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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
100% INTEREST IN SINO PROFIT
INVOLVING THE SETTING UP OF THE
MEIZHOU JV**

Financial adviser



KINGSTON CORPORATE FINANCE LIMITED

S&P AGREEMENT

The Company is pleased to announce that Abba China, Mr. Pang and Sino Profit have, on 19 April 2005, entered into the S&P Agreement whereby Abba China agreed to acquire from Mr. Pang the Sale Share in Sino Profit for the consideration of HK\$8 million. The Sale Share represents 100% of the issued share capital of Sino Profit.

In view of the funding needs of Sino Profit, Abba China also agreed to provide a loan of HK\$5 million to Sino Profit as its working capital for a term of one year which shall be unsecured, interest free and guaranteed by Mr. Pang for a period up to the completion of the S&P Agreement.

Sino Profit had entered into the Xingning Agreement dated 26 January 2005 with the City Administrative Bureau of Xingning City whereby Sino Profit was granted a right to construct and operate the Incinerator with a capacity to handle 600 metric tons of waste per day with energy produced being used for generating electricity in Xingning City, Meizhou, the PRC either on its own or via a project company.

Sino Profit also entered into the Co-Operative Agreement dated 19 April 2005 with New Rise whereby Sino Profit and New Rise agreed to set up the Meizhou JV for the waste incineration and processing business in Xingning, Meizhou, the PRC, of which the principal terms are set out in this announcement.

The S&P Agreement comprising the provision of the Loan, together with the future financial commitment of Sino Profit in respect of the Meizhou JV upon completion of the S&P Agreement, constitute a major transaction for the Company under the Listing Rules which is subject to approval by the Shareholders. Both Ms. Tin and Mr. Chan have indicated that they will abstain from voting in the EGM. The relevant circular 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 9:30 a.m. on 20 April 2005 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 22 April 2005.

THE S&P AGREEMENT

Date

19 April 2005

Parties

Abba China, as the purchaser

Mr. Pang Kwok Chung, as the vendor

Sino Profit, as the target company, is also a party to the S&P Agreement for the purpose of, among others, providing certain warranties, representations and undertakings to Abba China.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Mr. Pang and Sino Profit are Independent Third Parties, and they are not interested in any Shares as at the date of this announcement.

Assets to be acquired

Sale Share: 1 share of US\$1.00 in the capital of Sino Profit, representing 100% of the issued share capital of Sino Profit

Consideration

The Consideration for the Sale Share is HK\$8,000,000 which was negotiated on an arm's length basis after taking into account the good business connections of Mr. Pang in the PRC and his efforts leading to the signing of the Xingning Agreement between Sino Profit and the City Administrative Bureau of Xingning City and the signing of the Co-Operative Agreement between Sino Profit and New Rise, the details of the these two agreements are set out in the later part of this announcement.

The Consideration has been paid and set off against the earnest money amounting to HK\$8,000,000 paid by Abba China to Mr. Pang pursuant to the MOU. The Group financed the Consideration from part of the net proceeds of the Placing.

Other major terms

In view of the funding needs of Sino Profit, Abba China agreed to provide a loan of HK\$5 million to Sino Profit after the signing of the S&P Agreement as its working capital for a term of one year which shall be unsecured, interest free and guaranteed by Mr. Pang for a period up to the completion of the S&P Agreement.

Subject to completion of the S&P Agreement and on Completion Date, Abba China shall, on reimbursement basis, bear and pay the legal and professional costs and expenses incurred by Mr. Pang prior to the date of S&P Agreement in relation to:–

- (i) the negotiation, preparation, approval, execution and completion of the S&P Agreement and the transactions or matters contemplated thereunder;
- (ii) the negotiation, execution and implementation of the Xingning Agreement; and
- (iii) the setting up of the Meizhou JV;

provided that the aggregate amount to be borne by Abba China shall in any event be not more than HK\$900,000 in aggregate.

Conditions

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

- (a) if applicable, the approval of the S&P Agreement and the transactions contemplated thereunder by the Shareholders in a manner as required under the Listing Rules;
- (b) if applicable, the City Administrative Bureau of Xingning City agreeing in principle to the change in the beneficial owner of Sino Profit in terms as contemplated thereunder; and
- (c) the obtaining of a legal opinion from a firm of PRC lawyers acceptable to Abba China and in a form to the absolute satisfaction of Abba China on the validity of the Xingning Agreement and that the change of ownership of Sino Profit as contemplated thereunder will not result in a termination of the Xingning Agreement.

If the S&P Agreement is not approved by the Shareholders or if the conditions set out above are not fulfilled or, if applicable, waived in writing on or prior to 31 December 2005 (or such later date as may be agreed between Abba China and Mr. Pang in writing), whichever is earlier, the S&P Agreement shall be terminated (the “Termination Date”) and that within the next sixty days after the Termination Date:–

- (i) Mr. Pang shall return the Consideration, without interest, to Abba China; and
- (ii) Sino Profit shall repay any amount due to Abba China by Sino Profit pursuant to the S&P Agreement notwithstanding that such amount due shall be of one year in duration as stated therein.

Upon fulfilment of the obligations by Mr. Pang and Sino Profit under points (i) and (ii) above, none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the S&P Agreement).

According to the S&P Agreement, Abba China may unilaterally waive the above condition precedent (c). Apart from the above, none of the other conditions precedent may be waived by any party.

Completion

Completion shall take place on the third business day after the day on which the last unfulfilled conditions is satisfied or, if applicable, waived or such other day as may be agreed between Mr. Pang and Abba China.

Information of Sino Profit

Sino Profit is a company incorporated in the British Virgin Islands on 16 March 2004 with limited liability. It is wholly-owned by Mr. Pang and its principal business is investing in waste incineration and processing business. Upon completion of the S&P Agreement, Sino Profit shall become a wholly-owned subsidiary of the Company and its financial statements will be consolidated with that of the Company.

The Company understands from Mr. Pang that Sino Profit is a company solely for the purpose of developing waste incineration and processing business in Meizhou, the PRC. As at the date of the S&P Agreement, Sino Profit does not have any assets or incur any liabilities. It has not conducted any businesses save for the signing of the Xingning Agreement, the S&P Agreement, the Co-Operative Agreement and such other documents incidental to the aforesaid agreements.

On 26 January 2005, Sino Profit entered into the Xingning Agreement with the City Administrative Bureau of Xingning City whereby Sino Profit was granted a right to construct and operate the Incinerator with a capacity to handle 600 metric tons of waste per day with energy produced being used for generating electricity in Xingning City, Meizhou, the PRC either on its own or via a project company, at such terms and conditions as specified therein and at a total investment amount of RMB233.70 million (equivalent to approximately HK\$220.47 million). Sino Profit is also granted a priority right to invest in further incinerator(s) in Xingning City, Meizhou, the PRC should the City Administrative Bureau of the Xingning City decides to do so in future.

Sino Profit also entered into the Co-Operative Agreement dated 19 April 2005 with New Rise whose principal business is investing in waste incineration and processing business whereby Sino Profit and New Rise agreed to set up the Meizhou JV for the waste incineration and processing business in Xingning, Meizhou, the PRC, of which the principal terms are as follows:–

Parties:	Sino Profit and New Rise
	New Rise is beneficially owned by Mr. Chan Chun Wai (“Mr. Chan”) and Ms. Tin Yuen Sin Carol (“Ms. Tin”) in equal shares. To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, New Rise and its beneficial owners are Independent Third Parties, they are also independent from and not connected with Mr. Pang and Sino Profit. As at the date of this announcement, Ms. Tin and Mr. Chan are interested in 3,000,000 and 700,000 Shares respectively.
Equity ratio:	The Meizhou JV will be owned as to 80% by Sino Profit and as to 20% by New Rise.
Registered capital:	The registered capital of the Meizhou JV will be RMB80 million (equivalent to approximately HK\$75.47 million) and to be contributed as to RMB64 million (equivalent to approximately HK\$60.38 million) by Sino Profit, as to RMB16 million (equivalent to approximately HK\$15.09 million) by New Rise, in proportion to their respective equity interest in the Meizhou JV.

Total investment: The total investment of the Meizhou JV will be RMB233.70 million (equivalent to approximately HK\$220.47 million). The portion of the total investment in excess of the registered capital in the amount of RMB153.70 million (equivalent to approximately HK\$145 million) will be raised by the Meizhou JV by way of external borrowings or loan from Sino Profit and New Rise in proportion to their respective equity interest in the Meizhou JV.

In the event that Sino Profit is required to finance any portion of the total investment amount in excess of the registered capital of the Meizhou JV according to the proportion of its equity interest therein and provided that the S&P Agreement can be completed, the Company may finance such amount from its internal resources, external borrowing, or other fund-raising activities. As completion of the S&P Agreement is subject to a number of conditions precedent and the formation of the Meizhou JV is subject to approval by the relevant PRC authorities, the Company has not formulated any plan in relation thereto for the time being.

Profit and loss sharing ratio: Profit and loss of the Meizhou JV will be shared by Sino Profit and New Rise in the proportion of 80% and 20%, respectively, in proportion to their respective equity interest.

Board representation: The Meizhou JV will comprise not less than 7 directors, out of which 5 will be appointed by Sino Profit and 2 will be nominated by New Rise.

The chairman of the board of directors of the Meizhou JV will be a director nominated by Sino Profit.

Scope of business: The Meizhou JV will construct the Incinerator with the total investment amounting to RMB233.70 million (equivalent to approximately HK\$220.47 million) to carry out waste incineration and processing business in Xingning City, Meizhou, the People's Republic of China.

The formation of the Meizhou JV is subject to approval by the relevant PRC authorities. In the event that the relevant approval cannot be obtained by 31 December 2005, or such later day as may be agreed between the parties, any one party can terminate the Co-Operative Agreement without further liability to the other party.

Assuming that the S&P Agreement can be completed, the Meizhou JV will become a 80% owned indirect subsidiary of the Company upon formation and its financial statements will be consolidated with that of the Company. The Company intends to finance the registered capital of the Meizhou JV, payable by Sino Profit, from the net proceeds of the Placing.

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 business into waste incineration and processing business 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, the PRC to carry on waste incineration and processing business as detailed in the Company's circular dated 6 October 2004, the acquisition of 39% equity interest in a joint venture in Dongguan, the PRC (the "Dongguan JV") as detailed in the Company's circular dated 22 December 2004, and the proposed acquisition of a further 51% equity interest in the Dongguan JV as detailed in the Company's announcement dated 12 April 2005, the Board considers that the Acquisition is a step forward to develop the Group's interest in waste incineration and processing business in the PRC 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 business for generating electricity in the PRC has a promising future with potential high returns and thus the Meizhou JV could provide ample future growth opportunities for the Group.

The Board considers that the terms of the S&P Agreement are fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

GENERAL

The S&P Agreement comprising the provision of the Loan, together with the future financial commitment of Sino Profit in the Meizhou JV upon completion of the S&P Agreement, constitute a major transaction for the Company under the Listing Rules which is subject to approval by the Shareholders. Both Ms. Tin and Mr. Chan have indicated that they will abstain from voting in the EGM. The relevant circular 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 9:30 a.m. on 20 April 2005 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 22 April 2005.

DEFINITIONS

"Abba China"	Abba China Holdings Limited, a company incorporated in Hong Kong with limited liability, a whole-owned subsidiary of the Company
"Acquisition"	the proposed acquisition of the Sale Share by Abba China pursuant to the S&P Agreement
"Board"	the board of Directors of the Company
"business day"	a day other than a Saturday or a Sunday or days on which a tropical cyclone warning signal No. 8 or above is hoisted or a "black" rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on which banks are open for business in Hong Kong
"Co-Operative Agreement"	the agreement dated 19 April 2005 entered into by Sino Profit with New Rise in relation to the setting up of the Meizhou JV
"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 Date”	the third Business Day after the day on which the last unfulfilled condition of the S&P Agreement is satisfied or, if applicable, waived or such other day as may be agreed between Mr. Pang and Abba China
“connected person(s)”	has the meanings as ascribed thereto under the Listing Rules
“Consideration”	eight Million Hong Kong Dollars (HK\$8,000,000), the consideration of the Sale Share
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened in respect of the S&P Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incinerator”	the waste incinerator to be constructed in Xingning City, Meizhou, the PRC pursuant to the Xingning Agreement
“Independent Third Parties”	persons who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons, and are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Meizhou JV”	興寧中科環保電力有限公司 (Xingning China Sciences Conservational Power Co. Ltd.), a wholly foreign-owned enterprise to be formed by Sino Profit and New Rise pursuant to the Co-Operative Agreement which shall be owned as to 80% by Sino Profit and as to 20% by New Rise for the purpose of constructing and operating the Incinerator
“MOU”	a memorandum of understanding dated 6 December 2004 made between Mr. Pang and Abba China whereby Abba China and Mr. Pang agreed, from the date of the MOU, to commence the negotiation of opportunities in conducting waste incineration and processing business in Meizhou, the PRC which may be in the form of setting up a joint venture company or investing in Sino Profit directly by Abba China or the otherwise
“Mr. Pang”	Mr. Pang Kwok Chung, the vendor of the Sale Share
“New Rise”	New Rise International Investment Limited, a company incorporated in the British Virgin Islands

“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, with a net proceed of approximately HK\$68.4 million
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“S&P Agreement”	the sale and purchase agreement dated 19 April 2005 entered into between Abba China, Mr. Pang and Sino Profit in relation to the Sale Share in Sino Profit
“Sale Share”	one (1) share of US\$1.00 in Sino Profit, representing the entire issued share capital of Sino Profit
“Sino Profit”	Sino Profit International Limited, a company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xingning Agreement”	the agreement dated 26 January 2005 made between Sino Profit and the City Administrative Bureau of Xingning City 興寧市城市管理局 whereby Sino Profit was granted a right to construct and operate the Incinerator either on its own or via a project company at such terms and conditions as specified thereat and at a total investment amount of RMB233.70 million (equivalent to approximately HK\$220.47 million)
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“US\$”	United States Dollar, the lawful currency of the United States of America

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, 21 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.