

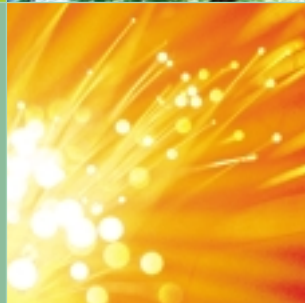
# 2006

INTERIM REPORT



China Conservational Power Holdings Limited  
中國環保電力控股有限公司

Stock Code:290



## Corporate Information

### Board of Directors

#### Executive Directors

Ms. YOU Wei (*Chairman*)  
Mr. NG Khai Wain (*Chief Executive Officer*)  
Mr. YEUNG Kwok Leung

#### Independent Non-Executive Directors

Mr. Albert HO  
Mr. Shane PHILLIPS  
Mr. CAI Zhixu

### Company Secretary

Ms. CHOW Man Ngan

### Qualified Accountant

Mr. YEUNG Kwok Leung

### Authorised Representatives

Mr. YEUNG Kwok Leung  
Ms. CHOW Man Ngan

### Audit Committee

Mr. Albert HO (*Chairman of Audit Committee*)  
Mr. Shane PHILLIPS  
Mr. CAI Zhixu

### Remuneration Committee

Mr. NG Khai Wain  
(*Chairman of Remuneration Committee*)  
Mr. Albert HO  
Mr. CAI Zhixu

### Auditors

Horwath Hong Kong CPA Limited  
*Certified Public Accountants*

### Registered office

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

### Head office and principal place of business in Hong Kong

1702-3, 17th Floor  
Skyline Commercial Centre  
71-77 Wing Lok Street  
Sheung Wan  
Hong Kong

Tel : (852) 3105 1863  
Fax : (852) 3105 1862

### Principal bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited

### Legal Advisers

*Hong Kong Law*  
Troutman Sanders  
*Cayman Islands Law*  
Maples and Calder

### Cayman Islands principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, George Town  
Grand Cayman, Cayman Islands

### Hong Kong branch share registrar and transfer office

Hong Kong Registrars Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Stock Code

0290

## Interim Results

The board (the "Board") of directors (the "Directors") of China Conservational Power Holdings Limited (the "Company") announced the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	Six months ended 30 September	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Turnover	3	2,692	19,146
Cost of sales		(2,042)	(12,754)
Gross profit		650	6,392
Other revenue		143	3,984
Selling expenses		(6)	(44)
Administrative expenses		(10,552)	(23,583)
Impairment losses	4	(6)	(67,815)
Loss from operations	5	(9,771)	(81,066)
Finance costs		(1,585)	(739)
Gain on disposal of subsidiaries		-	26,042
Share of results of associates		-	(2,467)
Loss before taxation		(11,356)	(58,230)
Taxation	6	(134)	-
Net loss for the period		(11,490)	(58,230)
Dividends	7	-	-
Loss per share			
– basic	8	(2.5) cents	(12.8) cents
– diluted	8	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Notes	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	1,042	1,850
Intangible assets		125	251
Other assets		205	205
Retention money receivables		1,120	1,109
		2,492	3,415
<b>Current assets</b>			
Investments held for trading	10	38,810	38,816
Inventories		251	252
Amounts due from customers for contract work		–	657
Progress payments receivable	11	288	209
Retention money receivables		2,638	4,135
Loans receivable	12	4,196	9,438
Amounts due from associates		12	12
Accounts receivable	13	3,066	12,156
Prepayments, deposits and other receivables		2,780	3,681
Taxation recoverable		1,209	272
Pledged bank deposits		2,099	2,063
Fixed deposits		–	1,599
Bank balances and cash		11,808	16,045
		67,157	89,335
<b>Current liabilities</b>			
Retention money payables		938	447
Accounts payable, other payables and accrued charges	14	23,336	32,436
Loans payable		399	320
Amount due to a related company		890	890
Bills payable		–	91
Taxation payable		386	386
Obligations under finance leases		250	275
Bank overdraft (secured)		744	4,098
Other borrowings		13,200	11,718
		40,143	50,661

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

	<i>Notes</i>	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
<b>Net current assets</b>		<u>27,014</u>	<u>38,674</u>
<b>Total assets less current liabilities</b>		<u>29,506</u>	<u>42,089</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		521	646
Retention money payables		820	1,385
Deferred taxation		<u>2</u>	<u>2</u>
		<u>1,343</u>	<u>2,033</u>
<b>Net assets</b>		<u><u>28,163</u></u>	<u><u>40,056</u></u>
<b>Equity</b>			
Share capital	15	46,407	46,407
Reserves		<u>(18,244)</u>	<u>(6,351)</u>
<b>Total equity</b>		<u><u>28,163</u></u>	<u><u>40,056</u></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended 30 September	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(9,131)	(34,023)
NET CASH FROM INVESTING ACTIVITIES	5,317	4,239
NET CASH FROM FINANCING ACTIVITIES	1,332	40,267
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,482)	10,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	13,546	1,899
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11,064	12,382
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	11,808	21,246
Bank overdrafts	(744)	(8,864)
	11,064	12,382

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Special reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Accumulated profits/ (losses) (unaudited) HK\$'000	Total (unaudited) HK\$'000
As at 1 April 2006	46,407	233,184	1,694	13,524	1,863	(37)	(256,579)	40,056
Equity settled share – based transactions	-	-	(403)	-	-	-	-	(403)
Net loss for the period	-	-	-	-	-	-	(11,490)	(11,490)
As at 30 September 2006	<u>46,407</u>	<u>233,184</u>	<u>1,291</u>	<u>13,524</u>	<u>1,863</u>	<u>(37)</u>	<u>(268,069)</u>	<u>28,163</u>
As at 1 April 2005	38,672	210,790	-	13,524	1,848	431	(125,328)	139,937
Issue of new shares	7,735	23,173	-	-	-	-	-	30,908
Share issue expenses	-	(780)	-	-	-	-	-	(780)
Disposal of subsidiaries	-	-	-	-	15	(468)	-	(453)
Equity settled share – based transactions	-	-	2,097	-	-	-	-	2,097
Net loss for the period	-	-	-	-	-	-	(58,230)	(58,230)
As at 30 September 2005	<u>46,407</u>	<u>233,183</u>	<u>2,097</u>	<u>13,524</u>	<u>1,863</u>	<u>(37)</u>	<u>(183,558)</u>	<u>113,479</u>

## Notes to the Condensed Consolidated Financial Statements

### 1. BASIS OF PREPARATION

The condensed financial statements are prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements should be read in conjunction with the Annual Report of the Company for the year ended 31 March 2006.

### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these unaudited interim financial statements are consistent with those adopted in the Annual Report of the Company for the year ended 31 March 2006.

The Company has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the interim financial statements of the Company.

HKAS 1 (Amendment)	Capital Disclosures ( <i>Note A</i> )
HKFRS 7	Financial Instruments: Disclosures ( <i>Note A</i> )
HK (IFRIC)-Int 8	Scope of HKFRS 2 ( <i>Note B</i> )
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives ( <i>Note C</i> )

*A* Effective for annual periods beginning on or after 1 January 2007

*B* Effective for annual periods beginning on or after 1 May 2006

*C* Effective for annual periods beginning on or after 1 June 2006







## Notes to the Condensed Consolidated Financial Statements

## 4. IMPAIRMENT LOSSES

	Six months ended 30 September	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Impairment losses in respect of:		
Investment deposits	–	25,000
Investment held for trading	6	1,979
Loans and margin receivable	–	40,836
	<u>6</u>	<u>67,815</u>

## 5. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	619	1,593
Amortisation of trading rights in respect of securities trading included in administrative expenses	126	125
Loss on disposal of property, plant and equipment	157	11
Cost of inventories recognised as expenses	402	1,218
Staff costs	4,960	5,881
	<u>4,960</u>	<u>5,881</u>

## 6. Taxation

	Six months ended 30 September	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
The charge comprises:		
Underprovision of Hong Kong Profits Tax in respect of prior years	134	–
	<u>134</u>	<u>–</u>

No provision for Hong Kong profits tax for the current period has been made as the Group sustained a loss during the period. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## Notes to the Condensed Consolidated Financial Statements

### 7. DIVIDENDS

No dividends were paid or declared during the period. The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2006 (For the six months ended 30 September 2005: Nil).

### 8. LOSS PER SHARE

The loss per share is calculated based on the loss for the period amounting to approximately HK\$11,490,000 (For the six months ended 30 September 2005: loss of approximately HK\$58,230,000) and the weighted average of 464,070,000 shares (For the six months ended 30 September 2005: 455,194,459 shares) in issue.

No diluted loss per share has been presented. The exercise of the Company's outstanding share options would result in a decrease in the loss per share.

### 9. ADDITIONS TO PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$39,000 on plant and equipment (approximately HK\$214,000 for the six months ended 30 September 2005).

### 10. INVESTMENTS HELD FOR TRADING

	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited)
Non-voting cumulative redeemable convertible preference shares, at cost ( <i>note (a)</i> )	60,800	60,800
Listed investments, at cost ( <i>note (b)</i> )	5,774	5,780
	<u>66,574</u>	<u>66,580</u>
Less: Impairment losses	(27,764)	(27,764)
	<u><u>38,810</u></u>	<u><u>38,816</u></u>

Notes:

- (a) Non-voting cumulative redeemable convertible preference shares HK\$60,800,000 represent 80,000,000 non-voting cumulative redeemable preference shares of China Sciences Conservational Power Limited ("CSCPL"), a company listed on the Stock Exchange. The trading of the shares of CSCPL was suspended since 29 September 2005.
- (b) Listed investments of HK\$5,774,000 primarily represent 7,500,000 ordinary shares of CSCPL.

## Notes to the Condensed Consolidated Financial Statements

### 11. PROGRESS PAYMENTS RECEIVABLE

The ageing analysis of progress payments receivable as at the balance sheet date is as follows:

	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
0 to 30 days	30	10
31 to 60 days	–	2
61 to 90 days	100	–
91 to 180 days	–	131
More than 180 days	337	245
	<u>467</u>	<u>388</u>
Less: Provision for doubtful debts	(179)	(179)
	<u><u>288</u></u>	<u><u>209</u></u>

The carrying amounts of progress payment receivables approximate their fair value.

### 12. LOANS RECEIVABLE

	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
Interest bearing loans receivable	69,019	69,038
Margin receivables ( <i>Note</i> )	4,364	9,587
Less: Impairment losses	(69,187)	(69,187)
	<u>4,196</u>	<u>9,438</u>

*Note:* Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. The balance are repayable on demand and bear interest at prevailing market rate.

In the opinion of the Directors, aged analysis of loans receivable does not give additional value and is therefore not presented.

## Notes to the Condensed Consolidated Financial Statements

### 13. ACCOUNTS RECEIVABLE

The Group normally grants its customers 90 days credit.

The ageing analysis of accounts receivable as at the balance sheet date is as follows:

	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
0 to 30 days	2,712	11,997
31 to 60 days	37	92
61 to 90 days	–	–
91 to 180 days	162	–
More than 180 days	607	519
	<u>3,518</u>	<u>12,608</u>
Less: Provision for doubtful debts	(452)	(452)
	<u><u>3,066</u></u>	<u><u>12,156</u></u>

The carrying amounts of accounts receivables approximate their fair value.

### 14. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

Included in accounts payable, other payables and accrued charges are trade creditors amounting to approximately HK\$6,498,000 (At 31 March 2006: approximately HK\$15,897,000). The ageing analysis of trade creditors as at the balance sheet date is as follows:

	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
0 to 30 days	2,829	12,155
31 to 60 days	29	160
61 to 90 days	2	41
91 to 180 days	74	–
More than 180 days	3,564	3,541
	<u>6,498</u>	<u>15,897</u>

The carrying amount of accounts payable, other payables and accrued charges approximates their fair value.

## Notes to the Condensed Consolidated Financial Statements

### 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
Balance as at 1 April 2005, 31 March 2006 and 30 September 2006	1,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 April 2005	386,726,000	38,672
Shares issued on 21 April 2005 ( <i>Note</i> )	77,344,000	7,735
Balance as at 30 September 2005 and 30 September 2006	464,070,000	46,407

*Note:* On 21 April 2005, the Company placed a total of 77,344,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$0.40 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005. The net proceeds of the placing amounted to approximately HK\$30.1 million and will be used for making future investment or will be retained for general working capital purposes. The new shares issued rank pari passu with the then existing shares in issue in all respects.

### 16. CONTINGENT LIABILITIES

As at 30 September 2006, the Group had no material contingent liabilities.

### 17. PLEDGE OF ASSETS

As at 30 September 2006, the Group had pledged bank deposits of approximately HK\$2 million (At 31 March 2006: approximately HK\$2 million) to secure certain bank facilities available to the Group.

## Notes to the Condensed Consolidated Financial Statements

### 18. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2006 HK\$'000 (unaudited)</b>	31 March 2006 HK\$'000 (audited)
Land and buildings:		
Operating leases which expire:		
– within one year	366	654
– in the second to fifth year inclusive	–	–
	<u>366</u>	<u>654</u>

Operating lease payments for land and buildings represent rentals payable by the Group for its office premises and employee' quarters. Lease are negotiated for an average term of the two years.

### 19. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the period:

- (i) The Group paid rental expenses of approximately HK\$290,000 for six months ended 30 September 2006 (for six months ended 30 September 2005: approximately HK\$331,000) and building management fees of approximately HK\$73,000 for six months ended 30 September 2006 (for six months ended 30 September 2005: approximately HK\$81,000) to Major Glory Enterprises Limited, of which a former substantial shareholder of the Group, Mr. Lai Sai Sang has beneficial interests. Mr. Lai Sai Sang is also a director of various subsidiaries of the Group.
- (ii) The Group paid rental expenses, building management fees and rates of approximately HK\$191,000 for six months ended 30 September 2006 (for six months ended 30 September 2005: approximately HK\$329,000) to Abba Entertainment Group Limited, of which Mr. Chan Tat Chee have beneficial interests. Mr. Chan Tat Chee was a former Director and Chairman of the Group.

### 20. COMPARATIVE FIGURES

Certain comparative figures were re-classified to conform with current period's presentation.



## Notes to the Condensed Consolidated Financial Statements

### **21. REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT**

The unaudited interim financial report for the six months ended 30 September 2006 has been reviewed by the audit committee of the Company.

### **22. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the board on 21 December 2006.

## Interim Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2006 (2005: Nil).

## Management Discussion and Analysis

### REVIEW OF OPERATIONS

During the period, the Group recorded an unaudited loss attributable to shareholders of approximately HK\$11,490,000 (2005: loss of approximately HK\$58,230,000). The decrease in loss as compared to the same period in 2005 was mainly attributable to the substantial decrease in impairment losses during the period.

### ELECTRICAL ENGINEERING CONTRACTING BUSINESS

During the period, the Group continued with the outstanding work in progress without any addition of new projects. The electrical engineering contracting business generated a turnover of approximately HK\$1,145,000, representing a decline of 90.7% from HK\$12,353,000 in the corresponding period in 2005. Turnover from electrical engineering contracting business accounted for 42.5% (2005: 64.5%) of the total turnover.

During the period under review, various contracts, including the contracts of electrical engineering work at Kwai Chung phase 7, Tung Chung Area 31 Phase 3 and several school improvement projects were completed.

As at 30 September 2006, the Group's outstanding electrical engineering contracts on hand amounted to approximately HK\$779,000.

### ELECTRICAL MATERIALS & COMPONENT TRADING BUSINESS

Due to competition from electrical appliances imported from Mainland China, sales of electrical appliances remains stagnant. For the six months ended 30 September 2006, sales slightly increased by 10.5% to approximately HK\$492,000 from approximately HK\$445,000 in the corresponding period in 2005. The situation will be unlikely to improve in the short-term.

### SECURITIES BROKERAGE AND FINANCING BUSINESS

Hong Tong Hai Securities Limited is engaged in securities brokerage and margin financing and Hong Tong Hai Capital Limited is engaged in money-lending business. The income from these operations decreased to approximately HK\$1,055,000 from approximately HK\$5,716,000 in the corresponding period in 2005, representing an decrease of 81.5%, which was mainly due to the facts that (1) Hong Tong Hai Capital Limited ceased to accrue interest income on the default loans during the period and (2) several senior staff of Hong Tong Hai Securities Limited resigned during the period.

Hong Tong Hai Capital Limited ceased to carry on the business of money lending from 19 September 2006. The money lender licence has not renewed.

## Management Discussion and Analysis *(Continued)*

### SEA FREIGHT FORWARDING SERVICES BUSINESS

The Group failed to identify suitable staff for the recommencement of business up to the date of this report and is considering cessation of the sea freight forwarding services business. No final decision has been reached at this point.

### FINANCIAL REVIEW AND ANALYSIS

#### Financing

##### Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK\$67,157,000 (as at 31 March 2006: HK\$89,335,000) and approximately HK\$40,143,000 (as at 31 March 2006: HK\$50,661,000) respectively, while the current ratio was about 1.67 times (as at 31 March 2006: 1.76 times).

As at 30 September 2006, the Group's aggregate cash balance amounted to approximately HK\$13,907,000 (as at 31 March 2006: HK\$19,707,000), representing 20.70% (as at 31 March 2006: 22.06%) of total current assets. Barring unforeseen circumstances and with the continual financial support from the substantial shareholder of the Company, the Directors believe that the Group should have adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 30 September 2006, total equity amounted to approximately HK\$28,163,000 (as at 31 March 2006: HK\$40,056,000); whereas the Group's total borrowing was about approximately HK\$14,715,000 (as at 31 March 2006: HK\$16,737,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interest on the prime lending rate, other borrowings carry interest at fixed rate and finance charges are fixed on the date the finance leases are entered into. Comparing the inventory in the corresponding period of last year, the inventory as at the end of this period decreased by 0.4%.

As at 30 September 2006, the gearing ratio, defined as total debts over total assets, was approximately 21.12% (as at 31 March 2006: 18.04%). The increase in the gearing ratio was mainly due to decrease in total assets of the Group during the period.

##### Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this year were reduced because of the reduction on trade activities leading to decrease in purchases from oversea. As at 30 September 2006, the Group had no outstanding forward foreign exchange contracts on hand.

## Management Discussion and Analysis *(Continued)*

### **Contingent Liabilities and Capital Commitments**

At 30 September 2006, the Group had no material contingent liabilities and capital commitments.

### **Pledge of Assets**

At 30 September 2006, the Group had pledged bank deposits of approximate HK\$2 million (At 31 March 2006: approximately HK\$2 million) to secure certain bank facilities available to the Group.

## **PROSPECTS**

It is the Board's intention to continue with the existing business operations of the Group including electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage and margin financing, while at the same time looking for new business opportunities. The management is currently negotiating an electrical engineering contract in a development site in Tseung Kwan O but no agreement has been reached.

The Board determined to use their best endeavor to maintain a high standard of corporate governance.

Trading in the shares of the Company has been suspended since 29 September 2005. The Board will use its best endeavor to formulate and make a plan for the resumption of trading of the shares of the Company so as to protect the interest of the shareholders of the Company.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 September 2006, the Directors of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules:-

### (a) Interests and short positions in the shares, underlying shares and debentures of the Company

#### (i) Long position in the shares and/or the underlying shares of the Company

Name of Director	Notes	Number of ordinary shares/ underlying shares beneficially held and nature of interest			Approximate percentage of total shareholdings
		Personal	Family	Corporate	%
YOU Wei	(a)	1,380,000	300,000	63,900,000	14.13
	(c)	–	–	9,000,000	1.94
NG Khai Wain	(b)	–	–	19,000,000	4.09

Notes:

- (a) As at 30 September 2006, Ms. You is deemed to be interested in 74,580,000 Shares (representing approximately 16.07% of the Company's issued share capital) under Part XV of the SFO, of which:-
- (i) 1,380,000 Shares (representing approximately 0.30% of the Company's issued share capital) are held by Ms. You;
  - (ii) 300,000 Shares (representing approximately 0.06% of the Company's issued share capital) are owned by one of her family relatives and Ms. You as the joint owners; and
  - (iii) 63,900,000 Shares owned by Billion Boom Investments Limited ("BBIL"), BBIL is a company incorporated in the British Virgin Islands and is owned as to 75% by Ms. You and 25% by Mr. Ng Khai Wain.
- (b) Mr. Ng is the sole beneficial owner of Triumph Sky International Limited, which holds 19,000,000 Shares (representing approximately 4.09% of the Company's issued share capital).
- (c) 9,000,000 Shares which are subject to the call option granted by Highworth Venture Limited in favor of BBIL (representing approximately 1.94% of the Company's issued share capital) are attributable to Ms. You.

Save as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.

## Substantial Shareholders' Interests

As at 30 September 2006, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

### Long position in the shares of the Company

Name of Shareholder(s)	Number of Shares held	Approximate percentage of total issued share capital
Billion Boom Investments Ltd ( <i>Note 1</i> )	72,900,000	15.71%
AWH Fund Ltd. ( <i>Note 2</i> )	27,366,000	5.90%

#### Notes:

1. Billion Boom Investments Limited ("BBIL") is a company incorporated in the British Virgin Islands and is owned as to 75% by Ms. You Wei and 25% by Mr. Ng Khai Wain. Both Ms. You and Mr. Ng are Executive Directors of the Company.

Pursuant to a sale and purchase agreement entered into between Highworth Venture Limited ("Highworth") and BBIL on 10 May 2006, Highworth, among others, (i) sold 63,900,000 Shares (representing approximately 13.77% of the Company's issued share capital) to BBIL, which sale was completed on 10 May 2006 at a total consideration of HK\$3 million, and (ii) granted a call option at an option price of HK\$1 in total in favor of BBIL over 9,000,000 Shares (representing approximately 1.94% of the Company's issued share capital), the share certificates in respect of which were reported to have been lost and the replacement certificates were being applied for. Under such agreement, BBIL may exercise the call option to acquire the entire 9,000,000 shares concerned at an exercise price of HK\$1 in total.

2. The interest of AWH Fund Ltd. in the Company is based on the information available on the website of the Stock Exchange as at 21 December 2006.

Save as disclosed herein and so far as is known to the Directors as at 30 September 2006, no person had an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

## Share Option Schemes

The existing share option scheme (the “Option Scheme”) was approved and adopted by the shareholders of the Company on 12 February 2003. The Option Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the Option Scheme, the directors of the Company may, at their discretion, grant options to the full-time employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders’ approval, the maximum number of shares in respect of which options may be granted under the Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank *pari passu* with the other shares in issue at the date of exercise of the relevant option.

An ordinary resolution relating to the refreshment of the limit to grant of option under the Option Scheme was duly passed at the Extraordinary General Meeting held on 18 March 2005.

As at 30 September 2006, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 19,622,600 (2005: 32,522,600) representing about 4.23% (2005: about 7.01%) of the shares of the Company in issue at that date.

## Share Option Schemes *(Continued)*

A summary of the movements during the period in the Company's share options is as follows:

Option type	Number of share options				
	Outstanding at 1 April 2006	Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding at 30 September 2006
2004B	6,400,000	-	(2,000,000)	-	4,400,000
2004C	2,630,000	-	(100,000)	-	2,530,000
2005A	500,000	-	-	-	500,000
2006A	15,992,600	-	(3,800,000)	-	12,192,600
Total	<u>25,522,600</u>	<u>-</u>	<u>(5,900,000)</u>	<u>-</u>	<u>19,622,600</u>

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/ on the date of grant HK\$	Exercise price per share HK\$
2004B	27 August 2003	27 August 2003 to 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 to 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 to 31 March 2009	0.700	0.7000
2006A	2 August 2005	2 August 2005 to 1 August 2010	0.340	0.3520

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.



## Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices and procedures. During the period under review, save for disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code on Corporate Governance Practice ("CG Code") as set out in Appendix 14 to the Listing Rules.

### AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises Messrs. Albert Ho, Shane Phillips as well as Cai Zhixu, all of whom are Independent Non-Executive Directors. Mr. Albert Ho is the Chairman of the Audit Committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2006.

### REMUNERATION COMMITTEE

To comply with the CG Code, a remuneration committee was established on 20 October 2006, comprising three members, Messrs. Ng Khai Wain, Albert Ho and Cai Zhixu, two of whom are Independent Non-Executive Directors. Mr Ng Khai Wain is the Chairman of the Remuneration Committee.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code under Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2006.

Regarding the Company and its group's relevant employee, the Company is in the course of establishing terms on model code in respect of their dealings in the securities of the Company.

## Purchase, Sale or Redemption of Shares

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

By order of the Board

**CHINA CONSERVATIONAL POWER HOLDINGS LIMITED**

**You Wei**

*Chairman*

Hong Kong, 21 December 2006