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CHINA CONSERVATIONAL 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)

UPDATE ON FORMATION OF JOINT VENTURE IN THE PEOPLE'S REPUBLIC OF CHINA

By an approval dated 17 September 2004, the Council of Development and Reform of the Guangdong province, the PRC, approved the establishment of the Dongguan JV with a total investment of RMB328.26 million (equivalent to approximately HK\$309.68 million) and a registered capital of RMB110 million (equivalent to approximately HK\$103.77 million). The approved total investment and registered capital is higher than the amounts agreed to by the parties in the Tripartite Co-operation Agreement, which is RMB322 million (equivalent to approximately HK\$303.77 million) and RMB100 million (equivalent to approximately HK\$94.34 million). The registered capital will be contributed as to 51% by HTH in the amount of RMB56.1 million (equivalent to approximately HK\$52.93 million).

References is made to the circulars issued by the Company dated 27 October 2003, 14 January 2004 and 9 March 2004 and the announcements made by the Company dated 7 October 2003, 28 November 2003, 2 December 2003 and 24 December 2003, 17 February 2004 and 18 May 2004, respectively, relating to, among others, the possibility of formation of joint venture companies in the PRC between the Group and 中科實業集團（控股）公司 (China Sciences Enterprise Group (Holding) Corporation)* (“China Sciences Group”) to carry out the business of waste incineration and processing in the PRC, the entering into of a framework agreement on 2 December 2003 for the Dongguan JV, the entering into of the Co-operation Agreement on 24 December 2003 for the formation of the Dongguan JV, the termination of the Co-operation Agreement and the entering into of the Tripartite Co-operation Agreement on 13 February 2004 and the transfer of the interest in the Dongguan JV by one of the parties to the Tripartite Co-operation Agreement to China Sciences Group.

Unless otherwise defined, terms used in this announcement shall have the same meanings as in the announcement made by the Company dated 17 February 2004 and the circular dated 9 March 2004.

By an approval dated 17 September 2004, the Council of Development and Reform of the Guangdong province, the PRC, approved the formation of the Dongguan JV with a total investment of RMB328.26 million (equivalent to approximately HK\$309.68 million) and a registered capital of RMB110 million (equivalent to approximately HK\$103.77 million). The approved total investment is higher than that agreed between the parties in the Tripartite Co-operation Agreement dated 13 February 2004, which is RMB322 million (equivalent to approximately HK\$303.77 million), due to the higher amount of investment required by the authorities. The total investment comprises capital for purchases of facilities in the amount of RMB220.12 million (equivalent to approximately HK\$207.66 million), working capital in the amount of RMB7.8 million (equivalent to approximately HK\$7.36 million) and construction cost in the amount of RMB100.34 million (equivalent to approximately HK\$94.66 million). As a result of the increase in the total investment amount, the registered capital is increased from RMB100 million (equivalent to approximately HK\$94.34 million) to RMB110 million (equivalent to approximately HK\$103.77 million) so that the registered capital will represent not less than one-third of the total investment as requested by the authorities and in compliance with the applicable laws and regulations in the PRC.

The equity interest of the Dongguan JV will be held by Hong Tong Hai Investments Limited (“HTH”), an indirect wholly owned subsidiary of the Company and China Sciences Group, an independent third party and not connected with the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates, and not a connected person of the Company within the meaning of the Listing Rules, in the proportion of 51% and 49% as provided for in the Tripartite Co-operation Agreement as varied by the transfer of equity interest stated in the announcement made by the Company dated 18 May 2004. Accordingly, the registered capital in the amount of RMB110 million (equivalent to approximately HK\$103.77 million) will be contributed by HTH and China Sciences Group, the two parties to the Dongguan JV, in the proportion of 51% and 49% respectively, in proportion to their equity interest in the Dongguan JV. The Group’s contribution will be the amount of RMB56.1 million (equivalent to approximately HK\$52.93 million), representing the commitment of the Group to the Dongguan JV. The amount will be funded as to approximately HK\$41.6 million by the proceeds from the placing of shares as set out in the announcement made by the Company dated 17 February 2004 and as to approximately HK\$11.3 million by part of the proceeds from the placing of shares as set out in the announcement made by the Company dated 23 September 2003. As a result of the

increase in the registered capital, the contribution of the Company has increased by RMB5.1 million (equivalent to approximately HK\$4.81 million). The portion of the total investment of the Dongguan JV in excess of the registered capital in the amount of RMB218.26 million (equivalent to approximately HK\$205.91 million) will be raised by the Dongguan JV by way of external borrowings.

Apart from the increase in the total investment of the Dongguan JV and the corresponding increase in the registered capital, all other terms of the Dongguan JV as disclosed in the abovementioned announcements and circulars previously issued by the Company remained unchanged.

The relationship of HTH and China Sciences Group in connection with the affairs of the Dongguan JV will be regulated by the joint venture contract and the articles of association which are on terms as set out in abovementioned announcements and circulars previously issued by the Company and in this announcement. The formation of the Dongguan JV is still subject to the approval of the Ministry of Commerce and the issue of the business licence by the State Administration Bureau of Industry and Commerce. The Board is confident that the Ministry of Commerce will grant its approval shortly and the Dongguan JV can be formally established by end of this year. Upon establishment of the Dongguan JV, it will be a subsidiary of the Company and China Sciences Group, being a substantial shareholder of a subsidiary of the Company, will become a connected person of the Company within the meaning of the Listing Rules.

As at the date of this announcement, the Board consists of:

Executive Directors

Mr. Hon Ming Kong (*Chairman*)

Mr. Hon Yik Kwong

Mr. Lee Yu Leung

Mr. Chen Jun Nong

Mr. Pascal Ting

Non-executive Director

Mr. Li Yong, Alfa

Independent Non-executive Directors

Mr. Fork Siu Lun, Tommy

Mr. Tsoi Wai Kwong

Mr. Loo Chung Keung, Steve

By order of the Board

CHINA CONSERVATIONAL POWER HOLDINGS LIMITED

HON Ming Kong

Chairman

Hong Kong, 7 October 2004

In this announcement, HK\$1.00 is equivalent to RMB1.06. The conversion rate is for the illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates.

* *for identification purpose*

“Please also refer to the published version of this announcement in The Standard.”