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CHINA SCIENCES CONSERVATIONAL POWER LIMITED
中科環保電力有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 351)

MAJOR TRANSACTION
PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN JV COMPANY IN THE PRC
GRANTING OF NEW OPTIONS

LOAN TO JV COMPANY

AND
RESUMPTION OF TRADING

Financial Adviser

KINGSTON CORPORATE FINANCE LIMITED

THE S&P AGREEMENT DATED 7 APRIL 2005 AND THE SUPPLEMENTAL AGREEMENT DATED 8 APRIL 2005

The Company is pleased to announce that the Company and CCPH have, on 28 March 2005, entered into the Term Sheet containing the principal terms of the Acquisition and on 7 April 2005 and 8 April 2005, signed the S&P Agreement and the Supplemental Agreement respectively under which the Company as the purchaser and CCPH as the vendor agreed to the sale and purchase of the Sale Shares and the Sale Loan for an aggregate consideration of HK$76 million. The Sale Shares represent 100% of the issued share capital of HTH whose principal asset is a 51% equity interest in the JV Company. The consideration for the Acquisition is to be satisfied at Completion by issue and allotment of 100 million Preference Shares, credited as fully-paid, in the share capital of the Company to CCPH or its wholly-owned subsidiary or nominee as it may direct.

Pursuant to the S&P Agreement, in consideration of the amount of HK$1.00 payable by CCPH to the Company on Completion, the Company has agreed to grant and CCPH has agreed to accept, the right to subscribe at the price of HK$0.76 per New Option Share for 50,000,000 New Option Shares, subject to adjustment in the event of consolidation or subdivision of the Shares. The gross proceeds from the subscription of the 50,000,000 New Option Shares shall amount to HK$38 million.

LOAN TO THE JV COMPANY

The Group has agreed to provide a short term loan of HK$4 million to the JV Company as the JV Company's working capital. The Loan has a term of one year and is unsecured and interest-free. Save for the Loan, the Group does not have any other capital commitment nor has it provided or agreed to provide any guarantee or indemnity in relation to the JV Company. The Group intends to finance the Loan from its internal resources. For the avoidance of doubt, the provision of the Loan is agreed separately between the Group and the JV Company, it is not part of the terms of the S&P Agreement and is not conditional on the completion of the Acquisition.

GENERAL

The Acquisition, aggregated with the former acquisition of 39% interest in the JV Company in 2004, and the granting of the New Options constitute a major transaction for the Company under the Listing Rules and are subject to approval by the Shareholders. In view of the shareholding interest of Mr. Hon in CCPH and that Mr. Hon and Mr. Chan are executive directors of CCPH, Mr. Hon, Mr. Chan, Aimstar and their respective associates will abstain from voting in respect of the resolution approving the Acquisition in the EGM. In addition, Sky Bright International Limited has also indicated that it shall abstain from voting in respect of the resolution approving the Acquisition in the EGM. A circular containing the details of the Acquisition, the New Options and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 9:48 a.m. on 23 March 2005 pending the release of the announcement relating to the placement of new Shares and subscription of new Shares by connected persons of the Company which was published on 1 April 2005 but trading in the Shares has remained suspended pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading of the Shares with effect from 9:30 a.m. on 13 April 2005.

The Company is pleased to announce that the Company and CCPH have, on 28 March 2005, entered into the Term Sheet containing the principal terms of the Acquisition and on 7 April 2005 and 8 April 2005, signed the S&P Agreement and the Supplemental Agreement respectively to record the terms and conditions to which the Acquisition is subject.

THE S&P AGREEMENT DATED 7 APRIL 2005 AND THE SUPPLEMENTAL AGREEMENT DATED 8 APRIL 2005

Parties

Purchaser: the Company

Vendor: China Conservational Power Holdings Limited

CCPH is a company incorporated in the Cayman Islands with limited liability and the ordinary shares of which are listed on the main board of the Stock Exchange, of which Highworth Venture Limited, a company beneficially wholly-owned by Mr. Hon Ming Kong ("**Mr. Hon**"), an executive Director and chairman of the Company, owns approximately 14.20% of the issued share capital as at the date of this announcement.

Mr. Hon is also an executive director of CCPH. Mr. Chan Tat Chee ("**Mr. Chan**"), an executive Director, is the chairman and executive director of CCPH. Aimstar, which is owned as to 38% by Mr. Hon and as to 62% in aggregate by Mr. Chan and his spouse, owns approximately 28.76% of the Company's issued Shares. Mr. Lee Yu Leung, a former independent non-executive Director, who resigned on 9 March 2005, is an executive director of CCPH. Mr. Hon Yik Kwong, an executive Director, is a former executive director of CCPH who resigned from CCPH on 26 November 2004.

Save as disclosed herein, the Company and its connected persons have no relation with or interest in CCPH and, for the avoidance of doubt, CCPH is not a connected person of the Company or an associate of a connected person of the Company under the Listing Rules.

CCPH and its subsidiaries are principally engaged in electrical engineering contracting business, trading in electrical equipment and material, investment holding, securities brokerage and finance business, company secretarial services and sea freight forwarding services.

Assets to be acquired

Sale Shares: 2 shares of HK$1.00 each in the capital of HTH, representing 100% of the issued share capital of HTH

Sale Loan: the amount owed by HTH to CCPH as at the date of Completion. Based on the unaudited consolidated balance sheet of HTH as at 31 December 2004, the amount owed by HTH to CCPH as at 31 December 2004 was approximately HK$61,609,473.12.

Consideration and payment terms

The consideration for the Acquisition comprises the Sale Shares Consideration and the Sale Loan Consideration. The Sale Shares Consideration is an amount equivalent to the difference between HK$76 million and the Sale Loan Consideration, but in the event that the Sale Loan is equivalent to or greater than HK$76 million, the Sale Shares Consideration shall be HK$1.00. The Sale Loan Consideration is an amount equivalent to the Sale Loan and will not exceed HK$76 million even if the Sale Loan as at the date of completion of the S&P Agreement as supplemented by the Supplemental Agreement exceeds HK$76 million.

The aggregate consideration for the Sale Shares and the Sale Loan is HK$76 million, which was negotiated on an arm's length basis and was determined with reference to the advice of an independent valuer, Greater China Appraisal Limited ("**GCA**"), which valued the fair market value of the entire business enterprise of the JV Company, in which HTH is holding a 51% equity interest as its sole asset, at 28 March 2005 as RMB163 million (equivalent to approximately HK$153.78 million). According to GCA, the fair market value is determined and tested in the market average with the combination of the applications of (i) historical price to earnings multiple with return on equity analysis and (ii) historical price to book ratio analyses of companies in the same or similar lines of business or industries after taking into account that the JV Company is now in the process of construction of the incinerator and that a trail and formal operation of the JV Company will commence in the second term of year 2005.

The Consideration is to be satisfied at Completion not in cash but by issue and allotment of Consideration Shares, credited as fully paid at a price of HK$0.76 per Preference Share to CCPH or its wholly-owned subsidiary or nominee as it may direct.

Principal terms of the Preference Shares

Number	100 million Preference Shares
Nominal Value	HK$0.01 per Preference Share

Form	Cumulative redeemable convertible Preference Shares in registered form
Life of the Preference Shares	3 years from the date of issue
Dividend	3% per annum, payable semi-annually, cum dividend
Conversion right	the number of Shares to be issued and allotted to any holder of Preference Shares on the exercise of his conversion rights will be calculated in accordance with the formula:– $$\frac{0.76 \times A}{B} = C$$ where: A is the number of Preference Shares stated in the relevant conversion notice; B is (i) for the period beginning on (and including) the date of issue of the Preference Shares ("**Date of Issue**") and ending on (and including) the first anniversary of the date of issue, HK$0.76, and (ii) for the period from (and including) the day after the first anniversary of the Date of Issue and ending (and including) the third anniversary of the Date of Issue, the higher of (a) 90% of the average of the closing prices on the Stock Exchange for one Share for the five trading days up to and including the conversion date (or, if such day is not a trading day, the last trading day before the conversion date); and (b) HK$0.50, provided that trading in the Shares is suspended on any trading day during such period, the average of the closing prices shall be calculated with reference to the latest five consecutive trading days on which the trading in the Shares is not suspended up to and including the conversion date; C is the number of Shares to be issued on conversion of the Preference Share(s) stated in the relevant conversion notice rounded down to the nearest whole number.
Conversion notice	A written notice of conversion must be deposited at the Hong Kong registered office of the Company at least 7 business days in advance of conversion.
Ranking	The Shares falling to be issued upon exercise of the conversion rights attaching to the Preference Shares will, when issued, rank equally in all respects with the Shares then in issue.
Voting rights	Holders of the Preference Shares will have the right to receive notice of, but not the right to attend or vote at, general meetings of the Company unless a resolution is proposed at the general meeting for the winding-up of the Company or for varying or abrogating the rights or privileges of the holders of the Preference Shares.
Redemption by holders	No redemption by holders
Redemption by the Company	Any unconverted Preference Shares shall be redeemed by the Company on the third anniversary of the date of issue at the issue price of HK$0.76 per Preference Share

Return of capital	On winding up of the Company, holders of the Preference Shares will be entitled to the return of capital in priority to any other class of shares on the basis of the nominal value of the Preference Shares
Variation of rights	The rights attached to the Preference Shares cannot not be altered without the prior written consent of the holders of the ordinary shares of the Company and of the holders of the Preference Shares holding not less than 75% of the outstanding Preference Shares for the time being.
Transferability	The Preference Shares are freely transferable by the holders thereof, subject to the requirements of the Listing Rules. The Company will immediately notify the Stock Exchange upon becoming aware of any dealings in the the holders of the Preference Shares by any connected person of the Company (as defined in the Listing Rules).
Transfer of Preference Shares to connected person	Subject to fulfillment of the connected transaction requirements of the Listing Rules, the Preference Shares may be transferred to any connected person of the Company (as defined in the Listing Rules). The Company will immediately notify the Stock Exchange upon becoming aware of any transfers in the Preference Shares to any connected person of the Company (as defined in the Listing Rules).
No pre-emptive Rights	In the event that the Company shall at any time issue to holders of ordinary shares securities convertible into ordinary shares, the Company shall not be obliged to, offer such shares/securities to holders of the Preference Shares for subscription.
Listing	The Preference Shares will not be listed on any stock exchange.

The Company does not have any preference shares in issue as at the date of this announcement.

Assuming full conversion of the Preference Shares within the first year from the Date of Issue, 100,000,000 new Shares will fall to be allotted and issued, representing approximately 9.75% of the existing issued Shares and approximately 8.88% of the issued Shares as enlarged by the issue of the aforesaid new Shares only.

If the Preference Shares are fully converted at the minimum conversion price of HK$0.50, 152,000,000 new Shares will fall to be allotted and issued, representing approximately 14.82% of the existing issued Shares and approximately 12.91% of the issued Shares as enlarged by the issue of the aforesaid new Shares only.

The initial conversion price of HK$0.76 per Preference Share represents:–

(a) a discount of 9.52% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on 22 March 2005, being the last trading day of the Shares before the date of the S&P Agreement;

(b) a discount of approximately 6.17% to the average closing price of HK$0.81 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 March 2005; and

(c) a discount of approximately 6.17% to the average closing price of HK$0.81 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 22 March 2005.

The minimum conversion price of HK$0.50 per Preference Share represents:–

(a) a discount of 40.48% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on 22 March 2005;

(b) a discount of approximately 38.27% to the average closing price of HK$0.81 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 March 2005; and

(c) a discount of approximately 38.27% to the average closing price of HK$0.81 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 22 March 2005.

New Options

Pursuant to the S&P Agreement, in consideration of the amount of HK$1.00 payable by CCPH to the Company on Completion, the Company has agreed to grant and CCPH has agreed to accept the right to subscribe at the price of HK$0.76 per New Option Share for 50,000,000 New Option Shares. The gross proceeds from the subscription of the 50,000,000 New Option Shares will amount to HK$38 million. The Company does not at present have any plan in respect of the usage of the gross proceeds from the New Option Shares. The 50,000,0000 New Option Shares represent approximately 4.87% of the existing issued Shares and approximately 4.65% of the issued Shares as enlarged by the issue of the New Option Shares only.

Subject to Completion taking place, CCPH may, at its sole discretion, exercise all or some of the New Options at any time during the period from (and including) the Completion Date to (and including) the day immediately preceding the third anniversary of that date provided that any exercise of New Options must be accompanied by the conversion of two Preference Shares at the same time. To exercise the New Options granted to it, the holder of New Options must deliver to the Company an option notice specifying the number of New Options which are the subject of that exercise and a remittance in favour of the Company for the aggregate subscription price for the New Option Shares subject to those New Options. Once given, such option notice shall be irrevocable. The New Options are transferable subject to the requirements of the Listing Rules and transfer of one New Option shall be accompanied by the transfer of two Preference Shares.

The number of New Option Shares subject to each New Option is subject to adjustment in the event of consolidation or sub-division of Shares so that the holder of that New Option shall upon exercise of the relevant New Option be entitled to the same percentage of the issued share capital of the Company before and after such adjustment.

Conditions

Completion of the S&P Agreement is conditional upon the following conditions precedent being satisfied:

(a) the approval of the S&P Agreement and the transactions contemplated thereunder, including the Acquisition, issue and the allotment of the Consideration Shares, the granting of the New Options and any Shares that may fall to be issued upon the exercise of the conversion rights attaching to the Preference Shares and any New Options, by the Shareholders in a manner as required under the Listing Rules;

(b) the passing of a resolution by the Shareholders approving the creation of the Preference Shares with the rights and on the terms and conditions as set out in the S&P Agreement;

(c) CSEG, the other joint venture party of the JV Company having pre-emptive rights therein, agreeing in principle to the change in the beneficial owner of HTH in terms as contemplated thereunder;

(d) the obtaining by the Company of a legal opinion from a firm of PRC lawyers in connection with the transactions contemplated under the S&P Agreement and HTH's ownership and holding of the Target Equity Interest, including without limitation to the generality of the foregoing, to the effect that:–

   (i) the JV Company was duly established under the laws of the PRC and validly in existence, the registered capital of the JV Company has been fully paid up and none of the respective holders of the registered capital of the JV Company have any unfulfilled capital contribution obligations;

   (ii) HTH is the legal and beneficial owner of the Target Equity Interest at and after Completion; and

   (iii) the change of ownership of HTH as contemplated hereunder will not result in a termination of the "build, operate and transfer" contract entered into between the JV Company and the Dongguan City Public Utilities Management Bureau;

(e) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Consideration Shares and the New Option Shares;

(f) approval by the independent shareholders of CCPH of the S&P Agreement and the transactions contemplated thereunder, including the sale of the Sale Shares and the Sale Loan in terms as set out in the S&P Agreement in consideration of the Consideration Shares in a manner as required under the Listing Rules; and

(g) all parties having obtained the consent, the approvals and permissions from the relevant government and/or regulatory bodies or other third parties as required to give effect to the transactions contemplated under the S&P Agreement.

If the conditions set out above are not fulfilled or waived in writing on or prior to 31 August 2005 (or such later date as may be agreed between the Company and CCPH), the S&P Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the S&P Agreement). The Company may unilaterally waive the condition set out in clause (d) above. Apart from the above, none of other conditions in the clauses may be waived by either party unilaterally.

Completion

Completion shall take place on the third business day next following the date on which all the conditions of the S&P Agreement shall have been fulfilled and/or waived, which is expected to be on or before 31 August 2005, or such other date as shall be agreed between the Company and CCPH.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, any Shares falling to be issued upon the exercise of the conversion rights attaching to the Consideration Shares and any New Options.

Information of HTH and the JV Company

HTH, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of CCPH. Immediately after Completion, HTH will be a wholly-owned subsidiary of the Company. The principal asset of HTH is its 51% equity interest in the JV Company.

As at the date of this announcement, the JV Company is beneficially owned as to 51% by HTH, as to 39% by China Green Power Holdings Limited, a wholly-owned subsidiary of the Company, and as to 10% by CSEG. After Completion, the JV Company will be accounted as a 90% owned subsidiary of the Company.

According to the best knowledge, information and belief of the Directors, CSEG is a large scale enterprise group established by 中國科學院(Chinese Academy of Science) and is a third party independent of the Company and its connected person.

The JV Company is principally engaged in the waste incineration and processing business in Dongguan, the PRC. The JV Company is in the process of constructing an incinerator with a capacity to handle 1,000 metric tons of waste per day with the produced energy being used for generating electricity. The JV Company is a Sino-foreign equity joint venture which was established on 5 November 2004 in the PRC with a term of 25 years.

The registered capital of the JV Company is RMB110 million (approximately HK$103.4 million) and the total investment amount of the JV Company is RMB328.26 million (approximately HK$308.57 million). The registered capital of the JV Company has been fully paid up by the joint venture parties. The difference between the registered capital and the total investment amount in the amount of RMB218.26 million (approximately HK$205.17 million) will be financed by external banking facilities.

According to CCPH, based on the audited financial statements of HTH for the period from 17 April 2002 (date of incorporation) to 31 March 2004, HTH recorded a loss before and after taxation of HK$820,396. Based on the unaudited consolidated management accounts of HTH for the nine months ended 31 December 2004, HTH recorded a loss before and after taxation before minority interest of HK$3,540,185.93 and recorded a loss before and after taxation after minority interest of HK$1,969,315.44. Based on the unaudited consolidated balance sheet of HTH Group as at 31 December 2004, the net deficit of HTH Group as at 31 December 2004 was HK$2,908,947.54.

The board of directors of the JV Company currently has seven members. Upon Completion, the Group will have the right to nominate six directors to the board of directors of the JV Company whereas CSEG has the right to nominate one representative to the board of directors of the JV Company.

Reasons for the Acquisition

The principal businesses of the Group are computer hardware and provision of maintenance support services, software design and development. The Company is committed to diversifying its existing businesses by engaging into waste incineration and processing businesses in the PRC.

As stated in the interim report of the Group for the six months ended 30 June 2004, the Group will go on exploring other investment opportunities which may include waste incineration and processing business as in the PRC since the Board view this as a unique business with vast market potential.

Further to the setting up of a joint venture in Guilin in the PRC to carry out waste incineration and processing business as detailed in the Company's circular dated 6 October 2004 and the acquisition of 39% equity interest in the JV Company as detailed in the Company's circular dated 22 December 2004, the Board considers that the Acquisition is a step forward to consolidate the Group's interest in the JV Company and is consistent with the Group's aforesaid current investment strategy.

In view of the continued economic growth in the PRC which creates strong demand for power, the volatile crude oil price and the unstable international oil supply, the Board considers that waste incineration and processing businesses for generating electricity in the PRC have a promising future with potential high returns and thus the JV Company could provide ample future growth opportunities for the Group.

In view that (i) CCPH wishes to have the flexibility of increasing its share of returns from the businesses of the Group by increasing its interest in the Group via the exercise of New Options at the current price of the Shares within the option period rather than accepting Shares as payment of the consideration of the Acquisition; (ii) the granting of the New Options will have a delayed dilution effect on the issued share capital of the Company; and (iii) if the New Options are exercised, the Company will have additional funds to finance its future business development or daily operation, the Company agreed to grant the New Options to CCPH.

The Board considers that the terms of the S&P Agreement and the Supplemental Agreement including the granting of the New Options thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Possible change in shareholding

Set out below is the possible change in the shareholding of the Company assuming no outstanding share options of the Company are exercised nor are any Convertible Notes converted :

	Shareholding as at the date of this announcement *(note 4)*		**Shareholding immediately after the Subscription** *(Note 5)*		**Shareholding immediately after completion of the Subscription, conversion of all the Preference Shares at HK$0.76 each and exercise of all the New Options**		**Shareholding immediately after completion of the Subscription and conversion of all the Preference Shares at the minimum conversion price of HK$0.50 each and exercise of all the New Options**	
	Share	%	Share	%	Share	%	Share	%
CCPH-Preference Shares	–	–	–	–	100,000,000	8.29%	152,000,000	12.09%
CCPH-New Options	–	–	–	–	50,000,000	4.15%	50,000,000	3.98%
	–	–	–	–	150,000,000	12.44%	202,000,000	16.06%
Mr. Hon	–	–	6,500,000	0.62%	6,500,000	0.54%	6,500,000	0.52%
Other Directors *(Note 1)*	19,560,000	1.91%	19,560,000	1.85%	19,560,000	1.62%	19,560,000	1.56%
	19,560,000	1.91%	26,060,000	2.47%	26,060,000	2.16%	26,060,000	2.07%
Aimstar *(Note 1)*	295,000,000	28.76%	295,000,000	27.94%	295,000,000	24.47%	295,000,000	23.46%
Sky Bright International Development Limited *(Note 2)*	70,000,000	6.82%	78,500,000	7.44%	78,500,000	6.51%	78,500,000	6.24%
Q88 Investment Holdings Limited	50,000,000	4.87%	50,000,000	4.74%	50,000,000	4.15%	50,000,000	3.98%
CIAM and CCIH *(Note 3)*	118,590,000	11.56%	133,590,000	12.65%	133,590,000	11.08%	133,590,000	10.62%
	533,590,000	52.02%	557,090,000	52.77%	557,090,000	46.20%	557,090,000	44.29%
Sub-total	553,150,000	53.93%	583,150,000	55.24%	733,150,000	60.81%	785,150,000	62.43%
Other public Shareholders	472,547,100	46.07%	472,547,100	44.76%	472,547,100	39.19%	472,547,100	37.57%
	1,025,697,100	100.00%	1,055,697,100	100.00%	1,205,697,100	100.00%	1,257,697,100	100.00%

Notes:

1. Out of the 19,560,000 Shares, 4,770,000 Shares, 7,040,000 Shares and 2,500,000 Shares are owned by Mr. Chan, Mr. Kwong Cheung Tim, Jimmy and Mr. Chow Ho Tung, Anthony respectively. Mr. Chan, Mr. Kwong Cheung Tim, Jimmy and Mr. Chow Ho Tung, Anthony are executive Directors. The remaining 5,250,000 Shares are owned by Mr. Cheng Kin Chow, Tony, an independent non-executive Director.

2. Sky Bright International Development Limited is wholly-owned by Ms. Wong King King, an executive Director and vice-chairman of the Company.

3. CITIC Group is interested in 53% of the issued share capital of CITIC International Financial Holdings Limited. CITIC International Financial Holdings Limited is interested in 100% of CITIC International Assets Management Limited ("**CIAM**") and 50% of CITIC Capital Markets Holdings Limited. CITIC Pacific Limited is interested in 100% of the issued share capital of Golden Gateway Enterprises Inc., which is in turn interested in 100% of Forever Glory Holdings Ltd.. Forever Glory Holdings Ltd. is interested in 50% of CITIC Capital Markets Holdings Limited. CITIC Capital Markets Holdings Limited is interested in 100% of CITIC Capital Investment Holdings Limited ("**CCIH**").

4. The Placing has already been completed.

5. The Company is in the process of preparing the relevant circular and the Subscription has not been completed as at the date of this announcement.

6. As at the date this announcement, the Company has 72,630,000 options granted under its share option scheme and HK$20,000,000 Convertible Notes which are convertible into 66,666,666 Shares at the conversion price of HK$0.3 per Share, subject to adjustment in the event of consolidation or subdivision of the Shares.

LOAN TO THE JV COMPANY

The Group has agreed to provide a short term loan of HK$4 million to the JV Company to fund the JV Company's working capital. The Loan has a term of one year and is unsecured and interest-free. For the avoidance of doubt, the provision of the Loan is agreed separately between the Group and the JV Company, it is not part of the terms of the S&P Agreement and is not conditional on the completion of the Acquisition.

Save for the Loan, the Group does not have any other capital commitment nor has it provided or agreed to provide any guarantee or indemnity in relation to the JV Company. The Group intends to finance the Loan from its internal resources. Since the JV Company is a 39% owned associated company of the Company and will become its 90% owned indirect subsidiary upon Completion, the Directors consider that the provision of the Loan is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

GENERAL

The Acquisition, aggregated with the former acquisition of 39% interest in the JV Company in 2004, and the granting of the New Options constitute a major transaction for the Company under the Listing Rules which are subject to approval by the Shareholders. In view of the shareholding interest of Mr. Hon in CCPH and that Mr. Hon and Mr. Chan are executive directors of CCPH, Mr. Hon, Mr. Chan, Aimstar and their respective associates will abstain from voting in respect of the resolution approving the Acquisition in the EGM. Sky Bright International Limited has also indicated that it shall abstain from voting in respect of the resolution approving the Acquisition in the EGM. A circular containing the details of the Acquisition, the New Options and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 9:48 a.m. on 23 March 2005 pending the release of an announcement relating to the placement of new Shares and subscription of new Shares by connected persons which was published on 1 April 2005; but trading in the Shares has remained suspended pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading of the Shares with effect from 9:30 a.m. on 13 April 2005.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares and the Sale Loan by the Company pursuant to the S&P Agreement
"Aimstar"	Aimstar Holdings Limited, a company beneficially owned as to 50% by Mr. Chan, an executive Director, as to 12% by Ms. Tang Yuk Chee, Josephine, the wife of Mr. Chan and as to 38% by Mr. Hon, an executive Director and chairman of the Company
"associates"	the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"CCPH"	China Conservational Power Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Company"	China Sciences Conservational Power Limited, a company incorporated in Hong Kong with limited liability and the ordinary shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the terms of the S&P Agreement as supplemented by the Supplemental Agreement
"Completion Date"	the third business day next following the day on which the condition precedent last in time to be satisfied or waived (as the case may be) is satisfied or waived;
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration Shares"	the 100 million Preference Shares in the share capital of the Company to be issued by the Company pursuant to the S&P Agreement
"Convertible Notes"	HK$20,000,000 8.5% extendable convertible notes due in year 2006, details of which were set out in the circular of the Company dated 22 July 2004
"CSEG"	China Sciences Enterprise Group (Holding) Corporation, a company incorporated in the PRC
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened for approving the S&P Agreement as supplemented by the Supplemental Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"HTH"	Hong Tong Hai Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CCPH
"HTH Group"	HTH and its subsidiaries
"JV Company"	東莞中科環保電力有限公司(Dongguan China Sciences Conservational Power Co., Ltd.), a sino-foreign equity joint venture established in Dongguan, the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	an unsecured and interest-free short term loan of HK$4 million of a duration of one year from the Group to the JV Company as the JV Company's working capital
"New Options"	an aggregate of 50,000,000 options to be granted by the Company to CCPH pursuant to the S&P Agreement, each of which shall entitle the holder to subscribe for one New Option Share subject to adjustment as provided in the S&P Agreement, the terms and conditions of which are set out in the S&P Agreement
"New Option Shares"	the new Shares may fall to be allotted and issued by the Company upon the exercise of the New Options
"Placing"	the placing of 90,000,000 new Shares pursuant to the placing and underwriting agreement dated 23 March 2005 made by the Company, the details of which were set out in the announcement of the Company dated 1 April 2005
"PRC"	The People's Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
"Preference Shares"	the convertible preference shares to be issued by the Company pursuant to the S&P Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the sale and purchase agreement dated 7 April 2005 entered into between the Company and CCPH, pursuant to which, inter alia, CCPH agreed to sell or procure the sale and the Company agreed to purchase, or procure the purchase of, the Sale Share and the Sale Loan

"Sale Loan"	the amount owed by HTH to CCPH as at the date of Completion
"Sale Loan Consideration"	an amount equivalent to the Sale Loan and shall not exceed HK$76 million
"Sale Shares"	2 shares in the capital of HTH, representing 100% of the issued share capital of HTH
"Sale Shares Consideration"	an amount equivalent to the difference between HK$76 million and the Sale Loan Consideration, in the event the Sale Loan is equivalent to or greater than HK$76 million, the amount of HK$1.00
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of 30,000,000 new Shares by certain connected persons of the Company pursuant to the subscription letter dated 23 March 2005, the details of which were set out in the announcement of the Company dated 1 April 2005
"Supplemental Agreement"	the supplemental agreement dated 8 April 2005 entered into between the Company and CCPH in relation to the Acquisition
"Term Sheet"	a term sheet containing the principal terms of the Acquisition signed between the Company and CCPH on 28 March 2005
"Target Equity Interest"	the entire equity interest of the JV Company legally and beneficially owned by CCPH (being not less than 51% of the equity in the JV Company) as at the date of the S&P Agreement and at Completion
"%"	per cent.

For the purpose of this announcement, all amounts in RMB are translated into HK$ at an exchange rate of RMB1.06:HK$1.00

By Order of the Board of
CHINA SCIENCES CONSERVATIONAL POWER LIMITED
Hon Ming Kong
Chairman

Hong Kong, 12 April 2005

As at the date of this announcement,, the Board comprises six executive directors, namely, Mr. Hon Ming Kong (Chairman), Ms. Wong King King (Vice-Chairman), Mr. Chan Tat Chee, Mr. Chow Ho Tung, Anthony, Mr. Kwong Cheung Tim Jimmy and Mr. Hon Yik Kwong; three non-executive directors, namely, His Royal Highness Prince Idris Abdallah Al-Senussi, Mr. Alan Grant Quasha and Mr. Lo Wing Yat, Kelvin; and three independent non-executive directors, namely, Mr. Cham Yiu Keung and Mr. Chan Chi Yuen and Mr. Cheng Kin Chow, Tony.

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