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 AUDITED RESULTS FOR THE TEN-MONTH PERIOD ENDED 31 OCTOBER 2008

These audited results were published with the purpose of presenting the financial position of China Sciences Conservational Power Limited (the "Company") and its subsidiaries (the "Group") following completion of the share subscription and the convertible bonds subscription under the Subscription Agreements (as defined in the circular of the Company dated 30 July 2008).

RESULTS

The board (the "Board") of directors (the "Directors") of the Company announces the audited consolidated results of the Group for the ten months ended 31 October 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE TEN MONTHS ENDED 31 OCTOBER 2008

	Notes	**Ten months ended 31 October 2008** *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
CONTINUING OPERATION			
Turnover	*4*	**89,796**	81,428
Other revenue and net gains	*5*	**52,009**	26,473
Fuel costs		**(74,173)**	(44,276)
Depreciation and amortisation	*7*	**(16,510)**	(27,988)
Employee costs	*7*	**(14,715)**	(16,567)
Impairment loss on construction in progress		**(2,449)**	(3,165)
Concession intangible assets maintenance provision		**(4,512)**	—
Other operating expenses		**(23,703)**	(27,820)
Finance costs	*6*	**(21,582)**	(23,713)
Loss before taxation	*7*	**(15,839)**	(35,628)
Income tax	*8*	**3**	—
Loss for the period/year from continuing operation		**(15,836)**	(35,628)
DISCONTINUED OPERATIONS			
Profit for the period/year from discontinued operations	*14*	**—**	246
Loss for the period/year		**(15,836)**	(35,382)

	Notes	Ten months ended 31 October 2008 HK$'000	Year ended 31 December 2007 HK$'000 (Restated)
Attributable to:			
Equity holders of the Company		**(13,936)**	(31,111)
Minority interests		**(1,900)**	(4,271)
		(15,836)	(35,382)
Basic loss per share			
(expressed in HK cents per share)	*9*		
— from continuing and discontinued operations		**(0.81)**	(2.69)
— from continuing operation		**(0.81)**	(2.71)
Dividends	*12*	**—**	—

CONSOLIDATED BALANCE SHEET

AS AT 31 OCTOBER 2008

	Notes	**31 October 2008 HK$'000**	31 December 2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,892**	5,631
Concession intangible assets		**375,710**	352,777
Land use rights		**4,648**	4,447
Construction in progress		**—**	—
Goodwill		**27,199**	25,642
Pledged bank deposits		**17,000**	16,026
		429,449	404,523
Current assets			
Inventories		**1,149**	1,822
Trade and other receivables	*10*	**22,166**	25,369
Tax recoverable		**—**	29
Bank balances and cash		**293,271**	46,893
		316,586	74,113
Assets of a disposal group classified as held for sale		**—**	17
		316,586	74,130
Current liabilities			
Trade and other payables	*11*	**50,631**	71,361
Amount due to a minority shareholder of a subsidiary		**979**	923
Amount due to a shareholder		**446**	—
Loan from a director		**—**	15,100
Convertible notes		**—**	20,000
Convertible preference shares		**—**	78,570
		52,056	185,954
Liabilities directly associated with the assets classified as held for sale		**—**	2,936
		52,056	188,890
Net current assets/(liabilities)		**264,530**	(114,760)
Non-current liabilities			
Bank loans		**258,392**	251,608
Provision for maintenance of concession intangible assets		**4,512**	—
Convertible bonds		**50,053**	—
		312,957	251,608
Net assets		**381,022**	38,155
EQUITY			
Share capital		**81,570**	11,570
Reserves		**295,487**	21,057
Equity attributable to equity holders of the Company		**377,057**	32,627
Minority interests		**3,965**	5,528
Total equity		**381,022**	38,155

NOTES TO THE CONSOLIDATED 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 Rooms 1208-1210, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 (the "Listing Rules").

(b) Basis and purpose of preparation of financial statements

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which have been measured at fair value.

These financial statements present the Group's trading results for the ten months ended 31 October 2008 and the Group's financial position as at that date (the "Special Purpose Financial Statements"), following the completion of the share subscription and the convertible bonds subscription in October 2008.

The Special Purpose Financial Statements do not represent the annual statutory financial statements of the Group under the Companies Ordinance. The annual statutory financial statements of the Group for the year ended 31 December 2008 will not be affected by the issue of the Special Purpose Financial Statements.

The consolidated income statement is presented by nature of expenses which the Directors considered is more appropriate to reflect the operating results of the Group.

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

In the current period, 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 and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, except for HK(IFRIC) - Int 12 "Service Concession Arrangements" as describe below.

(a) The impact of the adoption of HK(IFRIC) - Int 12

HK(IFRIC) - Int 12 gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out the general principles on recognising and measuring the obligations and related rights in service concession arrangements. For arrangements falling within its scope, depending on the terms of the arrangement, the infrastructure assets will, instead of being recognised as property, plant and equipment, be recognised as either (i) a financial asset; (ii) an intangible asset; or (iii) both a financial asset and an intangible asset.

The Group has been granted by the Dongguan Provincial Government the concession for operating a waste incineration power generation plant in Dongguan. Prior to 1 January 2008, the buildings, plant and equipment within the scope of the service concession were included in property, plant and equipment. As at 1 January 2008, due to the retrospective application of HK(IFRIC) - Int 12 being impracticable, the Group reclassified these buildings, plant and equipment as concession intangible assets, and amortised them over the remaining operating periods in accordance with the transitional provisions of HK(IFRIC) - Int 12. The reclassification of the assets' book values for 2007 has no impact on the loss for the year ended 31 December 2007 and accumulated losses at the beginning of the period.

Contractual obligations to maintain or restore infrastructure

As part of its obligations under the service concession, the Group assumes responsibility for maintenance of the waste incineration power generation plant and equipment. The resulting maintenance costs, except for upgrade services, are recognised in accordance with the requirements of HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

Provision for maintenance obligations is measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligations.

Other than as described above, the adoption of the new HKFRSs had no material effect on the results and financial position of the Group. Accordingly, no prior period adjustment is required.

The effects of changes in the accounting policies are as follows:

	31 December 2007	**Changes**	**31 December 2007**
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Items on balance sheet			
Non-current assets			
Property, plant and equipment	356,197	(350,566)	5,631
Construction in progress	2,211	(2,211)	—
Concession intangible assets	—	352,777	352,777
Total effects on assets	358,408	—	358,408

(b) Standards and Interpretations issued but not effective

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) - Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) - Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 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 their initial application.

4. TURNOVER

Turnover represents the amount received and receivable for waste incineration power generation:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
From continuing operation:		
Waste incineration power generation income	**85,083**	76,782
Waste handling fees	**4,713**	4,646
	89,796	81,428

5. OTHER REVENUE AND NET GAINS

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
From continuing operation:		
VAT refund on waste incineration power generation income *(Note)*	**13,585**	—
Gains on liquidation and disposal of subsidiaries	**3,726**	—
Reversal of provision for impairment of other receivables	**13,401**	20,770
Interest expenses waived on convertible preference shares/convertible notes	**5,472**	604
Gain on redemption of convertible preference shares	**11,290**	—
Bank interest income	**864**	120
Gain on disposal of investments held for trading	**—**	140
Net exchange gains	**3,643**	4,809
Others	**28**	30
	52,009	26,473
From discontinued operations:		
Net exchange gains	**—**	364

Note: During the period ended 31 October 2008, Dongguan China Sciences Conservational Power Limited being a designated environmental protection enterprise, was entitled to VAT refund based on the excess of the output VAT on electricity sale over the input VAT on purchases.

6. FINANCE COSTS

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
From continuing operation:		
Interest on bank borrowings wholly repayable after five years	**17,346**	17,740
Imputed interest on convertible bonds	**374**	—
Imputed interest on convertible preference shares	**3,182**	5,873
Interest on loan from a director	**234**	100
Interest on amount due to a shareholder	**446**	—
	21,582	23,713

7. LOSS BEFORE TAXATION

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
The Group's loss before taxation from continuing operation is arrived at after charging/(crediting):—		
Amortisation of concession intangible assets	**15,535**	—
Depreciation of property, plant and equipment	**906**	27,913
Amortisation of land use rights	**69**	75
Auditor's remuneration	**852**	1,037
Loss on disposal of property, plant and equipment	**—**	470
Impairment loss on construction in progress	**2,449**	3,165
Concession intangible assets maintenance provision	**4,512**	—
Operating lease rentals in respect of land and buildings	**2,089**	1,347
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**14,056**	15,943
— Equity-settled share-based payments	**13**	25
— Contributions to defined contribution retirement scheme	**646**	599
	14,715	16,567
Net exchange gains	**(3,643)**	(5,173)
Reversal of provision for impairment of other receivables	**(13,401)**	(20,770)
Gain on redemption of convertible preference shares	**(11,290)**	—
Gains on liquidation and disposal of subsidiaries	**(3,726)**	—
Gains on disposal of investments held for trading	**—**	(140)

8. INCOME TAX

(a) Hong Kong profits tax is calculated at 16.5% (2007: 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 these financial statements as the companies operating in Hong Kong had no assessable profit for the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

No provision for PRC enterprise income tax (EIT) has been made in these financial statements as the companies operating in the PRC had no assessable profit for the ten months ended 31 October 2008 (year ended 31 December 2007: 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 Corporate Income Tax Law.

According to the New Tax Law, the standard EIT rate for enterprises in the PRC was 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 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:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
Loss before taxation		
— continuing operation	**(15,839)**	(35,628)
— discontinued operations	**—**	246
	(15,839)	(35,382)
Calculated at the tax rate of 16.5% (2007: 17.5%)	**(2,613)**	(6,192)
Tax effect of expenses not deductible for taxation purpose	**7,107**	30,391
Tax effect of non-taxable items	**(4,535)**	(24,151)
Tax effect of unrecognised tax losses and temporary differences	**41**	(48)
Overprovision in prior years	**3**	—
Tax credit for the period/year	**3**	—

9. BASIC LOSS PER SHARE

(a) Loss for the period/year

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:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
Loss for the period attributable to equity holders of the Company	**(13,936)**	(31,111)
Less:		
Profit for the period/year from discontinued operations used in the calculation of basic loss per share from discontinued operations	**—**	246
Loss for the period/year used in the calculation of basic loss per share from continuing operation	**(13,936)**	(31,357)

(b) Weighted average number of ordinary shares

1,714,856,047 ordinary shares were in issue during the ten months ended 31 October 2008 (year ended 31 December 2007: 1,157,027,100).

	Ten months ended 31 October 2008 *HK cents*	Year ended 31 December 2007 *HK cents* (Restated)
Basic (loss)/profit per share from:		
— continuing operation	**(0.81)**	(2.71)
— discontinued operations	**—**	0.02
Basic loss per share for the period/year	**(0.81)**	(2.69)

10. TRADE AND OTHER RECEIVABLES

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Trade receivables	**11,881**	11,456
Less: Allowance for doubtful debts	**—**	(3,008)
Trade receivables, net	**11,881**	8,448
Other receivables	**87,856**	167,990
Less: Allowance for doubtful debts	**(77,571)**	(151,069)
Other receivables, net	**10,285**	16,921
	22,166	25,369

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

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
At beginning of period/year	**3,008**	3,008
Provision attributable to liquidation and disposal of subsidiaries	**(3,008)**	—
At end of period/year	**—**	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 Board with reference to past default experience.

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

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
At beginning of period/year	**151,069**	177,021
Reversal of provision	**(13,401)**	(20,770)
Provision attributable to liquidation and disposal of subsidiaries	**(63,259)**	—
Uncollectible amounts written off	**—**	(9,387)
Exchange adjustments	**3,162**	4,205
At end of period/year	**77,571**	151,069

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:

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Trade receivables		
— Current and up to 30 days	**11,881**	8,448

iv) The Directors consider the carrying amounts of trade and other receivables approximate their fair values.

v) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,924**	7,968
Less than 1 month past due	**957**	480
	11,881	8,448

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

vi) The carrying amounts of trade and other receivables are denominated in the following currencies:

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Hong Kong dollars	**1,769**	1,252
Renminbi	**37,397**	24,117
	39,166	25,369

11. TRADE AND OTHER PAYABLES

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

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Current and up to 30 days	**16,049**	7,290
31 to 60 days	**—**	2,606
Over 90 days	**—**	2,002
Total trade payables	**16,049**	11,898
Other payables	**34,582**	59,463
	50,631	71,361

The carrying amounts of trade and other payables are denominated in the following currencies:

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Hong Kong dollars	**2,279**	5,962
Renminbi	**48,352**	65,399
	50,631	71,361

The Directors consider the carrying amounts of trade and other payables approximate their fair values.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

The Directors do not recommend the payment of an interim dividend in respect of the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

13. SEGMENT INFORMATION

Business segments

The Group has only one continuing business segment which is waste incineration power generation business in the PRC. The Group's computer hardware and maintenance support and related services business segments were discontinued during the previous year.

Ten months ended 31 October 2008

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Results			
Turnover	**89,796**	**—**	**89,796**
Segment results	**(1,700)**	**—**	**(1,700)**
Unallocated corporate income and expenses (net)			**7,443**
Profit from operations			**5,743**
Finance costs			**(21,582)**
Loss before taxation			**(15,839)**
Income tax			**3**
Loss for the period			**(15,836)**
Minority interests			**1,900**
Loss for the period attributable to equity holders of the Company			**(13,936)**

Ten months ended 31 October 2008 and as at 31 October 2008

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Balance Sheet			
Segment assets	**449,329**	**—**	**449,329**
Unallocated corporate assets			**296,706**
Consolidated total assets			**746,035**
Segment liabilities	**312,230**	**—**	**312,230**
Unallocated corporate liabilities			**52,783**
Consolidated total liabilities			**365,013**
Other Information			
Capital expenditure	**26,621**	**—**	
Depreciation and amortisation	**15,855**	**—**	
Reversal of provision for impairment of other receivables	**(13,401)**	**—**	

Year ended 31 December 2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Results			
Turnover	81,428	—	81,428
Segment results	(25,419)	(1,486)	(26,905)
Gain on disposal of investments held for trading			140
Unallocated corporate income and expenses (net)			15,096
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)

Year ended 31 December 2007 and as at 31 December 2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
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	—	

Geographical segments

As the Group only operates in the PRC, no geographical segment information is presented.

14. DISCONTINUED OPERATIONS

The Group's computer hardware and maintenance support services business and software design and development business were discontinued during the year 31 December 2007 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 for the period/year from discontinued operations is analysed as follows:

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
Other revenue	**—**	364
Other operating expenses	**—**	(118)
Profit before taxation	**—**	246
Income tax	**—**	—
Profit for the period/year from discontinued operations	**—**	246

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

	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
		(Restated)
Assets:		
Bank balances and cash, being assets classified as held for sale	**—**	17
Liabilities:		
Trade and other payables, being liabilities directly associated with assets classified as held for sale	**—**	(2,936)
Net liabilities directly associated with the discontinued operations	**—**	(2,919)

The net cash flows of the discontinued operations dealt with in the consolidated financial statements for the period/year are as follows:

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
		(Restated)
Net cash inflow from operating activities	**—**	246

15. COMPARATIVE AMOUNTS

As stated in Note 2(b), the consolidated income statement is presented by nature of expenses. Certain comparative figures have been reclassified to conform with this presentation and also the adoption of HK(IFRIC) — Int12 (Note 3(a)).

16. POST BALANCE SHEET EVENT

On 6 November 2008, Sharprise Holdings Limited ("Sharprise"), a wholly-owned subsidiary of the Company as purchaser entered into a memorandum of understanding (the "MOU") with Fast Sky Holdings Limited ("Fast Sky") as vendor and Mr. Zhu Gongshan as the vendor's guarantor and sole shareholder. Pursuant to the MOU, the vendor agreed to negotiate with the purchaser in good faith the terms of a sale and purchase agreement in respect of the sale and purchase of 49% of the enlarged issued share capital of Gofar Holdings Limited (the "Target Company"). Fast Sky will procure the purchase by its subsidiary of equity interests in three PRC companies which had been approved to carry on the business of construction of a railway in the Hebei Province ("河北省"), PRC ("Zunxiao Railway"). Of the three PRC companies, two had also been approved to carry on the container and self-owned rail wagon chartering services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the period under review, the Group placed much attention to its core business, waste incineration power generation.

The series of macroeconomic events in 2008 adversely affected many industries, including the one which the Group operates in. One significant impact to the Group was the steep rise of thermal coal prices in the PRC due to a global surge in commodity prices and supply problems caused by transport disruptions due to an unusually cold winter. Coal price fluctuations have a large impact on our business as it accounts for more than 70% of our operating costs. This was partially compensated by the increased selling price of electricity.

In July 2008, the Company received confirmation from Dongguan Development and Reform Bureau of an approval from the National Development and Reform Commission for the use and commercial operation of its new power generator. The Company subsequently signed a new agreement with the local power grid company for supplying electricity to the grid in August 2008.

PROSPECTS

Despite the global fear generated by the recent financial tsunami, the Company continues to strive for improvement in its value by searching for business and investment opportunities.

Until October 2008, RMB2 trillion investments in railways had been approved by the State Council of the PRC. Of those investments, over RMB1.2 trillion was injected for on-going construction projects. In November 2008, the PRC government announced a fiscal stimulus package of RMB4 trillion in aggregate, which is to be implemented up to 2010. Transportation infrastructure, with focus on railways, highways and airports, was highlighted as one of the ten key areas covered in the stimulus package. Following this trend, the Company believes that the PRC government will invest more rather than less in transportation infrastructure to boost economic growth; as such, it is the Company's view that to invest in railway infrastructure will create value and benefit the shareholders of the Company in the long run.

On 6 November 2008, Sharprise entered into the MOU with Fast Sky to negotiate the terms of an investment of 49% equity interests of the Target Company. Pursuant to the MOU, Fast Sky will procure the purchase by its subsidiary of equity interest in three PRC companies, which will be engaged in the construction of Zunxiao Railway connecting Tangshan City ("唐山市") and Chengde City ("承德市"), Hebei Province ("河北省"), the PRC with a total length of approximately 121 kilometres. Two of these PRC companies had also been approved by local authorities to carry on the container and self-owned rail wagon chartering services.

PURCHASE, SALE OR REDEMPTION 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 ten months ended 31 October 2008.

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board and of management of the Company to maintain high standard of corporate governance. The Company has adopted and applied the principles as set out in the Code on Corporate Governance Practices (the "CG 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 period of ten months ended 31 October 2008, the Company has complied with the CG Code, save for the single exception specified and explained below:

Code Provision A.4.1

All existing non-executive directors of the Company during the period 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 (the "Articles"). According to the Articles, 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.

THE AUDIT COMMITTEE

During the period under review, the audit committee performed its duties according to written terms of reference which complies with Code C.3.3 of the CG Code.

The audited consolidated results of the Group for the ten months ended 31 October 2008 have been reviewed by the audit committee.

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

Hong Kong, 12 December 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.