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 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 year ended 31 December 2006, 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 2006

	Note	**2006** *HK$'000*	2005 *HK$'000*
Turnover	*3*	**56,631**	707,003
Cost of sales		**(55,763)**	(703,622)
Gross profit		**868**	3,381
Other revenue		**2,923**	630
Administrative expenses		**(29,053)**	(57,271)
Allowance for trade and other receivables		**(57)**	(168,322)
Provision for impairment of goodwill		**—**	(42,851)
Loss from operations	*5*	**(25,319)**	(264,433)
Finance costs		**(6,974)**	(4,693)
Share of results of associate		**—**	(945)
Loss before taxation		**(32,293)**	(270,071)
Income tax	*6*	**—**	—
Loss after taxation		**(32,293)**	(270,071)
Attributable to:			
Equity holders of the Company		**(31,688)**	(269,656)
Minority interests		**(605)**	(415)
		(32,293)	(270,071)
Dividends	*10*		
Loss per share			
— Basic	*7*	**(2.74) cents**	(26.19) cents
— Diluted	*7*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	Note	2006 HK$'000	2005 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**265,259**	5,158
Land use rights		**4,220**	—
Construction in progress		**92,572**	298,416
Goodwill		**23,916**	23,061
		385,967	326,635
Current assets			
Inventories		**489**	476
Trade and other receivables	*8*	**23,547**	30,274
Amount due from a director		**500**	—
Investments held for trading		**76**	56
Pledged bank deposits		**14,948**	14,413
Bank balances and cash		**7,666**	40,290
		47,226	85,509
Current liabilities			
Trade and other payables	*9*	**41,857**	16,432
Convertible notes		**20,604**	—
Amount due to a minority shareholder of a subsidiary		**901**	—
		63,362	16,432
Net current (liabilities)/ assets		**(16,136)**	69,077
Total assets less current liabilities		**369,831**	395,712
Non-current liabilities			
Bank loans		**229,195**	211,387
Convertible notes		**—**	20,176
Convertible preference shares		**51,745**	46,471
		280,940	278,034
Net assets		**88,891**	117,678
Equity			
Share capital		**11,570**	11,570
Reserves		**67,989**	96,516
Equity attributable to equity holders of the Company		**79,559**	108,086
Minority interests		**9,332**	9,592
Total equity		**88,891**	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 year, 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 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 year, and is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Waste incineration and processing income	**24,965**	—
Sale of computers hardware and maintenance support services	**31,352**	705,301
Software design and development	**314**	1,702
	56,631	707,003

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 year ended 31 December 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	24,965	31,352	314	56,631
Segment results	(6,124)	(523)	(490)	(7,137)
Net investment gain				439
Unallocated corporate income and expenses (net)				(18,621)
Loss from operations				(25,319)
Finance costs				(6,974)
Loss before taxation				(32,293)
Income tax				—
Loss for the year				(32,293)
Minority interests				605
Loss for the year attributable to equity holders of the Company				(31,688)
Segment assets	409,029	14	84	409,127
Unallocated corporate assets				24,066
Consolidated total assets				433,193
Segment liabilities	264,322	2,469	420	267,211
Unallocated corporate liabilities				77,091
Consolidated total liabilities				344,302
Capital expenditure	30,293	—	6	
Depreciation and amortisation	213	—	58	
Allowance for trade and other receivables	—	—	57	
Bad debts written off	—	—	60	

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$'000*	Consolidated *HK$'000*
Turnover	—	705,301	1,702	707,003
Segment results	(82,859)	(8,782)	(276)	(91,917)
Net investment gain				43
Impairment of goodwill				(42,851)
Unallocated corporate income and expenses (net)				(129,708)
Loss from operations				(264,433)
Finance costs				(4,693)
Share of results of an associate				(945)
Loss before taxation				(270,071)
Income tax				—
Loss for the year				(270,071)
Minority interests				415
Loss for the year attributable to equity holders of the Company				(269,656)
Segment assets	343,259	4,651	615	348,525
Unallocated corporate assets				63,619
Consolidated total assets				412,144
Segment liabilities	276,378	3,873	136	280,387
Unallocated corporate liabilities				14,079
Consolidated total liabilities				294,466
Capital expenditure	4,513	13	56	
Depreciation and amortisation	498	12	214	
Allowance for trade and other receivables	74,422	8,119	184	
Bad debts written off	—	80	—	

(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**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**24,896**	455,044	**13,739**	69,464	**89**	1,787
Other regions of PRC	**28,316**	119,089	**419,454**	341,091	**33,604**	209,226
Russia	**—**	73,383	**—**	—	**—**	—
Taiwan	**1,194**	19,055	**—**	—	**—**	—
Others	**2,225**	40,432	**—**	1,589	**—**	—
	56,631	707,003	**433,193**	412,144	**33,693**	211,013

5. LOSS FROM OPERATIONS

	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	**951**	961
— leased assets	**—**	306
	951	1,267
Amortisation of land use rights	**42**	—
Auditor's remuneration	**1,140**	1,031
Loss on disposal of property, plant and equipment	**129**	340
Bad debts written off	**60**	2,369
Allowance for trade and other receivables	**57**	168,322
Provision for impairment of goodwill	**—**	42,851
Inventories written off	**—**	266
Exchange gain	**(2,394)**	(472)
Cost of inventories expensed	**55,763**	703,622
Operating lease rentals in respect of equipment	**41**	—
Operating lease rentals in respect of land and buildings	**1,649**	2,684
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**16,063**	20,631
— Contributions to defined contribution retirement scheme	**596**	458
	16,659	21,089

6. INCOME TAX

(a) Hong Kong profits tax is calculated at 17.5% (2005: 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 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 year ended 31 December 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:

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	**(32,293)**	(270,071)
Calculated at the tax rate of 17.5%	**(5,651)**	(47,262)
Tax effect of expenses not deductible for taxation purposes	**3,445**	42,028
Tax effect of non-taxable items	**(64)**	(6)
Tax effect of unrecognised tax losses and temporary differences	**2,270**	5,075
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 2006 is based on the loss attributable to equity holders of the Company of HK$31,688,000 (2005: HK$269,656,000) and on 1,157,027,100 (2005: 1,029,619,621) 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, 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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**6,798**	2,068	**—**	—
31 to 60 days	**—**	95	**—**	—
Total trade receivables	**6,798**	2,163	**—**	—
Other receivables	**16,749**	28,111	**5,518**	4,959
	23,547	30,274	**5,518**	4,959

9. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**4,900**	3,217	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**—**	—	**—**	—
Over 90 days	**2,448**	732	**—**	—
Total trade payables	**7,348**	3,949	**—**	—
Other payables *(Note)*	**34,509**	12,483	**2,728**	4,587
	41,857	16,432	**2,728**	4,587

Note: Included in other payables as at 31 December 2006 is an amount due to a former director, Mr. Chan Tat Chee, amounting to HK$15,000 (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 year (2005: $Nil).

The Directors do not recommend the payment of a final dividend during the year.

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

In the year 2006, the attention of the Company was distributed accordingly on two objectives: the first goal was the resumption of trading of company shares and the second was the launching of the Group's first waste-to-energy project in Dongguan, the PRC. The contribution of that project has been realized since late 2006. The management anticipated that there will be a significant amount of income to be generated from this project.

In 2006, the Company had also undergone a number of changes in the composition of its management team, bringing in exceptional individuals and their expertise to the benefit of the Company.

With the adoption of a higher attention towards existing internal control and corporate governance, the Group is working its way towards the resumption of company share trading with a sound infrastructure.

By the end of 2006, the Dongguan 30MW waste-to-energy power plant was nearing the end of its testing and commissioning phase. In January 2007, the plant began commercial operation. However, since July 2006, the Dongguan plant had already been generating revenue for the Company. In September 2007, the plant achieved 85% efficiency, generating up to 610,000 kWh of electricity per day. This project is a major milestone for the Group and is expected to provide stable revenue for the upcoming years.

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of The Board of Directors (the "Board") 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 (the "SEHK Code") contained in Appendix 14 to the Listing Rules. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholder value.

Throughout the year ended 31 December 2006, 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 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 Non-Executive Directors of the Company during 2006 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.

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 2006.

INFORMATION FROM INDEPENDENT AUDITOR'S REPORT

Emphasis of matter

Without qualifying the audit opinion, the auditor draws attention to the fact that because 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 year.

FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN

In forming its opinion, the auditor considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of financial statements made by the directors. As explained in the financial statements, the group sustained a loss for the year attributable to equity holders of HK$31,688,000 during the year and had net current liabilities of approximately HK$16,136,000 as at 31 December 2006. The financial statements have been prepared on a going concern basis, the validity of which depends upon the advances of HK$15,000,000 obtained from a shareholder who was also chief executive officer of the company and possible further funding from potential investors.

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.