convertible preference shares		**46,471**	—
		278,034	20,611
Net assets		**117,678**	120,269
Equity			
Share capital		**11,570**	8,129
Reserves		**96,516**	112,133
Equity attributable to equity holders of the Company		**108,086**	120,262
Minority interests		**9,592**	7
Total equity		**117,678**	120,269

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

The Company is a public company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its registered office and principal place of business at Room 1208-1210, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company and provides corporate management services.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of financial statements

(i) The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments which have been measured at fair value.

(ii) There were several changes to the board of directors of the Company during the year and subsequent to the year ended 31 December 2005. In the present board of directors, only two non-executive directors were appointed during the year while the other directors (collectively the "Current Directors") were appointed in 2006 and 2007, which were subsequent to the Company's current reporting financial year. The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, no representation as to the completeness of the books and records of the Group during the period from 1 January 2005 to 31 December 2005 could be given by the present board of directors although due care has been taken in the preparation of the financial statements. The Current Directors are, therefore, unable to represent that all transactions entered in the name of the Company and its subsidiaries during the year ended 31 December 2005 have been included in the financial statements. Notwithstanding the foregoing, the Current Directors have in the assessment of the Company's and the Group's assets and liabilities, taken such steps as they considered practicable, to make provisions and adjustments as they considered appropriate in the preparation of the financial statements.

(c) In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Asset
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HK(SIC)-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The effects of the adoption of these HKFRSs on the Group's accounting policies and on amount disclosed in the financial statements are summarised as follows:

(i) HKAS 1 has affected the presentation of minority interest and other disclosures.

(ii) HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 28, 33, 37 and HK(SIC)-Int 27 had no material effect on the Group's policies.

(iii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard and there is no change to the functional currency of each Group entity or the presentation currency for the consolidated financial statements.

(iv) HKAS 24 has affected the identification of related parties and some other related party disclosures.

(v) Amortisation of positive and negative goodwill (HKFRS 3 — Business combinations and HKAS 36 — Impairment of assets and HKAS 38 — Intangible assets)

In prior periods:

— positive or negative goodwill which arose prior to 1 April 2001 was taken directly to reserves at the time it arose, and was not recognised in the profit and loss account until disposal or impairment of the acquired business;

— positive goodwill which arose on or after 1 April 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

— negative goodwill which arose on or after 1 April 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36 and HKAS 38, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the profit or loss as it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively after 1 January 2005 in accordance with the transitional arrangements under HKFRS 3. The Group's accumulated amortisation of goodwill of $54,584,000 has been eliminated against the cost of goodwill as at 1 January 2005. The adoption of this new policy also reduced the amortisation of goodwill of HK$15,969,000 which would have been charged for the current year had the Group not adopted this new policy.

(vi) In accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in the profit and loss account on disposal or impairment of the acquired business, or under any other circumstances.

The Group has reassessed the useful lives of its intangible assets in accordance with the provision of HKAS 38. No adjustment resulted from this reassessed.

The change in policy relating to negative goodwill had no effect on these consolidated financial statements as there was no negative goodwill deferred as at 31 December 2004.

(vii) Retranslation of goodwill relating to a net investment in a foreign operation (HKAS 21 — The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 January 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 January 2005.

(viii) Financial instruments (HKAS 32 — Financial Instruments: Disclosure and Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. Under HKAS 39, financial assets are classified into four categories including financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Financial liabilities are generally classified as financial liabilities at fair value through profit or loss or other financial liabilities.

(ix) Financial instruments (HKAS 32 — Financial Instruments: Disclosure and Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement)

Convertible notes

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32 and HKAS 39, convertible notes in issue are split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

In accordance with HKAS 32, comparative amounts have been restated and the financial impacts are set out in note 2(d). Following the adoption of HKAS32 which resulted in increased in imputed interest expenses for the year ended 31 December 2005 by approximately HK$320,000 (2004: HK$229,000).

Investments at fair value through profit or loss

In prior years, the Group's investments in securities were classified as short term investments and were measured at fair value, with unrealised gains and losses included in the profit and loss account.

Upon the adoption of HKAS 32 and HKAS 39, these investments are classified as investments held for trading. Any gains and losses arising from changes in fair value are included in profit or loss for the period. This change in accounting policy has had no effect on the Group's profit or loss and retained profits. The Group has applied the transitional rules in HKAS 39. At 1 January 2005, the Group reclassified the investment in securities with carrying amount of HK$1,064,000 to investments held for trading.

(x) Share option scheme (HKFRS 2 — Share-based payment)

In prior years, no amounts were recognised when option holders (which term includes directors) were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for share options. Under the new policy, the fair value of such share options is recognised as an expense with a corresponding increase recognised in a capital reserve within equity.

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained profits.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to option holders on or before 7 November 2002; and

(b) all options granted to option holders after 7 November 2002 but which had vested before 1 January 2005.

The amount charged to the consolidated profit and loss account as a result of the change of policy increased administrative expenses for the year ended 31 December 2005 by approximately HK$1,538,000 (2004: HK$2,316,000), with the corresponding amounts credited to the capital reserve.

(d) All changes on the accounting policies as mentioned above have been applied retrospectively. The effects of the changes in accounting policies on the financial statements are summarised below:

(i) Effect on the profit and loss and loss per share for the years ended 31 December 2004 and 2005

	HKFRS 3	**HKAS 32 and HKAS 39**	**HKFRS 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2004				
Increase in imputed interest expenses on convertible notes	—	(229)	—	(229)
Increase in equity-settled share-based payment under administrative expenses	—	—	(2,316)	(2,316)
Increase in loss for the year attributable to equity holders of the Company	—	(229)	(2,316)	(2,545)
Loss per share (HK cents)	—	(0.04)	(0.37)	(0.41)

Restated loss for the year ended 31 December 2004 is HK$9,129,000, after taking into account the prior year adjustments of HK$2,545,000 due to changes in accounting policies.

	HKFRS 3	**HKAS 32 and HKAS 39**	**HKFRS 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2005				
Decrease in amortisation expense on goodwill	15,969	—	—	15,969
Increase in imputed interest expenses on convertible notes and convertible preference shares	—	(2,919)	—	(2,919)
Increase in equity-settled share-based payment under administrative expenses	—	—	(1,538)	(1,538)
Decrease in loss for the year attributable to equity holders of the Company	15,969	(2,919)	(1,538)	11,512
Loss per share (HK cents)	1.55	(0.28)	(0.15)	1.12

(ii) Effect on the balance of equity at 31 December 2004 and 2005

	HKFRS 3	**HKAS 32 and HKAS 39**	**HKFRS 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2004				
Increase in equity component of convertible notes	—	550	—	550
Increase in accumulated losses	—	(229)	—	(229)
Increase in equity at 31 December 2004	—	321	—	321
At 31 December 2005				
Increase in equity component of convertible preference shares	—	16,928	—	16,928
Increase in share option reserve	—	—	7,826	7,826
(Increase)/decrease in accumulated losses	15,969	(2,919)	(1,538)	11,512
Increase in equity at 31 December 2005	15,969	14,009	6,288	36,266

(iii) Cumulative effect on balance sheets at 31 December 2004 and 2005

	HKFRS 3 *HK$'000*	HKAS 32 and HKAS 39 *HK$'000*	HKFRS 2 *HK$'000*	Total *HK$'000*
At 31 December 2004				
Assets				
Increase in goodwill	—	—	—	—
Liabilities				
Decrease in convertible notes	—	(321)	—	(321)
Equity				
Increase in equity component of convertible notes	—	550	—	550
Increase in share option reserve	—	—	2,316	2,316
Increase in accumulated losses	—	(229)	(2,316)	(2,545)
Total equity	—	321	—	321
At 31 December 2005				
Assets				
Increase in goodwill	15,969	—	—	15,969
Increase in amount due from a subsidiary	—	—	6,288	6,288
Total assets	15,969	—	6,288	22,257
Liabilities				
Increase in convertible notes	—	321	—	321
Decrease in convertible preference shares	—	(14,330)	—	(14,330)
Total liabilities	—	(14,009)	—	(14,009)
Equity				
Increase in equity component of convertible preference shares	—	20,951	—	20,951
Increase in share option reserve	—	—	6,883	6,883
(Decrease)/increase in Share premium	—	(4,023)	943	(3,080)
(Increase)/decrease in accumulated losses	15,969	(2,919)	(1,538)	11,512
Total equity	15,969	14,009	6,288	36,266

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective to these financial statements. The directors of the Company anticipate that the adoption of these new HKFRSs would have no material impact on the financial statements of the Group.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1 January 2006
HKAS 39 (Amendment)	The Fair Value Option	1 January 2006
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts	1 January 2006
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS — Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006
HKFRS — Int 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
HKFRS — Int 6	Liabilities arising from Participating in a Specific market, Waste Electrical and Electronic Equipment	1 December 2005
HK(IFRIC) — Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases	24 May 2005
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”	1 March 2006
HK(IFRIC) — Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007

3. TURNOVER

Turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances, service income and guaranteed return for the year, and is analysed as follow:

	2005	2004
	HK$'000	*HK$'000*
Sale of computer hardware and maintenance support services	**705,301**	336,864
Software design and development	**1,702**	1,276
Return from a power plant in the PRC *(Note)*	**—**	—
Return from an investment in a motor spare parts business in the PRC *(Note)*	**—**	—
	707,003	338,140

Note: No return has been recognised in the current and prior years as the recoverability of the guaranteed return is considered by the directors to be uncertain.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into five operating divisions: (i) waste incineration and processing business; (ii) computer hardware and provision of maintenance support services; (iii) provision of software design and development; (iv) power plant; and (v) motor spare parts business. These divisions are the bases on which the Group reports its primary segment information.

The principal activities of the divisions are as follows:

Waste incineration and processing business	—	Waste incineration and processing business in the PRC
Computer hardware and maintenance support services	—	Sale of computer hardware and provision of maintenance support services
Software design and development	—	E-commerce consultancy, software development, system integration, website design and sale of software
Power plant	—	Guaranteed income investment in a power plant in the PRC
Motor spare parts business	—	Guaranteed income investment in a motor spare parts business in the PRC

There were no sales or other transactions between the business segments.

For the year ended 31 December 2005

	Waste incineration and processing business *HK$'000*	Computer hardware and maintenance support services *HK$'000*	Software design and development *HK$'000*	Power plant *HK$'000*	Motor spare parts business *HK$'000*	Unallocated corporate *HK$'000*	Consolidated *HK$'000*
Turnover	—	705,301	1,702	—	—		707,003
Segment results	(82,859)	(8,782)	(276)	—	—		(91,917)
Unallocated corporate income and expenses (net)						(129,708)	(129,708)
Loss from operations	(82,859)	(8,782)	(276)	—	—	(129,708)	(221,625)
Finance costs	—	—	(10)	—	—	(4,683)	(4,693)
Net investment gain	8	10	—	—	—	25	43
Share of results of an associate	—	—	—	—	—	(945)	(945)
Impairment of goodwill	—	—	—	—	—	(42,851)	(42,851)
Loss before taxation	(82,851)	(8,772)	(286)	—	—	(178,156)	(270,071)
Income tax	—	—	—	—	—	—	—
Loss for the year	(82,851)	(8,772)	(286)	—	—	(178,156)	(270,071)
Minority interests						415	415
Loss for the year attributable to equity holders of the Company	(82,851)	(8,772)	(286)	—	—	(177,747)	(269,656)
Segment assets	343,259	4,651	615	—	—		348,525
Unallocated corporate assets						63,619	63,619
Consolidated total assets							412,144
Segment liabilities	276,378	3,873	136	—	—		281,386
Unallocated corporate liabilities						14,079	14,079
Consolidated total liabilities							294,466
Capital expenditure	4,513	13	56	—	—	1,751	6,333
Depreciation and amortisation	498	12	214	—	—	543	1,267
Allowance for trade and other receivables	74,422	8,119	184	—	—	85,597	168,322
Bad debts written off	—	80	—	—	—	2,289	2,369

For the year ended 31 December 2004

	Waste incineration and processing business *HK$'000*	**Computer hardware and maintenance support services** *HK$'000*	**Software design and development** *HK$'000*	**Power plant** *HK$'000*	**Motor spare parts business** *HK$'000*	**Unallocated corporate** *HK$'000*	**Consolidated** *HK$'000* *(Restated)*
Turnover	—	336,864	1,276	—	—		338,140
Segment results	—	(266)	(11,656)	—	—		(11,922)
Unallocated corporate income and expenses (net)						(31,877)	(31,877)
Loss from operations	—	(266)	(11,656)	—	—	(31,877)	(43,799)
Finance costs	—	—	(13)	—	—	(1,117)	(1,130)
Net investment gain	—	—	1	—	—	377	378
Loss on disposal of subsidiaries	—	—	—	—	—	(3,404)	(3,404)
Gain on disposal of an associate	—	—	—	—	—	38,826	38,826
Loss before taxation	—	(266)	(11,668)	—	—	2,805	(9,129)
Income tax	—	—	—	—	—	—	—
Loss for the year	—	(266)	(11,668)	—	—	2,805	(9,129)
Minority interests	—	—	—	—	—	—	—
Loss for the year attributable to equity holders of the Company	—	(266)	(11,668)	—	—	2,805	(9,129)
Segment assets	—	2,442	830	—	—		3,272
Unallocated corporate assets						168,179	168,179
Consolidated total assets							171,451
Segment liabilities	—	451	292	—	—		743
Unallocated corporate liabilities						50,439	50,439
Consolidated total liabilities							51,182
Capital expenditure	—	17	11	—	—	1,366	1,394
Depreciation and amortisation	—	8	10,704	—	—	806	11,518
Allowance for trade and other receivables	—	—	—	—	—	2,229	2,229

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of customers. There were no sales between the geographical segments. Carrying amounts of segment assets and additions to property, plant and equipment and goodwill are based on the geographical location of the assets.

	Segment revenues		**Carrying amount of segment assets**		**Additions to property plant and equipment and goodwill**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**455,044**	273,386	**66,582**	171,012	**1,787**	1,383
Other regions of PRC	**119,089**	43,230	**343,973**	439	**30,489**	11
Russia	**73,383**	—	**—**	—	**—**	—
Taiwan	**19,055**	9,022	**—**	—	**—**	—
Others	**40,432**	12,502	**1,589**	—	**—**	—
	707,003	338,140	**412,144**	171,451	**32,276**	1,394

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):—

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Depreciation and amortisation of		
— property, plant and equipment		
— owned assets	**961**	943
— leased assets	**306**	155
— goodwill arising on acquisition of subsidiaries	**—**	10,420
	1,267	11,518
Auditors' remuneration	**1,031**	765
Loss on disposal of property, plant and equipment	**340**	215
Bad debts written off	**2,369**	—
Allowance for trade and other receivables	**168,322**	2,229
Provision for impairment of goodwill	**39,969**	—
Inventories written off	**266**	—
Exchange gain	**(472)**	(92)
Cost of inventories expensed	**703,622**	335,459
Operating lease rentals in respect of land and buildings	**2,684**	1,803
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**20,631**	12,934
— Contributions to defined contribution retirement scheme	**458**	170
	21,089	13,104

6. INCOME TAX

(a) Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong had no assessable profit for the year ended 31 December 2005 (2004: Nil).

No provision for PRC enterprise income tax has been made in the financial statements as the companies operating in the PRC had no assessable profit for the year ended 31 December 2005 (2004: Nil).

(b) The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the enacted tax rate of the Company as follows:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Loss before taxation	**(270,071)**	(9,129)
Calculated at tax rate of 17.5%	**(47,262)**	(1,598)
Tax effect of expenses not deductible for taxation purposes	**42,028**	2,846
Tax effect of non-taxable items	**(6)**	(4,559)
Tax effect of unrecognised tax losses and temporary differences	**5,075**	3,312
Utilisation of previously unrecognised tax losses	**—**	(1)
Tax effect of share of results of associate	**165**	—
Taxation charge	**—**	—

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2005 is based on the loss attributable to equity holders of the Company of HK$269,656,000 (2004 (restated): HK$9,129,000) and on the weighted average of 1,029,619,621 (2004: 628,052,674) ordinary shares in issue during the year.

Diluted loss per share has not been presented for both years as the potential dilutive ordinary shares resulting from the exercise of the Company's outstanding share options are anti-dilutive.

8. TRADE AND OTHER RECEIVABLES

The Group normally allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables net of provision as at the balance sheet date is as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**2,068**	586	**—**	—
31 to 60 days	**95**	—	**—**	—
61 to 90 days	**—**	—	**—**	—
Over 90 days	**—**	299	**—**	—
Total trade receivables	**2,163**	885	**—**	—
Other receivables (net of provision)	**28,111**	106,690	**4,959**	15,079
	30,274	107,575	**4,959**	15,079

9. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*
Current and up to 30 days	**3,217**	437	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**—**	4	**—**	—
Over 90 days	**732**	2	**—**	—
Total trade payables	**3,949**	443	**—**	
Other payables *(Note)*	**12,483**	29,873	**4,587**	29,496
	16,432	30,316	**4,587**	29,496

Note: Included in other payables as at 31 December 2005 are amounts due to former directors, Mr. Chan Tat Chee and Mr. Chung Chi Shing, amounting to approximately HK$15,000 and HK$Nil (2004: HK$279,000 and HK$611,000) respectively. The amounts due represented operating expenses paid by the directors on behalf of the Group, the terms of which are unsecured, interest-free and have no fixed repayment terms.

10. DIVIDENDS

The directors did not recommend the payment of a dividend for the year ended 31 December 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

BUSINESS REVIEW

2005 was a complicated year with mixed news. The year began with the Group changing its name from "Central China Enterprises Limited" to "China Sciences Conservational Power Limited" on 28th January 2005. In the same month, the Group appointed His Royal Highness Prince Idris Abdallah Al-Senussi of Libya and Mr Alan Grant Quasha as non-executive directors. Their experience and international exposure to the energy sector as well as expertise in investment management is a major asset to the Group. These moves reflected the Group's intention and commitment to become a market leader in the waste-to-energy industry within the People's Republic of China ("PRC").

During the year under review, the industrial conditions had proved favourable to the Company. The continued growth in demand for power and the increased awareness on environmental protection in the PRC meant that waste incineration and renewable energy in general have a promising future. The enforcing of the Kyoto Protocol, which is an agreement between nations promoting the stability of greenhouse gas concentration, in February 2005 is a notable milestone. As the PRC is a participating nation, environmental projects in the PRC such as waste incineration can benefit from both global exposure and additional revenue by trading CERs (Certified Emisssions Reduction) with developed countries under the Protocol.

With its renewed business direction, the Group had identified many partners for collaboration. During the reviewed year, the Group had increased its stake in Dongguan China Sciences Conservational Power Co., Ltd 東莞中科環保電力有限公司 (the "Dongguan JV") up to 90%. The Dongguan JV was the Group's first waste-to-energy project, processing 1000 tonnes per day of waste and generating 30MW of power, expected to commence operation in 2006. The Group also completed the conditional acquisition of 100% equity interest in Sino Profit International Limited with 80% interest in Xingning China Sciences Conservational Power Ltd 興寧中科環保電力有限公司 (the "Meizhou JV"), a 600 tonnes per day waste-to-energy plant. In September 2005, the Group entered into a letter of intent with Oriental Investment Corporation Limited. This is a major landmark which represents ample opportunities in the forthcoming years and increases the Company's competitiveness. It is a strategic objective of the Group to further extend its presence in other PRC cities in order to widen its source of revenue and place a foothold in the waste-to-energy industry.

Armed with a clear strategic direction, the Group had also taken actions to reinforce its financial situation. It entered into a number of fund raising agreements, including a subscription agreement with Tianyuan Development Holding Limited in September 2005.

Near the end of the year, after an ICAC investigation with former directors of the Company, the trading in the Company's shares was suspended. This incident, though regrettable, is a redeemable setback. The Group's management team are confident that the matter can be resolved in the most effective way having implemented a carefully-drawn plan which addresses issues such as the smooth running of the Company, as well as the priority of resumption of trading of Company shares. Despite this setback, various business partners and collaborators of the Group continued to show their support.

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board and of the management of the Company to maintain high standards of corporate governance. The Company has adopted and applied the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholder value.

Throughout the year ended 31 December 2005, the Company has complied with the SEHK Code, except for the following:

Code Provision A.2.1

The roles of the chairman and the chief executive officer were singularly performed by Mr. Hon Ming Kong ("Mr. Hon") during the term of his appointment in 2005 from 11 November 2004 to 2 October 2005. Prior to his appointment, the two roles were separated and segregated. Mr. Hon possessed extensive experience and knowledge of the waste incineration industry in the PRC. At the time of his appointment, he was considered appropriate person to assume both roles and build the business in the PRC at the developing stage. As at the date of this announcement, the two roles are separated and segregated.

Code Provision A.4.1

All Non-Executive Directors of the Company during 2005 did not have a fixed term of service but are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. The relevant Articles of Association stipulates that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office.

Code Provision B.1.1

The remuneration committee of the Company was set up on 26 October 2005. Ample time was needed in the setting up of the committee.

Code Provision E.1.2

Mr. Hon did not attend the annual general meeting held on 30 May 2005. Mr. Hon was appointed as chairman of the Company on 11 November 2004. He did not attend because he had another business engagement. The meeting was attended by his predecessor.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The main purpose of the audit committee is to review and provide supervision over the Group's financial reporting process and internal controls. The audit committee comprises three Independent Non-Executive Directors of the Company. The written terms of reference of the audit committee comply with the Listing Rules, namely Code C.3.3 of Appendix 14. The audit committee had reviewed and approved the financial statements for the year ended 31 December 2005.

INFORMATION FROM THE INDEPENDENT AUDITORS' REPORT

Basis for disclaimer of opinion

1. As more fully explained in note 2(b)(ii) to the financial statements, there were several changes to the board of directors of the Company during the year and subsequent to the year ended 31 December 2005. Although the present Board of Directors have represented that they have taken due care in the preparation of the financial statements, the current Board is unable to give representation as to the completeness of the books and records of the Group during the year ended 31 December 2005. The present Board of Directors is unable to represent that all transactions entered into under the name of the Company and its subsidiaries during the year ended 31 December 2005 have been properly included in the financial statements.

   Furthermore, certain former directors of the Group were investigated by the Independent Commission against Corruption ("ICAC"). The directors have consulted with the Company's legal advisers as to what legal implications the investigation undertaken by the ICAC and its allegations will have for the Group as a whole. The directors conclude that it is too early for them to make any assessment of legal implications in light of the ICAC's investigation. Accordingly, the auditor has been unable to obtain full representations from the Directors for the purpose of its audit.

2. Hong Kong Standard on Auditing 510 "Initial Engagements — Opening Balances" issued by Hong Kong Institute of Certified Public Accountants requires the auditor to obtain sufficient audit evidence that opening balances do not contain material misstatements which affect the financial statements of the current year.

   Included in other receivables as at 31 December 2004, there were several amounts with aggregate sum of approximately HK$63,500,000. Full provision in the amount of approximately HK$63,500,000 against these receivables had been made by the Group during the current year and the details are as follows:

   (a) a provision in the amount of HK$28,500,000 against deposit with a PRC construction company relating to the construction of a waste incineration power generation plant (see paragraph 3 below);

   (b) a provision in the amount of HK$19,000,000 against deposit with Beijing Yuk Chak Enterprises Limited 北京旭策置業有限公司 (see paragraph 4 below);

   (c) a provision in the amount of approximately HK$15,000,000 against the payment for the production of a film (see paragraph 5 below);

   (d) a provision in the amount of HK$1,000,000 against deposit with an independent third party (see paragraph 6 below).

   It was not possible for the auditor to perform auditing procedures necessary to obtain sufficient appropriate audit evidence concerning the related assets, as well as the provisions made in the year ended 31 December 2005, and to determine whether or not the related assets were fairly stated in preceding year's financial statements. Accordingly, the auditor was unable to verify whether or not comparative figures as at 31 December 2004 are fairly stated.

3. On 18 November 2004, 桂林中科環保電力有限公司, a 94.21% owned subsidiary of the Company, entered into an agreement with an independent PRC construction company, pursuant to which the PRC construction company has agreed to construct a waste incineration power generation plant in Guilin, the PRC. As at 31 December 2004, an aggregate amount of HK$28,500,000 had been deposited with the PRC construction company. Full provision in the amount of HK$28,500,000 against this deposit had been made by the Group during the current year. The auditor has been unable to obtain sufficient audit evidence and explanations as to satisfy itself that such amount was fairly stated in the financial statements.

4. Asset Palace International Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement dated 21 December 2004 and a supplemental acquisition agreement dated 4 March 2005 with Beijing Yuk Chak Enterprises Limited 北京旭策置業有限公司 ("Beijing Yuk Chak") for the acquisition of approximately 32.89% equity interest in Beijing China Sciences General Energy & Environment Company Limited 北京中科通用能源環保有限責任公司 from Beijing Yuk Chak at a cash consideration of HK$20,000,000. As at 31 December 2004, HK$19,000,000, which comprises HK$10,000,000 being earnest money and HK$9,000,000 being payment of part of the cash consideration was paid to Beijing Yuk Chak and included as part of trade and other receivables balances of HK$107,575,000 as disclosed in the balance sheet. The conditions for completion of the acquisition which include, inter alia, the approval of shareholders at general meeting and the Stock Exchange of Hong Kong Limited had not been fulfilled as at 31 December 2005. Full provision in the amount of HK$19,000,000 against these deposits had been made by the Group during the current year. The auditor has been unable to obtain sufficient audit evidence and explanations as to satisfy itself that such amounts were fairly stated in the financial statements.

5. Pursuant to an agreement dated 31 March 2004 relating to the production of a film entered into between the Company and a third party company (the "Third Party"), the Company paid an amount of HK$15,000,000 to the Third Party for its half share of the production costs of the film. On 3 May 2004, the Company entered into an agreement with the parent the Third Party (the "Third Party Parent") stating that the estimated production costs of the film is only HK$15,000,000 (the "Second Agreement"). The Second Agreement superseded the agreement dated 31 March 2004. On 31 March 2005, the Company entered into an agreement of termination with the Third Party Parent terminating the Second Agreement. In December 2006, the solicitors of the Third Party Parent challenged the validity of agreement of termination dated 31 March 2005. During the current year, the Company made full provision for the payment of HK$15,000,000 for the production costs. The auditor has been unable to obtain sufficient audit evidence and explanations as to satisfy itself that such amount was fairly stated in the financial statements.

6. A consultancy agreement was entered into between Abba China Holdings Limited ("Abba China"), a wholly owned subsidiary of the Company, and an independent third party ("the third party"), whereby Abba China and the third party agreed to seek the opportunities in conducting waste incineration and processing business in Zhun Zhou, the PRC. An earnest money, amounting to HK$1,000,000, was paid by the Company to the third party pursuant to the consultancy agreement. Full provision in the amount of HK$1,000,000 against this deposit had been made by the Group during the current year. The auditor has been unable to obtain sufficient audit evidence and explanations as to satisfy itself that such amount was fairly stated in the financial statements.

7. On 24 December 2004, a memorandum of understanding ("MOU") was entered into between Abba China and Mr. Pang Kwok Chung ("Mr. Pang"), whereby Abba China and Mr. Pang agreed to seek the opportunities in conducting waste incineration and processing business in Meizhou, the PRC. An earnest money, amounting to HK$8,000,000, was paid by Abba China to Mr. Pang pursuant to the MOU.

On 19 April 2005, an agreement for the sale and purchase of sale share in Sino Profit International Limited ("Sino Profit"), a company wholly owned by Mr. Pang, was entered into between Abba China and Mr. Pang, whereby Abba China agreed to acquire from Mr. Pang the sale share in Sino Profit, representing 100% of the issued share capital of Sino Profit, for the consideration of HK$8,000,000. No further payment had been made by Abba China, and both parties agreed that the consideration would be paid and set off against the earnest money amounting to HK$8,000,000 paid by Abba China to Mr. Pang pursuant to the MOU. A goodwill of approximately HK$8,000,000 arising from the acquisition of Sino Profit had been recognised. Full provision in the amount of approximately HK$8,000,000 against the carrying value of the goodwill had been made by the Group during the current year.

The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate this transaction. Accordingly, the auditor is unable to satisfy itself that such amount was fairly stated in the financial statements.

8. In April 2005, Abba China agreed to lend out HK$5,000,000 to Sino Profit as working capital using funds provided by the Company. The loan was unsecured, interest free and supported by Mr. Pang's personal guarantee. Whilst the transaction was recorded as an advance from the Company to Abba China for lending to Sino Profit, the actual fund flow was that a cheque in the amount of HK$5,000,000 was drawn out by the Company in favour of a former director of the Company. The amount was recorded as other receivable in the books of Sino Profit. The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate whether this transaction should be accounted for as a loan to director or other receivable. Accordingly, the auditor is unable to satisfy itself that the disclosure requirement in respect of a loan to a director pursuant to section 161B of the Companies Ordinance has been fulfilled.

9. On 5 January 2005, Sharpo Solutions Limited, a wholly owned subsidiary of the Company, deposited HK$4,000,000 with Well Glory International Trading Limited as the consideration paid for purchase of computer components for trading purposes. Full provision in the amount of HK$4,000,000 against this deposit had been made by the Group during the current year. The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate this transaction. Accordingly, the auditor is unable to satisfy itself that such amount was fairly stated in the financial statements.

10. In March 2005, Sharpo Solutions Limited deposited two amounts with aggregate sum of HK$1,010,000 with a third party as loans. Full provision in the amount of HK$1,010,000 against this deposit had been made by the Group during the current year. The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate these transactions. Accordingly, the auditor is unable to satisfy itself that such amounts were fairly stated in the financial statements.

11. Pursuant to an agreement dated 12 May 2005 relating to the priority right to purchase steel to construct waste incineration power generation plant entered into between the Company and Angang Group Hong Kong Co., Limited ("Angang Group"), an amount of HK$7,000,000 was paid by the Company as guarantee deposit. On 26 October 2005, the Company entered into an agreement with Angang Group to terminate the agreement dated 12 May 2005. An amount of HK$3,300,000 being part of the guarantee deposit had been refunded to the Company on 14 December 2005. Full provision in the amount of HK$3,700,000 against the remaining part of this guarantee deposit had been made by the Group during the current year. The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate this transaction. Accordingly, the auditor is unable to satisfy itself that such amount was fairly stated in the financial statements.

12. During the current year, there were several investment deposits amounting to approximately HK$43,398,000 against which full provision had been made by the Group. The auditor has been unable to obtain sufficient information and explanations and to perform any satisfactory audit procedures to substantiate these transactions. Accordingly, the auditor is unable to satisfy itself that such amounts were fairly stated in the financial statements.

13. Included in other receivables at 31 December 2005 were several amounts with aggregate sum of approximately HK$5,778,000 against which full provision had been made by the Group during the current year. The auditor has been unable to obtain sufficient audit evidence and explanations as to satisfy itself that such amounts were fairly stated in the financial statements.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the auditor does not express an opinion on the financial statements as to whether they give a true and fair view of the state of the Company's affairs as at 31 December 2005 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In the auditor's opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had it been able to satisfy itself as to the fulfilment of the disclosure requirements pursuant to section 161B of the Hong Kong Companies Ordinance, the financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance in all other respects.

By Order of the Board
CHINA SCIENCES CONSERVATIONAL POWER LIMITED
Liang Jun
Chairman

Hong Kong, 3 December 2007

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun (Chairman), Mr. Chan Wai Ming and Mr. Chan Ka Fat; the non-executive directors of the Company are His Royal Highness Prince Idris Abdallah Al-Senussi, Mr. Alan Grant Quasha and Mr. Tse On Kin, and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Tsang Kwok Wa.