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 2007

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 2007.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** *HK$'000*	2006 *HK$'000* (restated)
CONTINUING OPERATION			
Turnover	*3*	**76,782**	24,965
Cost of sales		**(82,404)**	(24,255)
Gross (loss)/profit		**(5,622)**	710
Other revenue and gains		**31,119**	2,902
Administrative expenses		**(34,247)**	(27,927)
Impairment loss on construction in progress		**(3,165)**	—
Loss from operations		**(11,915)**	(24,315)
Finance costs	*4*	**(23,713)**	(6,974)
Loss before taxation	*5*	**(35,628)**	(31,289)
Income tax	*6*	**—**	—
Loss for the year from continuing operation		**(35,628)**	(31,289)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinuing operations	*12*	**246**	(1,004)
Loss for the year		**(35,382)**	(32,293)

CONSOLIDATED INCOME STATEMENT *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** *HK$'000*	2006 *HK$'000* (restated)
Attributable to:			
Equity holders of the Company		**(31,111)**	(31,688)
Minority interests		**(4,271)**	(605)
		(35,382)	(32,293)
Loss per share (expressed in HK cents per share)	*7*		
— Basic			
— from continuing and discontinued operations		**(2.69)**	(2.74)
— from continuing operation		**(2.71)**	(2.65)
— Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	Note	**2007** **HK$'000**	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**356,197**	265,259
Land use rights		**4,447**	4,220
Construction in progress		**2,211**	92,572
Goodwill		**25,642**	23,916
		388,497	385,967
Current assets			
Inventories		**1,822**	489
Trade and other receivables	*8*	**25,369**	23,547
Amount due from a director		**—**	500
Trading securities		**—**	76
Tax recoverable		**29**	—
Pledged bank deposits		**16,026**	14,948
Bank balances and cash		**46,893**	7,666
		90,139	47,226
Assets of a disposal group classified as held for sale	*12*	**17**	—
		90,156	47,226
Current liabilities			
Trade and other payables	*9*	**71,361**	41,857
Amount due to a minority shareholder of a subsidiary		**923**	901
Loan from a director		**15,100**	—
Convertible notes		**20,000**	20,604
Convertible preference shares		**78,570**	—
		185,954	63,362
Liabilities directly associated with the assets classified as held for sale	*12*	**2,936**	—
		188,890	63,362
Net current liabilities		**(98,734)**	(16,136)
Total assets less current liabilities carried forward		**289,763**	369,831

CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 31 DECEMBER 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Total assets less current liabilities brought forward		**289,763**	369,831
Non-current liabilities			
Bank loans		**251,608**	229,195
Convertible preference shares		**—**	51,745
		(251,608)	(280,940)
Net assets		**38,155**	88,891
EQUITY			
Share capital		**11,570**	11,570
Reserves		**21,057**	67,989
Equity attributable to equity holders of the Company		**32,627**	79,559
Minority interests		**5,528**	9,332
Total equity		**38,155**	88,891

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and 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 of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements — going concern basis

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of trading securities which are measured at fair value.

The Group sustained a loss for the year attributable to equity holders of the Company of HK$31,111,000 and had net current liabilities of approximately HK$98,734,000 as at 31 December 2007. In view of the proposed capital injected from a potential investor which would provide the Group with sufficient funds for its working capital requirement and future expansion plan. The Directors are of the opinion that the Group will have sufficient working capital to meet its normal operational requirements in the ensuing year and are satisfied that it is appropriate for the Group's consolidated financial statements to be prepared on a going concern basis.

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

In the current year, the Group has adopted all of the new and revised HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment: "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 2 Amendment	Share-based payment – Vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group has not early adopted any of these new or revised standards and interpretations and 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 their initial application.

3. TURNOVER

The Group's turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances, waste incineration power generation income and service income for the year, and is analysed as follow:

	2007	2006
	HK$'000	*HK$'000*
From continuing operation:		
Waste incineration power generation income	**76,782**	24,965
From discontinuing operations:		
Sale of computer hardware and maintenance support and related services *(note 12)*	**—**	31,666
	76,782	56,631

4. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
From continuing operation:		
Interest expenses on bank borrowings not wholly repayable within five years	**17,740**	14,726
Interest expenses on borrowing wholly repayable within five years	**100**	—
Interest on convertible notes	**—**	1,700
Interest on convertible preference shares	**5,873**	5,274
Total borrowing costs	**23,713**	21,700
Less: Amount capitalised into construction in progress*	**—**	(14,726)
	23,713	6,974

* In 2006, the borrowing costs have been capitalised at a rate of 6.18% to 6.91% per annum.

5. LOSS BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
The Group's loss before taxation is arrived at after charging/(crediting):—*		
Depreciation of property, plant and equipment	**27,913**	951
Amortisation of land use rights	**75**	42
Auditor's remuneration		
— Current year	**1,127**	1,140
— Over-provision in prior year	**(90)**	—
Loss on disposal of property, plant and equipment	**470**	129
Bad debts written off	**—**	60
(Reversal of)/charge of impairment loss on other receivables	**(20,770)**	57
Impairment loss on construction in progress	**3,165**	—
Exchange gain, net	**(5,173)**	(2,394)
Gain on disposal of trading securities	**(140)**	—
Cost of inventories expensed	**51,778**	55,763
Cost of services	**—**	31,508
Operating lease rentals in respect of equipment	**80**	41
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**15,943**	15,596
— Equity-settled share-based expense	**25**	467
— Contributions to defined contribution retirement scheme	**599**	596
	16,567	16,659

* The disclose presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

6. INCOME TAX

(a) Hong Kong profits tax is calculated at 17.5% (2006: 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 Group entities operating in Hong Kong had no assessable profit for the year ended 31 December 2007 (2006: Nil).

No provision for PRC enterprise income tax ("EIT") has been made in the financial statements as the Group entities operating in the PRC had no assessable profit for the year ended 31 December 2007 (2006: Nil).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the New Tax Law.

According to the New Tax Law, the standard EIT rate for enterprises in the PRC will be reduced from 33% to 25% with effect from 1 January 2008. However, a "new and high technology enterprise" will continue to be entitled to a reduced EIT rate of 15%.

(b) The taxation charge differs from the theoretical amount that would arise using the enacted tax rate of the Group as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
(Loss)/profit before taxation		
— continuing operation	**(35,628)**	(31,289)
— discontinued operations *(Note 12)*	**246**	(1,004)
	(35,382)	(32,293)
Calculated at the tax rate of 17.5% (2006: 17.5%)	**(6,192)**	(5,651)
Tax effect of expenses not deductible for taxation purpose	**30,391**	3,445
Tax effect of non-taxable items	**(24,151)**	(64)
Tax effect of unrecognised tax losses and temporary differences	**(48)**	2,270
Tax charge for the year	**—**	—

7. LOSS PER SHARE

(a) Loss

The calculation of basic loss per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	(31,111)	(31,688)
Less:		
Profit/(loss) for the year from discontinued operations used in the calculation of basic loss per share from discontinued operations	246	(1,004)
Loss for the year used in the calculation of basic loss per share from continuing operation	(31,357)	(30,684)

(b) Weighted average number of ordinary shares

1,157,027,100 ordinary shares were in issue during the years ended 31 December 2007 and 2006.

	2007	2006
	HK cents	*HK cents*
Basic (loss)/earnings per share from:		
— continued operation	(2.71)	(2.65)
— discontinued operations	0.02	(0.09)
Loss per share from continuing and discontinued operations	(2.69)	(2.74)

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	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**11,456**	9,806
Less: Allowance for doubtful debts	**(3,008)**	(3,008)
Trade receivables, net	**8,448**	6,798
Other receivables	**167,990**	193,770
Less: Allowance for doubtful debts	**(151,069)**	(177,021)
Other receivables, net	**16,921**	16,749
	25,369	23,547

The Directors consider the carrying amounts of trade and other receivables approximate their fair value.

i) The movement in the allowance for doubtful debts for trade receivables during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**3,008**	3,531
Uncollectible amounts written off	**—**	(523)
At end of year	**3,008**	3,008

The allowance for doubtful debts has been made for the estimated irrecoverable amounts from the sale of goods. This allowance has been determined by the Directors with reference to past default experience.

ii) The movement in the allowance for doubtful debts for other receivables during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**177,021**	174,210
Impairment loss recognised	**—**	57
Reversal of provision	**(20,770)**	—
Uncollectible amounts written off	**(9,387)**	(36)
Exchange adjustments	**4,205**	2,790
At end of year	**151,069**	177,021

The impairment loss of HK$57,000 for 2006 related to the discontinued operations.

The allowance for doubtful debts has been made for the estimated irrecoverable amounts from the suppliers of machinery. This allowance has been determined by the Directors with reference to the financial condition of the debtors concerned.

8. TRADE AND OTHER RECEIVABLES *(Continued)*

iii) 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	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables		
— Current and up to 30 days	**8,448**	6,798

9. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current and up to 30 days	**7,290**	4,900
31 to 60 days	**2,606**	—
61 to 90 days	**—**	—
Over 90 days	**2,002**	2,448
Total trade payables	**11,898**	7,348
Other payables	**59,463**	34,509
	71,361	41,857

10. DIVIDEND

No dividend has been paid or declared by the Company during the year (2006: Nil).

The Directors do not recommend the payment of dividend during the year (2006: Nil).

11. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions: i) waste incineration power generation business; and ii) computer hardware and maintenance support and related services. 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 power generation business	—	Waste incineration, processing and power generation business in the PRC
Computer hardware and maintenance support and related services	—	Sale of computer hardware, provision of maintenance support services, e-commerce consultancy, software development, system integration, website design and sale of software

11. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation	**Computer hardware and maintenance support and related services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	**76,782**	**—**	**76,782**
Segment results	**(6,082)**	**(1,013)**	**(7.095)**
Gain on disposal of trading securities			**—**
Unallocated corporate income and expenses (net)			**(18,224)**
Loss from operations			**(11,669)**
Finance costs			**(23,713)**
Loss before taxation			**(35,382)**
Income tax			**—**
Loss for the year			**(35,382)**
Minority interests			**4,271**
Loss for the year attributable to equity holders of the Company			**(31,111)**
BALANCE SHEET			
Segment assets	**437,267**	**17**	**437,284**
Unallocated corporate assets			**41,369**
Consolidated total assets			**478,653**
Segment liabilities	**317,646**	**2,936**	**320,582**
Unallocated corporate liabilities			**119,916**
Consolidated total liabilities			**440,498**
OTHER INFORMATION			
Capital expenditure	**24,894**	**—**	
Depreciation and amortisation	**27,186**	**—**	

11. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

2006

	Continuing operation	Discontinued operations	
	Waste incineration power generation *HK$'000*	Computer hardware and maintenance support and related services *HK$'000*	Consolidated *HK$'000*
RESULTS			
Turnover	24,965	31,666	56,631
Segment results	(6,082)	(1,013)	(7,095)
Net investment gain			—
Unallocated corporate income and expenses (net)			(18,224)
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)
BALANCE SHEET			
Segment assets	409,029	98	409,127
Unallocated corporate assets			24,066
Consolidated total assets			433,193
Segment liabilities	264,322	2,889	267,211
Unallocated corporate liabilities			77,091
Consolidated total liabilities			344,302
OTHER INFORMATION			
Capital expenditure	30,293	6	
Depreciation and amortisation	213	58	
Impairment loss on other receivables	—	57	
Bad debts written off	—	60	

11. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(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.

The Group

	Segment revenues	
	2007	2006
	HK$'000	*HK$'000*
From continuing operation:		
Hong Kong	**—**	—
Other regions of the PRC	**76,782**	24,965
	76,782	24,965
From discontinuing operations:		
Hong Kong	**—**	24,896
Other regions of the PRC	**—**	3,351
Taiwan	**—**	1,194
Others	**—**	2,225
	—	31,666

	Carrying amount of segment assets		**Additions to property plant and equipment, land use rights and construction in progress**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**113,100**	13,739	**1,628**	89
Other regions of the PRC	**365,553**	419,454	**24,894**	33,604
	478,653	433,193	**26,522**	33,693

12. DISCONTINUED OPERATIONS

The Group's computer hardware and maintenance support services business and software design and development business were discontinued during the year due to the underachievement of these segments. In order to better utilise its resources, the Group has focused on the development of its waste incineration power generation business.

The profit/(loss) for the year from the discontinued operations is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover *(note 3)*	—	31,666
Cost of sales	—	(31,508)
Gross profit	—	158
Other revenue and gains	364	21
Administrative expenses	(118)	(1,126)
Impairment loss on other receivables *(note 8)*	—	(57)
Profit/(loss) before taxation *(note 6)*	246	(1,004)
Income tax	—	—
Profit/(loss) for the year from the discontinued operations	246	(1,004)

The major classes of assets and liabilities classified as held for sale as at the balance sheet date are as follows:

	2007	2006
	HK$'000	*HK$'000*
Assets:		
Property, plant and equipment	—	—
Bank balances and cash	17	—
Assets classified as held for sale	17	—
Liabilities:		
Trade and other payables, being liabilities directly associated with the assets classified as held for sale	(2,936)	—
Net liabilities directly associated with the discontinued operations	(2,919)	—

13. EVENTS AFTER THE BALANCE SHEET DATE

(a) The Company had strengthened its financial position through the following fund raising activities after the end of the balance sheet date:

- On 3 January 2008, the Company entered into a loan agreement with a substantial shareholder of the Company for a borrowing of HK$30,000,000.

- On 27 February 2008, the Company entered into a conditional subscription agreement (as amended) to issue and allot 4,000,000,000 new shares in the Company at the subscription price of HK$0.05 per share and to issue HK$200,000,000 convertible bonds of the Company for an aggregate amount of HK$400,000,000 at the conversion price of HK$0.05 per share.

(b) On 14 January 2008, a settlement agreement was signed between the Company and the Noteholder that both parties have mutually agreed to the Company's redemption of the convertible notes at a consideration of HK$20,000,000 and agreed to discharge all of the Company's liabilities and obligations under the convertible notes. The Company has repaid the convertible notes in full on the same day.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Throughout the year under review, the focus of the Company was to maintain a smooth, ongoing operation of its core business which is waste incineration, processing and power generation in Dongguan, the PRC. The Company was also working hard on its ongoing preparation for the resumption of trading of the Company's shares.

Phase I of the Company's Dongguan waste-to-energy power plant began its commercial operation in January 2007. The opening ceremony had the pleasure of the attendance of local officials from the Dongguan government as well as other distinguished guests. The waste-to-energy power plant is one of the biggest of its kind, capable of processing up to 1,000 tonnes of municipal solid waste on a daily basis.

With the success of existing operation, the Company then quickly decided to expand its operating facilities by increasing its total output capacity. This expansion was completed near the end of the year 2007.

The Company has been working its way to being in compliance with the Listing Rules. As at the date of this announcement, the Company has already taken all necessary steps to ensure compliance with the relevant rules in the Listing Rules. The Company had formally submitted a proposal for the resumption of trading of the Company's shares to the Stock Exchange.

During the year under review, there had been various changes in the Company's Board composition. The current Board possesses valuable skills, expertises and experience in managing the Group and the Company's affairs and business operation.

PROSPECTS

With the completion of Dongguan Phase I expansion, the new operating facilities are physically ready to commence operation. The respective approval is expected to be obtained in early 2008. The expansion's successful implementation will provide additional turnover and operational efficiency for the Group.

The Company is of the opinion that the PRC government will continue giving support to the waste-to- energy industry in the future. The environmental and energy issues would continue to be a concern which are reflected in the PRC government's policies in the coming years.

The Company plans to raise and inject funds into the development of Phase II of the MSW incineration power plant in the adjacent land of the existing plant. The Phase II incineration power plant will have three power generators and incinerators. The development is expected to start in the fourth quarter of 2008.

The Company aims to continue making good use of this industry's favourable conditions as well as seeking other business opportunities to improve its shareholders' interest.

In an effort to improve efficiency, the Group had undergone reorganization of the Group companies in early 2008 as well as engaging external professionals to treat certain subsidiaries accordingly.

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.

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board of Directors 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 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 2007, 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 ("CEO") were not segregated during Mr. Tse On Kin's ("Mr. Tse") term of appointment as chairman of the Company from 10 March 2006 to 31 March 2007. Mr. Liang Jun ("Mr. Liang") assumed both roles of chairman and CEO from 1 April 2007 and ceased to be the CEO from 15 June 2007, as the position was taken up by Mr. Chan Wai Ming ("Mr. Chan") on the same date. As at the date of this announcement, the two roles continued to be separated and segregated.

Given the extensive experience of Mr. Tse as well as the Company's stage of progress during the year under review, it was considered unnecessary to appoint a CEO in Mr. Tse's term of office as chairman. The Company appointed Mr. Chan as the CEO at the earliest possible time in Mr. Liang's term of appointment as chairman to improve its corporate governance practice.

Code Provision A.4.1

All non-executive directors during the year under review do 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. According to the articles of association of the Company, 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 less than one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

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 to the Listing Rules. The audit committee had reviewed and approved the financial statements for the year ended 31 December 2007.

EXTRACTS FROM THE INDEPENDENT AUDITOR'S REPORT

"Basis for disclaimer of opinion

As explained in note 3(b) to the consolidated financial statements, although the Group incurred a loss attributable to equity holders of the Company of approximately HK$31,111,000 for the year ended 31 December 2007 and had consolidated net current liabilities of approximately HK$98,734,000 as at 31 December 2007 and the Company had net liabilities of approximately HK$91,094,000 as at 31 December 2007, the consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which is dependent on the outcome of the proposed capital injection from a potential investor which would provide the Group with sufficient funds for working capital requirement and future expansion plan. The consolidated financial statements do not include any adjustments that would result from a failure of the proposed capital injection. However, the uncertainty surrounding the outcome of the proposed capital injection raises significant doubt about the Group's ability to continue as a going concern.

Disclaimer of opinion: disclaimer on view given by the financial statements

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Uncertainty arising from ongoing proceedings by the Independent Commission Against Corruption

As further explained in note 43 to the consolidated financial statements, on 29 September 2005, the Independent Commission Against Corruption (the "ICAC") issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from two listed companies. It was subsequently mentioned in certain press articles that several former Directors of the Company had been arrested. Certain records and documents of the Group have been seized by the ICAC for the purpose of investigation. According to the press release by the ICAC dated 20 February 2006, two former Directors of the Company who held office until 26 October 2005, were charged with alleged conspiracy to defraud the Company involving Company's funds (the "Charges"). The alleged offences took place between January 2004 and April 2005. At the date of this report, save as set out in note 43 to the financial statements, the Company is not aware of other developments of the Charges, and hence any possible impact on the Group's operations and financial position."

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

Hong Kong, 25 April 2008

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 director of the Company is 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.