



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

The Board of Directors (the “Board”) of China Conservation Power Holdings Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Note</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Turnover	4	6,504	29,690
Cost of sales		(3,711)	(21,687)
Gross profit		2,793	8,003
Other operating income	6	250	4,720
Selling expenses		(12)	(50)
Administrative expenses		(20,408)	(42,427)
Provision for doubtful debts		(1,684)	(2,562)
Impairment losses	7	–	(122,418)
Loss from operations	8	(19,061)	(154,734)
Finance costs	9	(2,573)	(2,285)
Gain on disposal of subsidiaries	10	9,196	25,927
Loss before taxation		(12,438)	(131,092)
Taxation	11	(792)	(159)
Net loss for the year		(13,230)	(131,251)
Dividends	12	–	–
Loss per share	13		
– basic		(2.9 cents)	(28.5 cents)
– diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		954	1,850
Intangible assets		–	251
Other assets		205	205
Retention money receivables		–	1,109
		1,159	3,415
Current assets			
Fixed deposits		–	1,599
Bank balances and cash		7,284	16,045
Pledged bank deposits		2,134	2,063
Investments held for trading		38,816	38,816
Inventories		213	252
Accounts receivable	<i>14</i>	5,405	12,156
Amounts due from customers for contract work	<i>15</i>	–	657
Progress payments receivable	<i>16</i>	1,417	209
Other receivables, deposits and prepayments		800	3,681
Loans receivable	<i>17</i>	4,099	9,438
Retention money receivables		1,773	4,135
Amounts due from related companies		51	12
Taxation recoverable		–	272
		61,992	89,335
Current liabilities			
Bank overdraft (secured)	<i>18</i>	1,926	4,098
Other borrowings (unsecured)	<i>19</i>	14,113	11,718
Bills payable		–	91
Accounts payable, other payables and accrued charges	<i>20</i>	15,874	32,436
Loans payable		687	320
Retention money payables		1,252	447
Amount due to a related company		890	890
Amount due to a director		529	–
Obligations under finance leases		290	275
Taxation payable		258	386
		35,819	50,661
Net current assets		26,173	38,674
Total assets less current liabilities carried forward		27,332	42,089

	2007	2006
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Total assets less current liabilities brought forward	27,332	42,089
Non-current liabilities		
Retention money payables	–	1,385
Obligations under finance leases	469	646
Deferred taxation	–	2
	469	2,033
Net assets	26,863	40,056
Equity		
Share capital	46,407	46,407
Reserves	(19,544)	(6,351)
Total equity	26,863	40,056

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities (the “Listing Rule”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (“HK\$’000”) except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the Annual Report 2007.

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

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

3. Basis of preparation

- (i) The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value.
- (ii) The Group sustained a net loss for the year attributable to equity holders of the parent of HK\$13,230,000 during the year and had net assets and total equity of approximately HK\$26,863,000 as at 31 March 2007. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, who has undertaken to provide funds to finance the working capital requirements of the Group. A licensed money lender has also agreed to make available a new stand-by loan up to a maximum amount of HK\$20,000,000 to the Company which is not repayable before 31 July 2008.

4. Turnover

Turnover represents the aggregate of the value of contract work carried out, proceeds from sale of goods, brokerage income, margin interest earned and interest income from unsecured loans during the year, and is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Electrical engineering contracting	2,934	17,737
Brokerage income from securities dealings	1,519	3,484
Sale of electrical goods	1,430	1,865
Margin interest from securities brokerage business	618	1,527
Interest income from unsecured loans	3	5,067
Others	—	10
	<u>6,504</u>	<u>29,690</u>

5. Business and geographical segments

(a) *Business segments*

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal activities are as follows:

- (i) Electrical engineering contracting
- (ii) Sale of electrical goods
- (iii) Securities brokerage and financing
- (iv) Sea freight forwarding services

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage and financing	Sea freight forwarding services	Others	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended							
31 March 2007							
Turnover							
External sales	2,934	1,430	2,140	-	-	-	6,504
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	<u>2,934</u>	<u>1,430</u>	<u>2,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,504</u>
Results							
Segment results	<u>(4,153)</u>	<u>(3,861)</u>	<u>(2,393)</u>	<u>(119)</u>	<u>(41)</u>	<u>-</u>	<u>(10,567)</u>
Unallocated operating income and expenses							<u>(8,494)</u>
Loss from operations							<u>(19,061)</u>
Finance costs							<u>(2,573)</u>
Gain on disposal of subsidiaries							<u>9,196</u>
Loss before taxation							<u>(12,438)</u>
Taxation							<u>(792)</u>
Net loss for the year							<u><u>(13,230)</u></u>

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Securities brokerage and financing HK\$'000	Sea freight forwarding services HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
As at 31 March 2007							
Assets							
Segment assets	5,587	1,427	14,480	7	6	–	21,507
Unallocated corporate assets							<u>41,644</u>
Consolidated total assets							<u><u>63,151</u></u>
Liabilities							
Segment liabilities	8,747	2,533	6,451	17	82	–	17,830
Unallocated corporate liabilities							<u>18,458</u>
Consolidated total liabilities							<u><u>36,288</u></u>
Other information							
Additions of property, plant and equipment	11	250	39	–	–	–	300
Amortisation of trading right	–	–	251	–	–	–	251
Depreciation	73	86	188	–	6	565	918
(Gain) loss on disposal of property, plant and equipment	–	(92)	–	–	–	156	64
Provision for doubtful debts	<u>145</u>	<u>1,336</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>114</u>	<u>1,602</u>

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage and financing	Sea freight forwarding services	Others	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 March 2006							
Turnover							
External sales	17,737	1,865	10,078	–	10	–	29,690
Inter-segment sales	–	233	9	–	–	(242)	–
Total revenue	<u>17,737</u>	<u>2,098</u>	<u>10,087</u>	<u>–</u>	<u>10</u>	<u>(242)</u>	<u>29,690</u>

Inter-segment sales are charged at prevailing market rates.

Results							
Segment results	(8,024)	(3,778)	(59,539)	(108)	(19)	–	(71,468)
Unallocated operating income and expenses							<u>(83,266)</u>
Loss from operations							(154,734)
Finance costs							(2,285)
Gain on disposal of subsidiaries							<u>25,927</u>
Loss before taxation							(131,092)
Taxation							<u>(159)</u>
Net loss for the year							<u><u>(131,251)</u></u>

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage and financing	Sea freight forwarding services	Others	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2006							
Assets							
Segment assets	10,155	2,893	27,981	6	30	–	41,065
Unallocated corporate assets							51,685
Consolidated total assets							<u>92,750</u>
Liabilities							
Segment liabilities	8,024	1,285	16,882	19	75	–	26,285
Unallocated corporate liabilities							26,409
Consolidated total liabilities							<u>52,694</u>
Other information							
Additions of property, plant and equipment	–	–	214	–	–	19	233
Amortisation of trading right	–	–	251	–	–	–	251
Depreciation	200	123	273	–	4	2,547	3,147
Impairment losses recognised in income statement	–	–	62,931	–	–	59,487	122,418
Loss on disposal of property, plant and equipment	–	79	–	–	–	1,756	1,835
Provision for doubtful debts	1,017	223	–	–	6	1,316	2,562
Bad debts written off	–	1	314	–	–	–	315

(b) Geographical segments

The Group's principal operations are mainly located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods, securities brokerage and financing and sea freight forwarding services are located in Hong Kong.

Over 90% of the Group's revenues during the two years ended 31 March 2007 were derived from Hong Kong. Accordingly, no geographical information on revenue is presented.

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets		Additions to property, plant equipment and intangible assets	
	At 31 March		For the year ended 31 March	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	24,203	52,383	300	233
The PRC	—	834	—	—
	<u>24,203</u>	<u>53,217</u>	<u>300</u>	<u>233</u>
Others	38,948	39,533	—	—
	<u>63,151</u>	<u>92,750</u>	<u>300</u>	<u>233</u>

6. Other operating income

	2007 HK\$'000	2006 HK\$'000
Other operating income includes:		
Interest income	166	902
Handling charges	46	122
Sundry income	38	107
Reversal of provision for irrecoverable prepayments	—	3,053
Gain on disposal of other investments	—	269
Rental income	—	230
Exchange gain	—	37
	<u>250</u>	<u>4,720</u>

7. Impairment losses

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Impairment losses in respect of:		
Loans and margin receivable	–	63,550
Investments held for trading	–	27,764
Investment deposits	–	25,000
Loan interest receivables	–	5,637
Interests in associates	–	467
	<u>–</u>	<u>122,418</u>

8. Loss from operations

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss from operations has been arrived at after charging (crediting):		
Provision for doubtful debts	1,602	2,562
Amortisation of trading right in respect of securities trading included in administrative expenses	251	251
Auditor's remuneration:		
Current year	580	650
Underprovision in prior year	100	–
Bad debts written off	–	315
Cost of inventories	1,198	1,278
Depreciation of property, plant and equipment:		
Owned assets	642	2,682
Assets held under finance leases	276	465
Exchange gains	–	(37)
Provision for obsolete inventories	238	13
Impairment losses (<i>Note 7</i>)	–	122,418
Loss on disposal of property, plant and equipment	64	1,835
Operating lease rentals in respect of rented premises	1,310	993
Staff costs excluding directors' remuneration:		
Salaries and allowances	9,115	13,647
Retirement benefit scheme contributions	295	424
Share options granted to employees	–	1,694
	<u>–</u>	<u>1,694</u>

9. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	97	488
Interest on obligations under finance leases	31	40
Interest on other borrowings	<u>2,445</u>	<u>1,757</u>
	<u><u>2,573</u></u>	<u><u>2,285</u></u>

10. Disposal of subsidiaries

During the year, the Group disposed of its holding of 60% in the equity interest of Cyber Touch Limited for a consideration of HK\$1 in cash. Cyber Touch Limited in turn holds 100% in the equity interest in 北京易行商盟在線網絡技術有限公司.

The net assets of the subsidiaries disposed of at the date of disposal and the gain of disposal based on the unaudited financial information of the subsidiaries as at 31 December 2005 (*Note*) were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Accounts receivable	19
Other receivables and prepayments	812
Bank balances and cash	3
Trade and other payables	(10,067)
Translation reserve	37
Gain on disposal of subsidiaries	<u>9,196</u>
Cash consideration received (HK\$1)	<u><u>–</u></u>
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash disposed of	(3)
Cash consideration received (HK\$1)	<u><u>–</u></u>
	<u><u>(3)</u></u>

Note:

The Group has not received any updated accounts or financial information of the subsidiaries beyond the unaudited financial information as at 31 December 2005 obtained in previous year.

11. Taxation

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Underprovision of Hong Kong profits tax in respect of prior years	790	159
Deferred taxation	2	–
	<u>792</u>	<u>159</u>

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

12. Dividends

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

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

13. Loss per share

The calculation of the basic loss per share is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(13,230)</u>	<u>(131,251)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>464,070</u>	<u>459,620</u>

Diluted loss per share was not presented for both years as the potential diluted ordinary shares resulting from the exercise of the Company's outstanding share options are anti-dilutive.

14. Accounts receivable

The Group normally grants its customers 90 days credit.

The aged analysis of accounts receivable is as follows:

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	4,950	11,997
31 to 60 days	61	92
61 to 90 days	89	-
91 to 180 days	-	-
More than 180 days	856	519
	<hr/>	<hr/>
	5,956	12,608
<i>Less:</i> Provision for doubtful debts	(551)	(452)
	<hr/>	<hr/>
	5,405	12,156
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of accounts receivable approximates their fair value.

15. Amounts due from customers for contract work

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus attributable profits		
less foreseeable losses	-	23,363
<i>Less:</i> progress billings	-	(22,706)
	<hr/>	<hr/>
	-	657
	<hr/> <hr/>	<hr/> <hr/>

16. Progress payments receivable

The aged analysis of progress payments receivable is as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
0 to 30 days	1,417	10
31 to 60 days	–	2
61 to 90 days	–	–
91 to 180 days	–	131
More than 180 days	145	245
	<hr/>	<hr/>
	1,562	388
<i>Less: Provision for doubtful debts</i>	(145)	(179)
	<hr/>	<hr/>
	1,417	209
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of progress payment receivables approximates their fair value.

17. Loans receivable

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Interest bearing loans receivable	70,024	69,038
Margin receivables (<i>Note</i>)	3,344	9,587
<i>Less: Impairment losses</i>	(69,269)	(69,187)
	<hr/>	<hr/>
	4,099	9,438
	<hr/> <hr/>	<hr/> <hr/>

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

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

18. Bank overdrafts (secured)

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Bank overdrafts (secured)	<u>1,926</u>	<u>4,098</u>

The bank overdrafts are denominated in Hong Kong dollars and repayable on demand.

The average interest rate paid on bank overdrafts ranges from prime rate to prime rate less 1% (2006: prime rate less 1%).

The carrying amount of bank overdrafts approximates their fair value due to their short term nature.

19. Other borrowings (unsecured)

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Unsecured borrowings	<u>14,113</u>	<u>11,718</u>

Other borrowings were unsecured and bore interest rate at 24% per annum.

On 15 June 2007, the loan was fully repaid and the lender advanced a new loan of HK\$12,000,000 to the Group to be repaid in full on 13 June 2008. The new loan is unsecured and bears interest at 24% per annum.

The carrying amount of other borrowings approximated their fair value.

20. Accounts payable, other payables and accrued charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$8,973,000 (2006: HK\$15,897,000). The aged analysis of trade creditors is as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
0 to 30 days	5,111	12,155
31 to 60 days	38	160
61 to 90 days	62	41
91 to 180 days	228	–
More than 180 days	3,534	3,541
	<u>8,973</u>	<u>15,897</u>

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

21. Post balance sheet events

- (a) Subsequent to the year end, a licensed money lender has granted the following loans to the Group:
- (i) a loan of HK\$12,000,000 bearing interest at 24% per annum to be repaid in full on 13 June 2008 (*note 19*);
 - (ii) a loan of HK\$10,000,000 bearing interest at prime rate to be repaid in full on 25 May 2008;
and
 - (iii) a stand-by loan up to a maximum amount of HK\$20,000,000 bearing interest at prime rate plus 3% which is not repayable before 31 July 2008.

As at the date of this announcement, the Group has drawn down the loans under (i) and (ii) in full and not utilised the stand-by loan under (iii).

- (b) In June 2007, in anticipation of recommencing the Group's sea freight forwarding business, the Group has entered into an agreement to lease a class A office premises for a period of 3 years commencing on 3 September 2007 and expiring on 2 September 2010 for a rental of approximately HK\$116,000 per month.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report of the Group's financial statements for the years ended 31 March 2007 contained a qualified opinion. The following are extracted from the Independent Auditor's Report:

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

1. As disclosed in note 41, the Group disposed of two subsidiaries during the year and realised a gain on disposal of HK\$9,196,000 which was included in other operating income. The Group has not received any updated accounts or financial information on these subsidiaries beyond the unaudited financial information as at 31 December 2005 obtained in previous year. Management represented that the subsidiaries remained inactive during the year and did not have any transactions since 31 December 2005. The gain on disposal was calculated as the difference between the consideration received by the Group and the net liabilities of these subsidiaries as at 31 December 2005 which were incorporated in the consolidated financial statements of the Group prior to their disposal. We are unable to carry out alternative procedures to ascertain the networth of these subsidiaries as at the date of disposal or to satisfy ourselves that the gain on disposal is fairly stated in the consolidated income statement for the year.
2. As disclosed in note 22 to the financial statements, investments held for trading of the Group of approximately HK\$66,580,000 as at 31 March 2007, before impairment provision, were valued by the Directors at approximately HK\$38,816,000 by reference to a valuation of the fair value of the investments carried out by a professional firm of independent valuers as at 31 March 2006. The valuation assumed, inter alia, that the investee company will be able to continue to carry on business as a going concern. However, we have been unable to carry out the necessary audit procedures to satisfy ourselves that the investee company, which is listed on The Stock Exchange of Hong Kong Limited and has its shares suspended for trading since 29 September 2005, will be able to continue to carry on business as a going concern. As a result of this uncertainty, we are unable to satisfy ourselves as to whether or not the carrying value of investments held for trading of HK\$38,816,000 as at 31 March 2007 is fairly stated.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the gain on disposal of subsidiaries during the year and the carrying value of investments held for trading as at 31 March 2007, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to gain on disposal of subsidiaries and investments held for trading:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

Fundamental uncertainty relating to the going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of financial statements made by the Directors. As explained in note 3b(ii) to the financial statements, the Group sustained a net loss for the year of HK\$13,230,000. Net current assets and total equity only amounted to HK\$26,173,000 and HK\$26,863,000 respectively as at 31 March 2007 which included investments held for trading with a carrying value of HK\$38,816,000. As explained in paragraph 2 under the heading “Basis of qualified opinion” above, we are unable to satisfy ourselves as to whether or not the carrying value of investments held for trading is fairly stated. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder and a lender of the Group who have undertaken to provide funds to finance the working capital requirements of the Group.

We consider that the circumstances relating to the above fundamental uncertainty have been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

During the year, the Group recorded an audited net loss attributable to shareholders of approximately HK\$13,230,000 (2006: loss of approximately HK\$131,251,000). Provisions on interest in associates, investment deposits, loans and margin receivable, loans interest receivable and investment held for trading in the amount of approximately HK\$122,418,000 had been made by the Group in the financial year ended 31 March 2006. During the year, no material provision had been made, thus the loss decreased sharply.

Electrical engineering contracting business

During the year, the electrical engineering contracting business had completed all the contracts on hand. The business generated a turnover of approximately HK\$2,934,000, representing a decline of 83.4% from HK\$17,737,000 last year. Turnover from the business accounted for 45.1% (2006: 59.8%) of the total turnover of the Group for the year.

Electrical materials & component trading business

The sales from electrical materials and components trading of the Group decreased by 23.3% to approximately HK\$1,430,000 as compared to HK\$1,865,000 in the corresponding period of last year.

Securities brokerage and financing business

Hong Tong Hai Securities Limited is engaged in securities brokerage and margin financing business. The income from these operations decreased to approximately HK\$2,137,000 from approximately HK\$5,011,000 in the corresponding period of last year, representing a decrease of 57.3%. The decrease is mainly due to the resignation of several senior staff of Hong Tong Hai Securities Limited during the year. The Group had already recruited a number of experienced staff to fill the vacancies for smooth operation.

Hong Tong Hai Capital Limited did not grant any new loan during the year under review. The money lender licence expired on 15th June 2006 and had not been renewed.

Other businesses

The Group recorded a realised gain of approximately HK\$9,196,000 during the year from the disposal of two subsidiaries.

FINANCIAL REVIEW AND ANALYSIS

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK\$61,992,000 (as at 31 March 2006: HK\$89,335,000) and approximately HK\$35,819,000 (as at 31 March 2006: HK\$50,661,000) respectively, while the current ratio was about 1.73 times (as at 31 March 2005: 1.76 times).

As at 31 March 2007, the Group's aggregate cash balance amounted to approximately HK\$7,284,000 (as at 31 March 2006: HK\$16,045,000), representing 11.7% (as at 31 March 2006: 18%) of total current assets. Barring unforeseen circumstances and with the continued financial support from the substantial shareholder and a lender of the Group, the Directors believe that the Group has adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2007, consolidated shareholders' funds amounted to approximately HK\$26,863,000 (as at 31 March 2006: HK\$40,056,000); whereas the Group's total borrowing was approximately HK\$16,798,000 (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 interests calculated on the prime lending rate, other borrowings carry interests calculated at fixed rate and finance charges are fixed on the date the finance leases are entered.

As at 31 March 2007, the gearing ratio, defined as total debts over total assets, was approximately 26.59% (as at 31 March 2006: 18.04%). The increase in the gearing ratio was mainly due to the decrease in total assets of the Group during the year.

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, the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this year were reduced accordingly because of the decrease in overseas purchases at times of reduced trade activities. As at 31 March 2007, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and Capital Commitments

At 31 March 2007, the Group had no material contingent liabilities and capital commitments.

Pledge of Assets

At 31 March 2007, the Group had pledged bank deposits of approximately HK\$2 million (as 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. For sea freight forwarding services business, the Board is in the course of formulating a strategic plan to restart this business.

The Board is 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 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.

CORPORATE GOVERNANCE

The Company has, throughout the year ended 31 March 2007, complied with the applicable code provisions and principles of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

Detailed information on the Company’s corporate governance practices and its applications of the CG Code will be set out in the Corporate Governance Report contained in the Company’s Annual Report 2007 which will be dispatched to the Company’s shareholders in due course.

AUDIT COMMITTEE

The audit committee, which comprises three Independent Non-Executive Directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 March 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors’ securities transactions. Upon specific enquiry of the Company, all Directors confirmed that they have complied with the Model Code for the year ended 31 March 2007.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution.

By Order of the Board
China Conservational Power Holdings Limited
Ng Khai Wain
Chief Executive Officer

Hong Kong, 31 July 2007

This announcement is also published on the website of the of Stock Exchange (www.hkex.com.hk) and the Company (www.290.com.hk). The Group's Annual Report 2007 containing all the information required by the Listing Rules will be published on the Stock Exchange's and the Company's website in due course.

As at the date of this announcement, the Board consists of four Executive Directors, namely, Mr. Ng Khai Wain (Chief Executive Officer), Mr. Sun Tak Yan, Desmond, Mr. Ng Cheuk Fan, Keith and Mr. Yeung Kwok Leung; one Non-Executive Director, Ms. You Wei (Chairman) and three Independent Non-Executive Directors, namely, Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu.