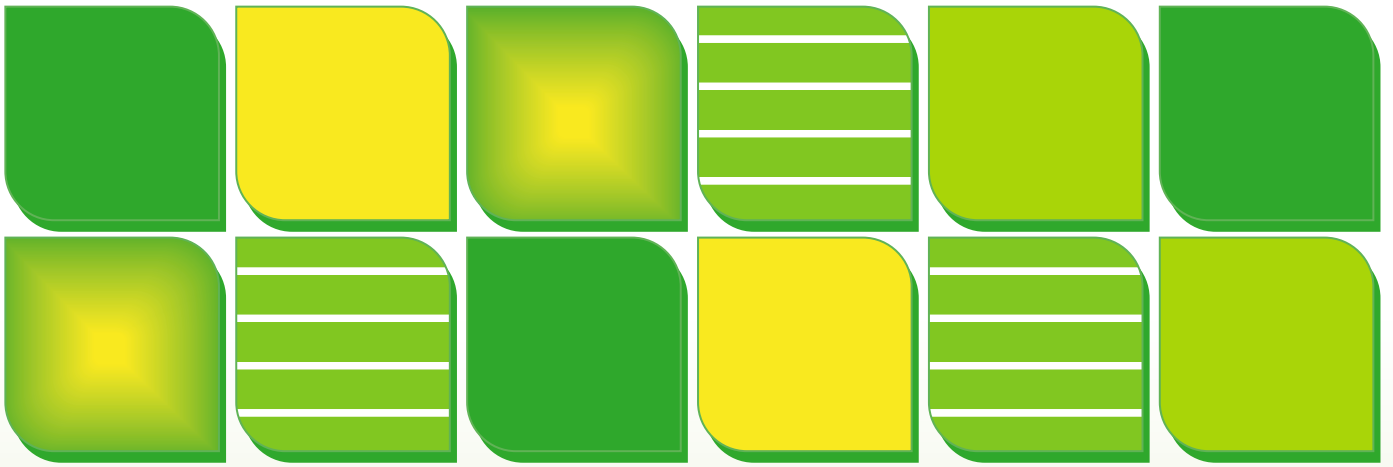




China Conservational Power Holdings Limited
中國環保電力控股有限公司



Corporate Information

Board of Directors

Executive Directors

Mr. Szeto Chak Wah, Michael (alias Seto Chak Wah
司徒澤樺) (*Chairman*)
Mr. Lai Man Leung
Mr. Zhao Lin
Mr. Yeung Kwok Leung

Independent Non-Executive Directors

Ms. Law Mun Yee
Mr. Tsoi Wai Kwong
Mr. Au Tin Fung
Mr. Chong Yiu Kan, Sherman

Company Secretary

Ms. Chow Man Ngan

Audit Committee

Ms. Law Mun Yee (*Chairman*)
Mr. Tsoi Wai Kwong
Mr. Au Tin Fung
Mr. Chong Yiu Kan, Sherman

Remuneration Committee

Mr. Tsoi Wai Kwong
Ms. Law Mun Yee
Mr. Lin Hoi Kwong

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered office

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

Head office and principal place of business in Hong Kong

Unit 3606, 36/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong
Tel: (852) 3105 1863
Fax: (852) 3105 1862

Legal advisers

Hong Kong law
Troutman Sanders
Cayman Islands law
Maples and Calder

Principal bankers

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

Cayman Islands principal share registrar and transfer office

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

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

Condensed Consolidated Income Statement

For the six months ended 30 September 2005

		Six months ended 30 September	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
	Notes		
Turnover	3	19,146	63,930
Cost of sales		<u>(12,754)</u>	<u>(55,695)</u>
Gross profit		6,392	8,235
Other revenue		3,984	2,349
Selling expenses		(44)	(84)
Administrative expenses		(89,419)	(30,233)
Unrealised holding (loss)/gain on other investments		(1,979)	(62)
Impairment losses	4	<u>-</u>	<u>(2,373)</u>
Loss from operations	5	(81,066)	(22,168)
Finance costs		(739)	(185)
Gain on disposal of subsidiaries		26,042	569
Share of results of associates		(2,467)	(323)
Share of results of a joint venture		<u>-</u>	<u>(2,601)</u>
Loss before taxation		(58,230)	(24,708)
Taxation	6	<u>-</u>	<u>-</u>
Loss before minority interests		(58,230)	(24,708)
Minority interests		<u>-</u>	<u>-</u>
Net loss for the period		<u><u>(58,230)</u></u>	<u><u>(24,708)</u></u>
Dividends	7	<u><u>-</u></u>	<u><u>-</u></u>
Loss per share			
– basic	8	<u><u>(12.8) cents</u></u>	<u><u>(7.7) cents</u></u>
– diluted	8	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Condensed Consolidated Balance Sheet

As at 30 September 2005

	Notes	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	5,140	7,297
Construction in progress	10	–	31,890
Interests in associates		–	2,467
Intangible asset		376	502
Other assets		230	205
Investments in securities		–	80
Held-to-maturity investments	11	59,129	–
Retention money receivable		5,738	5,270
Deposits paid	10	–	78,427
		70,613	126,138
Current assets			
Investment at fair value through profit or loss	12	5,472	–
Inventories		326	472
Amounts due from customers for contract works		4,884	4,984
Progress payments receivable	13	1,126	2,242
Retention money receivable		932	932
Loans receivable	14	36,888	58,580
Amount due from an associate		46	42
Accounts receivable	15	462	1,368
Prepayments, deposits and other receivables		15,090	6,390
Investment deposits	16	5,000	30,000
Taxation recoverable		440	272
Pledged bank deposits		2,028	2,007
Bank balances and cash		21,246	11,296
		93,940	118,585
Current liabilities			
Retention money payable		756	756
Accounts payable, other payables and accrued charges	17	24,860	38,760
Amounts due to associates		2,940	2,940
Bills payable		–	557
Taxation payable		395	227
Obligations under finance leases		313	405
Unsecured loan		10,381	–
Bank Borrowings – secured		8,864	9,397
		48,509	53,042

Condensed Consolidated Balance Sheet (Continued)

As at 30 September 2005

	<i>Notes</i>	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Net current assets		<u>45,431</u>	<u>65,543</u>
Total assets less current liabilities		<u>116,044</u>	<u>191,681</u>
Minority interests		<u>-</u>	<u>49,162</u>
Non-current liabilities			
Obligations under finance leases		771	921
Retention money payable		1,792	1,659
Deferred taxation		<u>2</u>	<u>2</u>
		<u>2,565</u>	<u>2,582</u>
Total net assets		<u><u>113,479</u></u>	<u><u>139,937</u></u>
Capital and reserves			
Share capital	18	46,407	38,672
Reserves		<u>67,072</u>	<u>101,265</u>
Shareholders' funds		<u><u>113,479</u></u>	<u><u>139,937</u></u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	Six months ended 30 September	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(34,023)	(12,201)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	4,239	(3,472)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	40,267	(118)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,483	(15,791)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,899	32,617
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12,382	16,826
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	21,246	21,531
Bank overdrafts	(8,864)	(4,705)
	12,382	16,826

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	Share capital	Share premium	Share option reserve	Special reserve	Capital reserve	Translation reserve	Accumulated profits/ (losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>
As at 1 April 2004	32,227	202,790	-	13,524	1,848	(37)	(30,952)	219,400
Net loss for the period	-	-	-	-	-	-	(24,708)	(24,708)
As at 30 September 2004	<u>32,227</u>	<u>202,790</u>	<u>-</u>	<u>13,524</u>	<u>1,848</u>	<u>(37)</u>	<u>(55,660)</u>	<u>194,692</u>

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed financial statements of China Conservational Power Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the annual financial statements as at 31 March 2005.

The accounting policies used in preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs which are effective for accounting periods commencing on or after 1 April 2005.

The changes to the Group’s accounting policies and the effect of adopting these new standards are set out in note 2 below.

Notes to the Condensed Financial Statements

2. CHANGES IN ACCOUNTING POLICIES

Since 1 April 2005, the Group adopted the new/revised standards and interpretations of HKAS and HKFRS below, which are relevant to its operations. The comparatives have been amended as required in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS – Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 36, 37, 38, 39 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- (i) HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- (ii) HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 33, 36, 37, 38, HKAS-Int 15 and HKFRS3 had no material effect on the Group's policies.
- (iii) HKAS 24 has affected the identification of related parties and some other related-party disclosures.

Notes to the Condensed Financial Statements

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

- (iv) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In prior periods, the provision of share options to employees did not result in an expense in the income statement. With effect from 1 April 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 were charged to expenses retrospectively in the income statements of the respective periods.

No adjustments to the opening balances as at 1 April 2004 and 1 April 2005 are required as no options existed at that time which were unvested as at 1 April 2004 and 1 April 2005.

The amount charged to the income statement as a result of the change of policy increased administrative expenses for the six months ended 30 September 2005 by HK\$2,097,000 (six months ended 30 September 2004: HK\$ nil) with the corresponding amounts credited to the share option reserve.

- (v) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 March 2005, investments of the Group were classified as "Investment in securities". They were stated at fair value or estimated fair value as at the balance sheet date. Any unrealized gains less losses arising from valuation of "Investment in securities" as at the balance sheet date were dealt with in the income statement.

As from 1 April 2005, in accordance with HKAS 32 and 39, financial assets are classified as "Held-to-maturity investments", "Investments at fair value through profit or loss" and "Loans receivable". The classification depends on the purpose for which the assets are acquired. "Held-to-maturity investments" and "Investments at fair value through profit or loss" are carried at fair value with changes in fair value recognized in the income statement and equity respectively. "Loans receivable" consist of secured margin and term loans. Secured margin and term loans are recognized and carried at original contract note or drawdown amount less an allowance for any uncollectible amounts after taking into account the value of each client account's underlying collateral and repayment date.

Notes to the Condensed Financial Statements

3. TURNOVER AND SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into four operating divisions – electrical engineering contracting, sale of electrical goods, securities brokerage and financing and sea freight forwarding services. These divisions are the basis on which the Group reports its primary segment information.

Business segments

	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	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended							
30 September 2005							
Turnover							
External sales	12,353	455	5,716	-	622	-	19,146
Inter-segment sales	-	227	9	-	-	(236)	-
Total revenue	<u>12,353</u>	<u>682</u>	<u>5,725</u>	<u>-</u>	<u>622</u>	<u>(236)</u>	<u>19,146</u>
Inter-segment sales are charged at prevailing market rates							
Results							
Segment results	<u>(1,998)</u>	<u>(195)</u>	<u>(39,038)</u>	<u>(53)</u>	<u>(189)</u>	<u>-</u>	<u>(41,473)</u>
Other revenue							3,690
Unrealised holding loss on other investments							(1,979)
Unallocated expenses							<u>(41,304)</u>
Loss from operations							(81,066)
Finance costs							(739)
Gain on disposal of subsidiaries							26,042
Share of results of associates							(2,467)
Share of results of a joint venture							-
Loss before taxation							<u>(58,230)</u>
Taxation							-
Loss before minority interests							<u>(58,230)</u>
Minority interests							-
Net loss for the period							<u><u>(58,230)</u></u>

Notes to the Condensed Financial Statements

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage	Sea freight forwarding services	Sale of home electrical appliances	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2004								
Turnover								
External sales	27,887	1,788	1,637	31,738	858	22	-	63,930
Inter-segment sales	-	1,191	-	-	-	-	(1,191)	-
Total revenue	<u>27,887</u>	<u>2,979</u>	<u>1,637</u>	<u>31,738</u>	<u>858</u>	<u>22</u>	<u>(1,191)</u>	<u>63,930</u>
Inter-segment sales are charged at prevailing market rates								
Results								
Segment results	<u>2,187</u>	<u>(1,115)</u>	<u>(595)</u>	<u>(20)</u>	<u>(1,362)</u>	<u>(1)</u>	<u>-</u>	(906)
Interest income								1,847
Other revenue								502
Unrealised holding loss on other investments								(62)
Unallocated expenses								<u>(23,549)</u>
Loss from operations								(22,168)
Finance costs								(185)
Gain on disposal of a subsidiary								569
Share of results of associates								(323)
Share of results of a joint venture								<u>(2,601)</u>
Loss before taxation								(24,708)
Taxation								<u>-</u>
Loss before minority interests								(24,708)
Minority interests								<u>-</u>
Net loss for the period								<u>(24,708)</u>

Notes to the Condensed Financial Statements

4. IMPAIRMENT LOSSES

	Six months ended 30 September	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Impairment losses in respect of:		
Goodwill arising from acquisition of subsidiaries	-	2,373

5. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	1,593	1,770
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses	-	78
Amortisation of trading rights in respect of securities trading included in administrative expenses	125	125
Loss on disposal of property, plant and equipment	11	169
Cost of inventories recognised as expenses	1,218	3,213
Loss on disposal of investments in securities	-	4,753

6. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the period. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for taxation has been made as the Group had no assessable profits for the period.

The Group did not have any significant movements in deferred taxation for the six months ended 30 September 2005.

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 2005 (For the six months ended 30 September 2004: Nil).

Notes to the Condensed Financial Statements

8. LOSS PER SHARE

The loss per share is calculated based on the loss for the period amounting to approximately HK\$58,230,000 (For the six months ended 30 September 2004: loss of approximately HK\$24,708,000) and the weighted average of 455,194,459 shares (For the six months ended 30 September 2004: 322,272,000 shares) in issue.

No diluted loss per share for the six months ended 30 September 2004 and 2005 has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share for both periods.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$214,000 on property, plant and equipment (approximately HK\$863,000 for the six months ended 30 September 2004).

10. CONSTRUCTION IN PROGRESS AND DEPOSITS PAID

Construction in progress represents the building cost incurred by a subsidiary in the PRC on the construction of a plant for the operation of the waste incineration and process business.

As at the balance sheet date, construction cost is analysed as follows:–

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Construction costs	–	18,958
Consultation fees	–	853
Decoration costs	–	342
Government fees and levies	–	1,202
Inspection fees	–	768
Installation fees	–	3,070
Licence fee	–	4,750
Project design fee	–	1,947
	<u>–</u>	<u>31,890</u>

As at 31 March 2005, the Group had also paid RMB82,555,000 (approximately HK\$78,427,000) as deposits for the procurement of plant and machinery for the construction of the waste incineration and processing plant in Dongguan, the PRC.

As at 30 September 2005, as the PRC subsidiary was disposed of in July 2005, the balance of construction in progress and deposits paid was nil. Details of the disposal are set out in note 19 of the financial statements.

Notes to the Condensed Financial Statements

11. HELD-TO-MATURITY INVESTMENTS

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Investment cost	60,800	–
Unrealized loss recognized	(1,671)	–
	<u>59,129</u>	<u>–</u>

The held-to-maturity investments as at 30 September 2005 represent 80,000,000 non-voting cumulative redeemable convertible preference shares of China Sciences Conservational Power Limited (“CSCP”), a listed company in Hong Kong. The trading of the shares of CSCP has been suspended since 29 September 2005.

The Independent Commission Against Corruption (“ICAC”) on 29 September 2005 issued a press release in relation to the arrest of 22 individuals for alleged corruption over misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former directors of CSCP had been arrested. CSCP in an announcement dated 4 October 2005 announced that it is looking into the matters mentioned in the press release by the ICAC and the subsequent press articles.

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12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment at fair value through profit or loss substantially represents ordinary shares of CSCP. The trading of the shares of CSCP has been suspended since 29 September 2005.

The ICAC on 29 September 2005 issued a press release in relation to the arrest of 22 individuals for alleged corruption over misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former directors of CSCP had been arrested. CSCP in an announcement dated 4 October 2005 announced that it is looking into the matters mentioned in the press release by the ICAC and the subsequent press articles.

The market price of the ordinary shares of CSCP is based on the closing price before suspension on 29 September 2005. The unrealized loss has been charged to expenses in the income statement.

Notes to the Condensed Financial Statements

13. PROGRESS PAYMENTS RECEIVABLE

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

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
0 to 30 days	676	1,329
31 to 60 days	–	7
61 to 90 days	3	269
91 to 180 days	447	250
More than 180 days	–	387
	<u>1,126</u>	<u>2,242</u>

14. LOANS RECEIVABLE

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Loans receivable, interest bearing	63,526	38,823
Provision	(38,500)	–
	<u>25,026</u>	38,823
Margin receivables (<i>Note 14 (i)</i>)	11,862	19,757
	<u>36,888</u>	<u>58,580</u>

Note:

- (i) Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. These are repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors of the Group, no ageing analysis is disclosed as the ageing analysis does not give additional value.

Notes to the Condensed Financial Statements

15. ACCOUNTS RECEIVABLE

The credit period allowed by the Group to its customers is normally 90 days.

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

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
0 to 30 days	64	816
31 to 60 days	21	112
61 to 90 days	147	198
91 to 180 days	32	–
More than 180 days	198	242
	<u>462</u>	<u>1,368</u>

16. INVESTMENT DEPOSITS

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Investment deposits comprise:		
Deposit for acquisition of interest in a People's Republic of China ("PRC") company which is licensed to operate an internet cafe chain (<i>Note 16(i)</i>)	–	20,000
Deposit for formation of a joint venture (<i>Note 16(ii)</i>)	5,000	10,000
Earnest Money for acquisition of interest in a PRC company which is engaged in software development (<i>Note 16(iii)</i>)	20,000	–
Deposit for acquisition of an interest in a PRC company which is engaged in pharmaceutical products distribution (<i>Note 16(iv)</i>)	5,000	–
	<u>30,000</u>	<u>30,000</u>
Provision	(25,000)	–
	<u>5,000</u>	<u>30,000</u>
Carrying amount analysed for reporting purposes as:		
Current assets	5,000	30,000
Non-current assets	–	–
	<u>5,000</u>	<u>30,000</u>

Notes to the Condensed Financial Statements

16. INVESTMENT DEPOSITS (Continued)

Notes:

- (i) On 23 April 2004, the Group entered into a letter of intent with an independent third party in relation to the proposed acquisition of not more than 50% equity interest in a PRC company which is licensed to operate an internet cafe chain in the PRC. Pursuant to the letter of intent, the Group paid earnest money in the amount of HK\$20,000,000. The Group further entered into a supplemental letter of intent with the independent third party on 24 November 2004 to extend the exclusivity period for conducting due diligence review on the affairs of the PRC company to 22 December 2004. The intended acquisition of the investments was subsequently cancelled and the deposit was fully refunded during the period.
- (ii) The deposit for formation of a joint venture represents the amount paid in May 2002 under a letter of intent to the PRC party to a joint venture for the formation of a sino-foreign joint venture in the PRC, in which the Group will own 49%. The joint venture is to be principally engaged in consultancy and advisory services in respect of various construction engineering. Under the joint venture agreement entered into on 19 December 2002, the Group is required to invest RMB4,802,000 (approximately HK\$4,530,000) in the joint venture upon the granting of the business licence of the joint venture. The funds required for the capital injection into the joint venture will be funded out of the deposit of HK\$10,000,000 paid. The balance of the deposit together with interest at the rate of 1.75% per annum will be refunded. As at the date of this report, the business licence had not been granted. On 18 July 2005, half of the deposit amounting to HK\$5,000,000 was refunded. Full provision has been made in respect of the remaining HK\$5,000,000.
- (iii) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK\$20,000,000 as earnest money. Full provision has been made in respect of the deposit, details of which are set out in note 24 of the financial statements.
- (iv) On 4 May 2005, the Group entered into an agreement supplemental to the investment framework agreement of 3 February 2005 pursuant to which the parties agreed to extend the due diligence review period and the exclusivity period for four months to 2 September 2005. On 3 February 2005, the Group entered into the investment framework agreement in relation to the proposed acquisition of up to 49% of the equity interest of a pharmaceutical products distribution and investment company in the PRC. Pursuant to the terms of investment framework agreement, the proposed acquisition is subject to, among others, the completion of a reorganisation of the PRC company, a due diligence review of the affairs of the PRC company to the satisfaction of the Group and the negotiation and finalisation of the terms and conditions in relation thereof. During the period, the Group paid HK\$5,000,000 deposit. The acquisition was subsequently cancelled on 28 November 2005 and the deposit was fully refunded on 15 December 2005. Further details of the aforesaid acquisition are set out in the announcements of the Company dated 4 May 2005, 3 February 2005, 6 December 2004, 22 November 2004, 28 November 2005 and 12 December 2005.

Notes to the Condensed Financial Statements

17. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

Included in accounts payable, other payables and accrued charges are trade creditors amounting to approximately HK\$5,237,000 (At 31 March 2005: approximately HK\$4,756,000). The ageing analysis of trade creditors as at the balance sheet date is as follows:

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
0 to 30 days	284	695
31 to 60 days	626	217
61 to 90 days	608	202
91 to 180 days	4	45
More than 180 days	3,715	3,597
	<u>5,237</u>	<u>4,756</u>

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
Balance as at 1 April 2004, 31 March 2005 and 30 September 2005	1,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 April 2004	322,272,000	32,227
Shares issued on 30 December 2004 (<i>Note 18(i)</i>)	64,454,000	6,445
Balance as at 31 March 2005	386,726,000	38,672
Shares issued on 21 April 2005 (<i>Note 18(ii)</i>)	77,344,000	7,735
Balance as at 30 September 2005	<u>464,070,000</u>	<u>46,407</u>

Notes:

- (i) On 30 December 2004, the Company placed a total of 64,454,000 new shares of HK\$0.10 each of the Company at a consideration of HK\$0.23 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 4 November 2004. The net proceeds of the placing amounted to approximately HK\$14.4 million and will be used for making future investments. In the event that no appropriate investment opportunity is identified, the net proceeds will be retained by the Group for general working capital purposes. The new shares issued rank pari passu with the then existing shares in issue in all respects.

Notes to the Condensed Financial Statements

18. SHARE CAPITAL *(Continued)*

- (ii) 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 was to be used for making future investments including, inter alia, the acquisition of the proposed investment of up to 49% of the equity interest of a pharmaceutical products and investment company in the People's Republic of China. If the proposed acquisition does not proceed or the net proceeds are not fully utilized to finance the proposed acquisition, the whole of the net proceeds or such unutilized portion will be retained for general working capital purposes to strengthen the capital base of the Group. The new shares issued rank *pari passu* with the then existing shares in issue in all respects.

19. DISPOSAL OF SUBSIDIARIES

During the reporting period, the Group made no material acquisition and the Group had the following material disposal events. The Group and CSCP have, on 28 March 2005, entered into a term sheet containing the principal terms of the proposed disposal of (i) the 2 shares in the capital of Hong Tong Hai Investments Limited ("HTH"), an indirectly wholly owned subsidiary of the Company (the "Sale Shares"); and (ii) the amount owed by HTH to the Company as at the date of completion of the disposal (the "Sale Loan"). On 7 April 2005 and 8 April 2005, they further signed a sale and purchase agreement (the "S&P Agreement") and a supplemental agreement respectively under which the Company as the vendor and CSCP as the purchaser agreed to the sale and purchase of the Sale Shares and the Sale Loan for an aggregate consideration of HK\$76,000,000. The Sale Shares represent 100% of the issued share capital of HTH whose principal asset is 51% equity interest in Dongguan China Sciences Conservational Power Co., Ltd. 東莞中科環保電力有限公司 ("DCSCP"), a sino-foreign equity joint venture established in the PRC. The consideration for the disposal is to be satisfied at completion by the issue and allotment of 100,000,000 non-voting cumulative redeemable convertible preference shares, credited as fully-paid, in the share capital of the CSCP to the Company. Pursuant to the S&P Agreement, in consideration of the amount of HK\$1.00 payable by the Company to CSCP on completion of the disposal, CSCP has agreed to grant and the Company has agreed to accept, the right to subscribe at the price of HK\$0.76 per share for 50,000,000 new option shares. The approval of the S&P Agreement and the supplemental agreement were duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 3 June 2005 and the transaction was completed in July 2005. The disposals of HTH and DCSCP during the period contributed a gain of approximately HK\$26,710,000 to the Group. HTH and DCSCP did not make any significant contribution to the results and cash flow of the Group during the period. Further details of the aforesaid transactions are set out in the announcements of the Group dated 12 April 2005 and 3 June 2005.

20. CONTINGENT LIABILITIES

As at 30 September 2005, the Group had no material contingent liabilities. The group has executed guarantees of an unlimited amount in favour of banks in respect of credit facilities granted to a subsidiary.

Notes to the Condensed Financial Statements

21. PLEDGE OF ASSETS

As at 30 September 2005, the Group had pledged bank deposits of approximately HK\$2 million (At 31 March 2005: approximately HK\$2 million) to secure certain bank facilities available to the Group.

In addition, the Group's bank borrowings of approximately of HK\$8,864,000 as at 30 September 2005 (As at 31 March 2005: approximately HK\$8,490,000) were secured on the securities held by the Group on behalf of its customers.

22. CAPITAL COMMITMENTS

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Contracted for but not provided in the financial statements in respect of:		
– the construction for the waste incineration and processing plant in Dongguan, the PRC	–	70,267
	–	70,267
Authorised but not contracted for in respect of		
– the construction for the waste incineration and processing plant in Dongguan, the PRC	–	130,687
	–	200,954

All the above commitments were incurred for the Dongguan waste incineration and processing plant which was sold to a connected party in July 2005, further details of which are set out in the Company's circular to shareholders dated 17 May 2005.

The Group had no material capital commitments as at 30 September 2005.

Notes to the Condensed Financial Statements

23. 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:

	30 September 2005 HK\$'000 (unaudited)	31 March 2005 HK\$'000 (audited)
Land and buildings:		
Operating leases which expire:		
– within one year	779	1,559
– in the second to fifth year inclusive	47	894
	<u>826</u>	<u>2,453</u>

24. RELATED PARTY TRANSACTIONS

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

- (i) The Group received rental income of HK\$230,000 for six months ended 30 September 2005 (for six months ended 20 September 2004: Nil) from Abba China Holdings Limited, which is a wholly owned subsidiary of CSCP of which Mr. Hon Ming Kong and Mr. Chan Tat Chee are directors and have beneficial interests.
- (ii) The Group paid rental expenses of approximately HK\$331,000 for six months ended 30 September 2005 (for six months ended 30 September 2004: approximately HK\$260,000) and building management fees of approximately HK\$81,000 for six months ended 30 September 2005 (for six months ended 30 September 2004: approximately HK\$69,000) 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.
- (iii) The Group paid rental expenses, building management fees and rates of approximately HK\$329,000 to Abba Entertainment Group Limited, of which Mr. Chan Tat Chee have beneficial interests. Mr. Chan Tat Chee is also the Director and Chairman of the Company and substantial shareholder as at 30 September 2005.
- (iv) During the period, the Group disposed of two subsidiaries to CSCP. This disposal constituted a major transaction for the Group under the Listing Rules. As CSCP is deemed to be an associate of Mr. Hon Ming Kong who is a Director and a substantial shareholder and an associate of Mr. Chan Tat Chee who is a Director and the Chairman of the Company, the disposal also constituted a connected transaction for the Group under the Listing Rules. Details of the disposal are set out in note 19 of financial statements and the circular to shareholders dated 17 May 2005.

Notes to the Condensed Financial Statements

25 POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following material events:

- (i) As announced by the Group in an announcement dated 18 July 2005, a subsidiary, Excellent Legend Limited (“Excellent Legend”) has signed a letter of intent with an independent third party relating to the proposed acquisition of certain interest in a company established in the People’s Republic of China and principally engaged in the business of design and distribution of application software for hospitals and clinics in the PRC. Under the terms of the letter of intent, Excellent Legend was granted a three-month due diligence period up to 14 October 2005. The due diligence period has expired and Excellent Legend has not yet completed the due diligence review. The Group is seeking legal advice on the this matter. Meantime, full provision has been made for the HK\$20,000,000 which has been paid by Excellent Legend as earnest money.
- (ii) On 25 November 2005, the proposed acquisition of 49% in a company engaged in the manufacturing and distribution of pharmaceutical products in PRC was terminated. The earnest money HK\$5,000,000 paid for the proposed acquisition was fully refunded to to the Group on 15 December 2005.
- (iii) On 13 December 2005, at the recommendation of the Special Board Committee, the Group appointed, CCIF CPA Limited, a firm of certified public accountants to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005.

Interim Dividend

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30 September 2005 (2004: Nil).

Management Discussion and Analysis

REVIEW OF OPERATIONS

During the period, the Group recorded an unaudited loss attributable to shareholders of approximately HK\$58,230,000 (2004: loss of approximately HK\$24,708,000). The increase in loss was mainly attributable to the making of provisions regarding investment deposits paid (HK\$25,000,000) and certain loans receivable (HK\$38,500,000).

Electrical Engineering Contracting Business

During the period, the Group continued with its ongoing work. No additional projects were undertaken. The electrical engineering contracting business generated turnover of approximately HK\$12,353,000, representing a decline of 55.7% from HK\$27,887,000 in 2004. Turnover of the electrical engineering contracting business accounted for 64.5% (2004: 43.6%) of the total turnover.

During the period under review, various contracts, including the contracts of electrical engineering work at Tseung Kwan O Area 74 phase 4 and Tin Shui Wai Area 102-phase 2 and the term contract for electrical maintenance work for the Hong Kong Housing Authority were completed.

As at 30 September 2005, the Group's outstanding electrical engineering contracts on hand amounted to approximately HK\$5,300,000. The Directors believe that the electrical engineering contracting business is likely to shrink further.

Electrical Materials & Components Trading Business

Given the continued unfavourable market conditions in the local construction industry, the external sales of electrical materials and components decreased by 75.1% to approximately HK\$445,000 from approximately HK\$1,788,000 in the corresponding period in 2004. In addition, with electrical appliances imported from the Mainland China competing on the local market, it is believed that this situation will be unlikely to improve in the short-term.

Securities Brokerage and Financing Business

Hong Tong Hai Securities Limited and Hong Tong Hai Capital Limited are engaged in corporate consultancy, financing, money-lending, direct investment and securities brokerage business. The income from these operations increased to HK\$5,716,000 from HK\$1,637,000 in the corresponding period last year, representing an increase of 249%, mainly due to increased financing and money-lending operations.

Legal proceedings will shortly be instituted for the recovery of the overdue loans receivable. The Company will closely monitor the progress of the recovery efforts to be taken.

Management Discussion and Analysis *(Continued)*

Sea Freight Forwarding Services and Other Business

The sea freight forwarding services suffered a major setback when several senior management staff resigned at the beginning of the period under review, resulting in a temporary suspension of this business. This business will recommence as soon as suitable staff have been recruited.

The Group recorded a realized gain of over HK\$26,000,000 during the period from the disposal of two subsidiaries and shared a loss from an associate company in the amount of approximately HK\$2,467,000.

In addition, the Group has made provision for impairment in the total amount of approximately HK\$67,000,000 in respect of (a) investment deposit paid (b) investment in securities and (c) certain loans receivable.

FINANCIAL REVIEW AND ANALYSIS

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities as at 30 September 2005 were approximately HK\$93,940,000 (as at 31 March 2005: HK\$118,585,000) and HK\$48,509,000 (as at 31 March 2005: HK\$53,042,000) respectively, while the current ratio was about 1.94 times (as at 31 March 2005: 2.24 times).

As at 30 September 2005, the Group's aggregate cash balance amounted to HK\$23,274,000 (as at 31 March 2005: HK\$13,303,000), representing approximately 24.8% (as at 31 March 2005: 11.2%) of total current assets. Barring unforeseen circumstances, 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 2005, consolidated shareholders' funds amounted to approximately HK\$113,479,000 (as at 31 March 2005: HK\$139,937,000); whereas the Group's total borrowings were about HK\$20,329,000 (as at 31 March 2005: HK\$10,723,000) only, which mainly comprised HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interests calculated on the prime lending rate whereas finance charges are fixed on the date the finance leases and term loans are entered. Compared with the inventory as at 31 March 2005, the inventory as at the end of the period under review decreased by 30.9%, which was mainly attributed to the shrinking of the electrical materials and components trading business.

As at 30 September 2005, the gearing ratio, defined as total debts over total assets, was approximately 12.35% (as at 31 March 2005: 4.38%). The increase in the gearing ratio was mainly due to borrowings from financial institutions.

Placing of New Shares and Use of Proceeds

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 HK\$0.40 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005, further details of which are set out in the paid public announcement of the Company dated 22 March 2005. The placing of shares was completed on 21 April 2005.

Management Discussion and Analysis *(Continued)*

The net proceeds of the abovementioned placing of shares amounted to approximately HK\$30.1 million and were intended to be used for the making of future investments including, inter alia, the proposed acquisition of up to 49% of the equity interest of a pharmaceutical products and investment company in the People's Republic of China (the "Proposed Acquisition"). If the Proposed Acquisition does not proceed or the net proceeds are not fully utilized to finance the Proposed Acquisition, the whole of the net proceeds or such unutilized portion thereof will be retained as the Group's general working capital.

Reference is made to the announcements made by the Company in relation to the Proposed Acquisition dated 2 September 2005, 17 October 2005, 8 November 2005 and 28 November 2005.

The Company having considered, among other things, legal advices as to the requirements under the Listing Rules in connection with the dispatch of the circular relating to the Proposed Acquisition and the time required to update certain financial information for inclusion in the circular, particularly the financial information of the Pharmaceutical Group, as required under the Listing Rules, issued on 25 November 2005 a notice to the PRC Party indicating the intention of the Company to terminate the Share Transfer Agreement. On 28 November 2005, the PRC Party agreed to terminate the Share Transfer Agreement and refunded the HK\$5,000,000 earnest money, which was subsequently received by the Company on 15 December 2005.

Major Investments

During the period under review, the Group had no major investment except for the investment in the securities of CSCP, which were issued by CSCP to the Group as consideration for the disposal of the Group's investment in the waste incineration processing plant in Dongguan. The details of this disposal are set out in notes 11, 12 and 19 of the financial statements.

Foreign Exchange Management

The Group's purchases from overseas suppliers are subject to foreign currency fluctuations. The Group monitors and minimizes the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares were listed on the Stock Exchange, the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this period were reduced accordingly because of the decrease in overseas purchases at times of reduced trade activities. As at 30 September 2005, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and Capital Commitments

Details of the contingent liabilities and capital commitments are set out in notes 20 and 22 respectively of the condensed financial statements.

Pledge of Assets

As at 30 September 2005, the Group had pledged bank deposits of approximately HK\$2 million (as at 31 March 2005: approximately HK\$2 million) to secure certain bank facilities available to the Group.

In addition, the Group's bank borrowings of approximately of HK\$8,864,000 as at 30 September 2005 (as at 31 March 2005: approximately HK\$8,490,000) were secured on the securities held by the Group on behalf of its customers.

Management Discussion and Analysis *(Continued)*

PROSPECTS

On 29 September 2005, the ICAC issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former directors of the Company had been arrested. As a result, the Company requested a suspension in the trading of its shares with effect from 9:30 a.m. on 29 September 2005. Trading of the shares of the Company remains suspended.

Since October 2005, the composition of the board of directors (the “Board”) of the Company has undergone substantial changes. A Special Board Committee, consisting of Mr. Szeto Chak Wah, Michael and Mr. Lai Man Leung was formed on 31 October 2005 to review the existing financial and business position of the Group. On 13 December 2005, CCIF CPA Limited, a firm of certified public accountants which is an independent third party, was appointed at the recommendation of the Special Board Committee to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005 (the “Due Diligence Review”). The Due Diligence Review is expected to be completed in late February 2006.

With the termination of the Proposed Acquisition, the Board intends to continue for the time being with the operation of the existing businesses of the Group, namely, electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage, financing, money-lending and sea freight forwarding services.

Upon the completion of the Due Diligence Review, the Board will review the existing businesses of the Group and formulate and submit to the Stock Exchange a proposal for the resumption of the trading of the shares of the Company.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 September 2005, 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 of the Company

Name of Director	Notes	Number of ordinary shares beneficially held and nature of interest		Approximate percentage of total shareholdings %
		Personal	Corporate	
Chan Tat Chee	(a)	–	72,900,000	15.71%
Hon Ming Kong	(a)	–	72,900,000	15.71%
Tsoi Wai Kwong	(b)	174,000	–	0.04%
Au Yeung Ka Cheung	(c)	400,000	–	0.09%
Chen Jun Nong	(d)	120,000	–	0.03%

Notes:

- (a) These shares are owned by Highworth Venture Limited, a company incorporated in the British Virgin Islands which is owned as to 50% by each of Mr. Chan Tat Chee and Mr. Hon Ming Kong. Both Mr. Chan Tat Chee and Mr. Hon Ming Kong resigned as Directors of the Company on 31 October 2005.
- (b) Mr. Tsoi Wai Kwong was appointed as an Independent Non-executive Director of the Company on 22 September 2003.
- (c) Mr. Au Yeung Ka Cheung was appointed as an Independent Non-executive Director of the Company during the period from 24 March 2005 to 27 October 2005.
- (d) Mr. Chen Jun Nong was appointed as an Executive Director of the Company during the period from 17 March 2004 to 6 May 2005.

Directors' Interests in Shares, Underlying Shares and Debentures *(Continued)*

(ii) Long position in the underlying shares of the Company

Name of Director	Date of grant of share options	Share Options in the Company			Number of total underlying shares
		Exercise period of share options	Exercise price HK\$	Number of share options outstanding	
Hon Ming Kong (a)	27/8/2003	27/8/2003 to 26/8/2008	1.306	2,000,000	2,000,000
Lee Yu Leung (b)	27/8/2003	27/8/2003 to 26/8/2008	1.306	2,000,000	2,000,000
Lin Hoi Kwong (c)	3/5/2002	3/11/2002 to 2/11/2007	4.620	2,000,000	2,000,000

Notes:

- (a) Mr. Hon Ming Kong resigned as Director of the Company on 31 October 2005.
- (b) Mr. Lee Yu Leung resigned as Director of the Company on 31 October 2005.
- (c) These share options are held by Mr. Lin's wife and hence, he is deemed to be interested in it. Mr. Lin Hoi Kwong resigned as Director of the Company on 31 October 2005.

Other than 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 Mode Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.

Substantial Shareholders' Interests

As at 30 September 2005, 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
Highworth Venture Limited (<i>Note 1</i>)	72,900,000	15.71%
AWH Fund Ltd. (<i>Note 2</i>)	27,366,000	5.90%

Notes:

1. Highworth Venture Limited is a company incorporated in the British Virgin Islands and owned as to 50% by each of Mr. Chan Tat Chee and Mr. Hon Ming Kong. Both Mr. Chan Tat Chee and Mr. Hon Ming Kong resigned as Directors of the Company on 31 October 2005.
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 28 December 2005.

Save as disclosed herein and so far as is known to the Directors as at 30 September 2005, 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 Company had a share option scheme (the “2001 share option scheme”) which was adopted on 3 April 2001. Pursuant to a shareholders’ resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the “New Option Scheme”) was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any event affect the terms of the grant of such outstanding options.

Under the terms of the New 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 New 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 New 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 New Option Scheme was duly passed at the Extraordinary General Meeting held on 18 March 2005.

As at 30 September 2005, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 32,522,600 (2004: 22,380,000) representing about 7.01% (2004: about 6.94%) of the shares of the Company in issue at that date.

As at the date of this report, the total number of securities available for issue under the existing share option scheme is nil.

Share Option Schemes (Continued)

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

Option type	Outstanding at 1 April 2005	Number of share options			Outstanding at 30 September 2005
		Granted during the Period	Lapsed during the Period	Exercised during the Period	
Directors:					
Mr. Hon Ming Kong (a)	2003D	2,000,000	-	(2,000,000)	-
	2004B	2,000,000	-	-	2,000,000
Mr. Lee Yu Leung (b)	2002A	2,000,000	-	(2,000,000)	-
	2004B	2,000,000	-	-	2,000,000
Mr. Lin Hoi Kwong (c)	2003C	2,000,000	-	-	2,000,000
Sub-total		<u>10,000,000</u>	<u>-</u>	<u>(4,000,000)</u>	<u>6,000,000</u>
Employees:					
	2004A	200,000	-	-	200,000
	2004B	4,400,000	-	(2,000,000)	2,400,000
	2004C	3,630,000	-	-	3,630,000
	2005A	500,000	-	-	500,000
	2006A	-	19,792,600	-	19,792,600
Sub-total		<u>8,730,000</u>	<u>19,792,600</u>	<u>(2,000,000)</u>	<u>26,522,600</u>
Total		<u>18,730,000</u>	<u>19,792,600</u>	<u>(6,000,000)</u>	<u>32,522,600</u>

Notes:

- (a) Mr. Hon Ming Kong resigned as Director of the Company on 31 October 2005.
- (b) Mr. Lee Yu Leung resigned as Director of the Company on 31 October 2005.
- (c) These share options are held by Mr. Lin's wife and hence, he is deemed to be interested in it. Mr. Lin Hoi Kwong resigned as Director of the Company on 31 October 2005.

Share Option Schemes (Continued)

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\$
2002A	1 February 2002	1 September 2002 to 31 August 2007	1.520	1.4944
2003C	3 May 2002	3 November 2002 to 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 to 13 November 2007	4.950	4.9600
2004A	28 July 2003	28 July 2003 to 27 July 2008	1.350	1.3500
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	0.352

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

With the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the “CG Code”) coming into effect from 1 January 2005 to replace the then Appendix 14 of the Listing Rules, action has been taken by the Company to continue to raise the standard of its corporate governance. Save as disclosed below, the Board is of the opinion that throughout the six months ended 30 September 2005, the Company has fully complied with the code provisions of the CG Code.

A.2.1

The Company does not at present have any officer with the title of “chief executive officer”. The general operations of the Group are overseen by the responsible persons of each subsidiary. The Board will review the operation of the Group from time to time to determine whether the size of the operation of the Group would warrant the employment of a chief executive officer.

A.5.4

There are currently no written guidelines issued by the Board for relevant employees in respect of their dealings in the securities of the Company.

Compliance with the Code on Corporate Governance Practices *(Continued)*

B.1.1 to B.1.3

As at 30 September 2005, the Company did not have a remuneration committee. The Remuneration Committee of the Company was established on 20 October 2005 but its terms of reference are still being prepared. The Remuneration Committee consists of three members of whom two are Independent Non-Executive Directors.

C.3.3

To comply with the CG Code, the Company is in the course of revising the terms of reference of the Audit Committee.

D.2.1

The Company formed a Management Committee and a Special Board Committee on 4 October 2005 and 31 October 2005 respectively. The Management Committee was dissolved on 31 October 2005. There are no specific written terms of reference for these board committees but their respective goals, duties and responsibilities have been discussed and prescribed sufficiently during the relevant Board of Directors' meeting and have been appropriately recorded.

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 Ms. Law Mun Yee, Mr. Tsoi Wai Kwong, Mr. Au Tin Fung and Mr. Chong Yiu Kan, Sherman, all of whom are Independent Non-Executive Directors of the Company. Ms. Law Mun Yee is the Chairman of the Audit Committee.

REMUNERATION COMMITTEE

To comply with the CG Code, a remuneration committee was established on 20 October 2005 comprising three members of whom two are the Independent Non-Executive Directors 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 under view.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2005, the total number of staff in the Group was around 30 (2004: around 50). Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include Mandatory Provident Fund, medical insurance, annual double pay and commission. Share options might also be granted to eligible employees of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 of the Company 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 2005.

By order of the Board

CHINA CONSERVATIONAL POWER HOLDINGS LIMITED

司徒澤樺

Chairman

Hong Kong, 28 December 2005