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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 six months ended 30 June 2006, together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

		For the six months ended 30 June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
			(unaudited)
Turnover	*3*	**32,714**	289,249
Cost of sales		**(34,232)**	(287,317)
Gross (loss)/profit		**(1,518)**	1,932
Other revenue		**1,095**	127
Administrative expenses		**(19,121)**	(20,310)
Loss from operations	*5*	**(19,544)**	(18,251)
Finance costs		**(3,589)**	(697)
Loss before taxation		**(23,133)**	(18,948)
Income tax	*6*	**—**	—
Loss after taxation		**(23,133)**	(18,948)
Attributable to:			
Equity holders of the Company		**(22,423)**	(18,948)
Minority interests		**(710)**	—
		(23,133)	(18,948)
Dividends	*10*	**—**	—
Loss per share			
— Basic	*7*	**(1.94) cents**	(2.01) cents
— Diluted	*7*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	Note	At 30 June 2006 HK$'000	At 31 December 2005 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**166,842**	5,158
Land use rights		**4,149**	—
Construction in progress		**168,754**	298,416
Goodwill		**23,316**	23,061
		363,061	326,635
Current assets			
Inventories		**2,122**	476
Trade and other receivables	8	**20,336**	30,274
Amount due from a director		**500**	—
Investments held for trading		**64**	56
Pledged bank deposits		**14,573**	14,413
Bank balances and cash		**25,346**	40,290
		62,941	85,509
Current liabilities			
Trade and other payables	9	**36,696**	16,432
Amount due to a minority shareholder		**839**	—
		37,535	16,432
Net current assets		**25,406**	69,077
Total assets less current liabilities		**388,467**	395,712
Non-current liabilities			
Bank loans		**223,445**	211,387
Convertible notes		**20,356**	20,176
Convertible preference shares		**49,037**	46,471
		(292,838)	(278,034)
Net assets		**95,629**	117,678
Equity			
Share capital		**11,570**	11,570
Reserves		**75,074**	96,516
Equity attributable to equity holders of the Company		**86,644**	108,086
Minority interests		**8,985**	9,592
Total equity		**95,629**	117,678

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 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

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.

(c) In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current period or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) — Int 8	Scope of HKFRS 2	1 May 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
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of initial application.

3. TURNOVER

Turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances, waste incineration and processing income and service income for the period, and is analysed as follow:

	For the six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Waste incineration and processing income	**1,051**	—
Sale of computer hardware and maintenance support services	**31,352**	288,405
Software design and development	**311**	844
	32,714	289,249

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions: (i) waste incineration and processing business; (ii) computer hardware and provision of maintenance support services; and (iii) provision of software design and development. 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 for power generation 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

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

For the six months ended 30 June 2006

	Waste incineration and processing business *HK$'000*	**Computer hardware and maintenance support services** *HK$'000*	**Software design and development** *HK$'000*	**Consolidated** *HK$'000*
Turnover	1,051	31,352	311	32,714
Segment results	(7,141)	(490)	(604)	(8,235)
Net investment gain				406
Unallocated corporate income and expenses (net)				(11,715)
Loss from operations				(19,544)
Finance costs				(3,589)
Loss before taxation				(23,133)
Income tax				—
Loss for the period				(23,133)
Minority interests				710
Loss for the period attributable to equity holders of the Company				(22,423)
Segment assets	387,266	38	106	387,410
Unallocated corporate assets				38,592
Consolidated total assets				426,002
Segment liabilities	253,351	2,469	428	256,248
Unallocated corporate liabilities				74,125
Consolidated total liabilities				330,373
Capital expenditure	22,185	—	6	
Depreciation and amortisation	79	—	45	
Provision for impairment of trade and other receivables	—	—	57	
Bad debts written off	—	—	59	

For the six months ended 30 June 2005 (unaudited)

	Waste incineration and processing business	**Computer hardware and maintenance support services**	**Software design and development**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	288,405	844	289,249
Segment results	—	86	(298)	(212)
Net investment gain				119
Unallocated corporate income and expenses (net)				(18,158)
Loss from operations				(18,251)
Finance costs				(697)
Loss before taxation				(18,948)
Income tax				—
Loss for the period				(18,948)
Minority interests				—
Loss for the period attributable to equity holders of the Company				(18,948)
Segment assets	—	10,519	101,307	111,826
Unallocated corporate assets				176,804
Consolidated total assets				288,630
Segment liabilities	—	12,329	112,858	125,187
Unallocated corporate liabilities				97,005
Consolidated total liabilities				222,192
Capital expenditure	—	16	178	
Depreciation and amortisation	—	6	105	

(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, land use rights and construction in progress are based on the geographical location of the assets.

	Segment revenues		**Carrying amount of segment assets**		**Additions to property plant and equipment, land use rights and construction in progress**	
	Six months ended 30 June		**At 30 June**		**Six months ended 30 June**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)		(unaudited)		(unaudited)
Hong Kong	**24,896**	201,584	**29,139**	215,237	**47**	1,871
Other regions of PRC	**4,399**	44,977	**396,863**	73,393	**25,596**	100
Russia	**—**	22,394	**—**	—	**—**	—
Taiwan	**1,194**	10,706	**—**	—	**—**	—
Others	**2,225**	9,588	**—**	—	**—**	—
	32,714	289,249	**426,002**	288,630	**25,643**	1,971

5. LOSS FROM OPERATIONS

	For the six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging/ (crediting):—		
Depreciation and amortisation of		
— property, plant and equipment		
— owned assets	**476**	494
— leased assets	**—**	—
	476	494
Amortisation of land use rights	**6**	—
Auditor's remuneration	**255**	45
Loss on disposal of property, plant and equipment	**117**	70
Bad debts written off	**59**	—
Provision for impairment of trade and other receivables	**57**	—
Exchange (gain)/loss	**(652)**	60
Cost of inventories expensed	**34,232**	287,317
Operating lease rentals in respect of equipment	**41**	—
Operating lease rentals in respect of land and buildings	**1,005**	1,112
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**10,696**	6,091
— Contributions to defined contribution retirement scheme	**157**	140
	10,853	6,231

6. INCOME TAX

(a) Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the period. 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 six months ended 30 June 2006 (2005: 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 six months ended 30 June 2006 (2005: 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:

	For the six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
		(unaudited)
Loss before taxation	**(23,133)**	(18,948)
Calculated at the tax rate of 17.5%	**(4,049)**	(3,316)
Tax effect of expenses not deductible for taxation purpose	**2,652**	1,588
Tax effect of non-taxable items	**(64)**	(1)
Tax effect of unrecognised tax losses and temporary differences	**1,461**	1,729
Taxation charge	**—**	—

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2006 is based on the loss attributable to equity holders of the Company for the six months ended 30 June 2006 of approximately HK$22,423,000 (six months ended 30 June 2005: loss attributable to equity holders of the Company of approximately HK$18,948,000) and on 1,157,027,100 ordinary shares (six months ended 30 June 2005: 944,310,360 ordinary shares) in issue during the period.

Diluted loss per share has not been presented for both periods as the potential dilutive ordinary shares resulting from the exercise of the Company's outstanding share options, convertible notes and convertible preference shares 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 as at the balance sheet date is as follows:

	The Group		The Company	
	30 June 2006	31 December 2005	**30 June 2006**	31 December 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**1,235**	2,068	**—**	—
31 to 60 days	**—**	95	**—**	—
Total trade receivables	**1,235**	2,163	**—**	—
Other receivables	**19,101**	28,111	**7,735**	4,959
	20,336	30,274	**7,735**	4,959

9. TRADE AND OTHER PAYABLES

	The Group		The Company	
	30 June 2006	31 December 2005	**30 June 2006**	31 December 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**20,260**	3,217	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**—**	—	**—**	—
Over 90 days	**2,448**	732	**—**	—
Total trade payables	**22,708**	3,949	**—**	—
Other payables *(Note)*	**13,988**	12,483	**4,264**	4,587
	36,696	16,432	**4,264**	4,587

Note: Included in other payables as at 30 June 2006 is an amount due to a former director, Mr. Chan Tat Chee, amounting to HK$15,000 (At 31 December 2005: HK$15,000). The amount due represented operating expenses paid by the director on behalf of the Group, the terms of which are unsecured, interest-free and have no fixed repayment terms.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the six-month period ended 30 June 2006 (six months ended 30 June 2005: Nil).

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

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 period.

BUSINESS REVIEW

The main focus over the six months under review was the Group's preparation for the resumption of trading of company shares while maintaining a smooth continuation of business. The unfortunate schedule of events at the end of 2005 leading to the suspension of trading in the Company's shares prompted a number of management reshuffles, with the major aim of steering the Company in the right direction.

Currently, the new management team began drawing up resumption-of-trading proposals. In order to prevent detrimental instances from occurring in the future, management also aims to adopt high standards in internal control and corporate governance during this crucial period.

The completion of the construction phase at the Group's Dongguan plant highlighted a significant achievement for the management team during this volatile period.

The Dongguan 30MW capacity waste-to-energy power plant was a major milestone in early 2006 with its transition from the construction phase to the testing and commissioning phase. With the major facilities installed, the plant underwent several months of significant testing in order to prepare it for power generation to the Southern Power Grid. Although the plant was, by the end of the period under review, still in the testing and commissioning phase, electricity was being generated and supplied to the power grid providing revenue for the Group.

CORPORATE GOVERNANCE PRACTICE

It is one key commitment of The Board of Directors and of 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholder value.

Throughout the period of six months ended 30 June 2006, the Company has complied with the SEHK Code, except for the following deviations:

Code Provision A.2.1

The roles of the chairman and the chief executive officer were not segregated during Mr. Tse On Kin's ("Mr. Tse") term of appointment as chairman from 10 March 2006 to 1 April 2007. Prior to his appointment, the two roles were separated and segregated. Mr. Tse possessed the appropriate skills and experience and the Company was in such condition that at the time of his appointment, it was considered unnecessary to appoint a chief executive officer. As at the date of this announcement, the two roles are separated and segregated.

Code Provision A.4.1

All existing Non-Executive Directors, appointed prior to the period under review, did not have a specific term of appointment 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.

INFORMATION FROM INDEPENDENT AUDITOR'S REPORT

Emphasis of matter

Without qualifying the audit opinion, the auditor draws attention to the fact that because the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the six-month period ended 30 June 2005 were not audited by an independent auditors and the auditor's opinion dated 3 December 2007 on the state of affairs of the Company and of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended was disclaimed for the scope limitation based on reasons summarised in the basis of opinion section therein, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current period.

These financial results have been reviewed and approved by the audit committee of the Company and audited by an external auditor.

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

Hong Kong, 17 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.