THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Sciences Conservational Power Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

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)

SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

TANRICH

Tanrich Capital Limited

A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from Tanrich, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 22 of this circular.

A notice convening the EGM to be held at 1:30 p.m. on 30 May 2005 at Harbour Room I and II, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon, Hong Kong is set out on pages 32 to 33 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Unit 3618, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

6 May 2005

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Aimstar"	Aimstar Holdings Limited, a company beneficially owned as to 50% by Mr. Chan, as to 12% by Ms. Tang Yuk Chee, Josephine, the wife of Mr. Chan and as to 38% by Mr. Hon
"Announcement"	the announcement of the Company dated 1 April 2005
"associates"	has the meaning given to that term in the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CIAM"	CITIC International Assets Management Limited, a wholly-owned subsidiary of CITIC International Financial Holdings Limited which is listed on the Main Board of the Stock Exchange
"CCIH"	CITIC Capital Investments Holdings Limited, the entire issued share capital of which is owned by CITIC Capital Markets Holdings Limited
"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, the Shares of which are listed on the Stock Exchange
"connected persons"	has the meaning given to that term in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Subscription Letter and the Subscription
"Group"	the Company, its subsidiaries and its associated companies
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee comprising Mr. Cham Yiu Keung, Mr. Chan Chi Yuen and Mr. Cheng Kin Chow, Tony, who are independent non-executive Directors and are not interested in the Subscription, formed to give advice to the Independent Shareholders in respect of the Subscription
"Independent Shareholders"	Shareholders other than the Subscribers, Mr. Chan and their respective associates
"Latest Practicable Date"	3 May 2005, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Listing Committee"	has the meaning given to that term in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chan"	Mr. Chan Tat Chee, an executive Director
"Mr. Hon"	Mr. Hon Ming Kong, the Company's Chairman and an executive Director
"Ms. Wong"	Ms. Wong King King, the beneficial owner of Sky Bright, the Company's Vice Chairman and an executive Director
"Old Shares"	ordinary share(s) of HK$0.10 each in the capital of the Company prior to the sub-division of the shares of the Company approved by the Shareholders on 28 May 2004
"Placing"	placement of the Placing Shares pursuant to the Placing and Underwriting Agreement
"Placing Agent"	Kim Eng Securities (Hong Kong) Limited, a corporation licensed to undertake type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Placing and Underwriting Agreement"	the placing agreement dated 23 March 2005 entered into between the Placing Agent and the Company
"Placing Price"	HK$0.78 per Share

"Placing Shares"	90,000,000 new Shares issued pursuant to the Placing
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Sky Bright"	Sky Bright International Development Limited, a company incorporated in BVI with limited liability, the entire issued share capital of which is owned by Ms. Wong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Sky Bright, Mr. Hon, CIAM and CCIH
"Subscription"	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Letter
"Subscription Letter"	the subscription letter dated 23 March 2005 entered into between the Subscribers and the Company (as amended by the supplemental agreement dated 4 May 2005 entered into between the Subscribers and the Company)
"Subscription Price"	HK$0.78 per Share
"Subscription Shares"	30,000,000 new Shares to be issued pursuant to the Subscription Letter
"Tanrich" or "Independent Financial Adviser"	Tanrich Capital Limited, a licensed corporation registered under the SFO carrying out type 1 and 6 regulated activities (as defined in the SFO) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%"	per cent

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0351)

Executive Directors
Mr. Hon Ming Kong *(Chairman)*
Ms. Wong King King *(Vice-Chairman)*
Mr. Chan Tat Chee
Mr. Chow Ho Tung, Anthony
Mr. Hon Yik Kwong

Non-executive Directors
His Royal Highness Prince Idris Abdallah Al-Senussi
Mr. Alan Grant Quasha
Mr. Lo Wing Yat, Kelvin
Mr. John Douglas Kuhns

Independent non-executive Directors
Mr. Cham Yiu Keung
Mr. Chan Chi Yuen
Mr. Cheng Kin Chow, Tony

Registered office:
Unit 3618, 36th Floor,
China Merchants Tower
Shun Tak Centre,
168-200 Connaught Road
Central
Hong Kong

6 May 2005

To the Shareholders

Dear Sir or Madam,

SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

INTRODUCTION

The Board announced on 1 April 2005 that on 23 March 2005, the Company had entered into:

(i) the Placing and Underwriting Agreement with the Placing Agent, pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 90,000,000 Placing Shares, on a fully underwritten basis, to not fewer than six placees (being individual, corporate and/or institutional investors identified by the Placing Agent who are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates of any of them), at the Placing Price of HK$0.78 per Share; and

(ii) the conditional Subscription Letter with the Subscribers, pursuant to which the Company agreed to issue and allot and the Subscribers agreed to subscribe the Subscription Shares at the Subscription Price of HK$0.78 per Share.

The Placing was completed as at the Latest Practicable Date and all of the placees are independent third parties not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or associates of any of them.

The Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is thus required to be approved by the Independent Shareholders by way of poll. The EGM will be convened to approve the allotment and issue of the Subscription Shares pursuant to the Subscription Letter.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Subscription. Tanrich has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

The purpose of this circular is to (i) provide you with further information regarding, among other things, the Subscription; (ii) to set out the advice of Tanrich to the Independent Board Committee in respect of, and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Subscription; and (iii) to give you the notice of the EGM, which shall be convened for the purpose of considering and, if thought fit, approving the resolution for the Subscription.

THE SUBSCRIPTION LETTER DATED 23 MARCH 2005 AND A SUPPLEMENTAL AGREEMENT DATED 4 MAY 2005

Parties

Issuer : The Company

Subscribers : Sky Bright, Mr. Hon, CIAM and CCIH

The Subscription Shares

Pursuant to the Subscription Letter, the Company will allot and issue and the Subscribers will subscribe for 30,000,000 new Shares in cash, representing an aggregate of approximately 2.92% of the issued share capital of the Company as at the Latest Practicable Date, at the Subscription Price. Based on the Subscription Price of HK$0.78, the Subscription Shares were valued at HK$23.4 million.

The table below sets out the number of new Shares to be subscribed by the Subscribers:

Name of Subscribers	Number of new Shares to be subscribed	Value of the new Shares to be subscribed
		HK$
Sky Bright	8,500,000	6,630,000
Mr. Hon	6,500,000	5,070,000
CIAM	5,550,000	4,329,000
CCIH	9,450,000	7,371,000
Total	30,000,000	23,400,000

The Subscribers are Sky Bright, Mr. Hon, CIAM and CCIH and they are connected persons of the Company. Sky Bright is shareholder of the Company who owned 6.82% of the existing issued share capital of the Company as at the Latest Practicable Date. The entire issued share capital of Sky Bright is owned by Ms. Wong, an executive Director and the Vice Chairman of the Company. Sky Bright is therefore an associate of Ms. Wong. Mr. Hon is an executive Director and the Chairman of the Company. He owns 38% of the issued shares in Aimstar, which in turn holds 28.75% of the issued share capital of the Company as at the Latest Practicable Date. CIAM and CCIH together hold an aggregate of approximately 11.56% of the existing issued share capital of the Company and convertible notes under the subscription agreement dated 24 June 2004, pursuant to which 66,666,666 Shares will be issued and allotted upon full exercise of the convertible notes at an initial conversion price of HK$0.30 per share (subject to adjustment). Each of Sky Bright, Mr. Hon, CIAM and CCIH will subscribe 8,500,000, 6,500,000, 5,550,000 and 9,450,000 new Shares respectively.

The Subscription Price

The Subscription Price represents (i) a premium of approximately 1.30% over the closing price of HK$0.77 per Share on the Stock Exchange as at the Latest Practicable Date, (ii) a discount of approximately 7.14% 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 prior to the suspension of trading in the Shares pending the release of the Announcement); and (iii) a discount of approximately 3.70% to the average closing price of approximately HK$0.81 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 March 2005.

The Subscription Price of HK$0.78 per Share is equal to the Placing Price and was arrived at after arm's length negotiations between the Company and the Subscribers.

The Subscription Shares will be issued free from all liens, charges and encumbrances, claims, or third party rights and together with all rights attaching thereto as at the date of allotment and issue thereof, including the right to receive all dividends or other distributions declared on the Subscription Shares at any time on or after the date of allotment and issue thereof.

Application for Listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued pursuant to the Subscription.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank equally with the Shares in issue as at the date of issue of the Subscription Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing and permission to deal in all of the Subscription Shares to be issued under the Subscription; and (ii) the approval of the Subscription by the Independent Shareholders by way of poll at the EGM on or before 10 May 2005 or such later date as may be agreed between the Company and the Subscribers. As the despatch of this circular has been delayed from 21 April 2005 to 6 May 2005 and the EGM will be held on 30 May 2005, which is later than 10 May 2005, the Company has entered into a supplemental agreement dated 4 May 2005 with the Subscribers to extend the long stop date for the fulfilment of the conditions of the Subscription Letter from 10 May 2005 to 30 June 2005 to allow extra time for satisfaction of the conditions of the Subscription Letter.

Completion of Subscription

Subject to fulfilment of the above conditions, completion of the Subscription will take place on the date falling two business days after the date upon which all the conditions set out above are satisfied or on such later date as the Company and Subscribers may agree in writing.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION:

The shareholdings in the Company immediately before and after completion of the Subscription are summarised as follows:

Name of Shareholders	Shareholding as at the Latest Practicable Date		Shareholding immediately after completion of the Subscription	
	Shares	*%*	*Shares*	*%*
Mr. Hon *(Note 1)*	–	–	6,500,000	0.62
Others Directors *(Note 2)*	12,370,000	1.20	12,370,000	1.17
Sub-total	12,370,000	1.20	18,870,000	1.79
Aimstar *(Note 1)*	295,000,000	28.75	295,000,000	27.94
Sky Bright *(Note 3)*	70,000,000	6.82	78,500,000	7.43
CIAM and CCIH *(Note 4)*	118,590,000	11.56	133,590,000	12.65
Sub-total	495,960,000	48.33	525,960,000	49.81
Public Shareholders				
– Placees *(Note 5)*	90,000,000	8.77	90,000,000	8.52
– Other public shareholders *(Note 6)*	440,037,100	42.90	440,037,100	41.67
Total	1,025,997,100	100.00	1,055,997,100	100.00

Notes:

1. Aimstar is a company beneficially owned as to 50% by Mr. Chan Tat Chee, an executive Director, as to 12% by Ms. Tang Yuk Chee, Josephine, the wife of Mr. Chan Tat Chee and as to 38% by Mr. Hon.

2. Out of the 12,370,000 Shares, 4,770,000 Shares and 2,500,000 Shares are owned by Mr. Chan Tat Chee and Mr. Chow Ho Tung, Anthony respectively. Mr. Chan Tat Chee and Mr. Chow Ho Tung, Anthony are executive Directors. The remaining 5,100,000 Shares are owned by Mr. Cheng Kin Chow, Tony, an independent non-executive Director.

3. Sky Bright is wholly-owned by Ms. Wong, an executive Director.

4. 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 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 in turn is 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 CCIH.

5. Pursuant to the Placing, 90,000,000 new Shares were placed to the placees.

6. Out of 440,037,100 Shares, 7,040,000 Shares are owned by Mr. Kwong Cheung Tim, Jimmy, a former executive director of the Company.

REASONS FOR THE PLACING, SUBSCRIPTION AND USE OF PROCEEDS

The Company is a limited liability company incorporated in Hong Kong. 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 annual report of the Group for the year ended 31 December 2004, the Group identified waste incineration and processing as a unique environmental protection business with vast market potential.

The Group has set up a joint venture to carry on waste incineration and processing in Guilin, the PRC, details of which are set out in the circular of the Company dated 6 October 2004. Following the set up of the aforesaid joint venture, the Group has acquired a 39% interest of another joint venture which is also principally engaged in waste incineration and processing in Dongguan, the PRC ("Dongguan JV"), details of which are set out in the circular of the Company dated 22 December 2004.

According to the announcement of the Company dated 12 April 2005, the Company announced that it proposed to acquire an additional 51% interest in the Dongguan JV from CCPH. Upon completion, the Group will be interested in a 90% equity interest in the Dongguan JV.

According to the announcement of the Company dated 21 April 2005, the Company announced that its wholly-owned subsidiary proposed to acquire a BVI company which involved in the setting up of a joint venture to carry out waste incineration and processing business in Xingning City, Meizhou, the PRC for a consideration of HK$8,000,000. Such consideration is financed by part of the net proceeds from the Placing.

In view of the continuous 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 for generating electricity in the PRC has a promising future with high returns. The Board considers to further invest in waste incineration and processing business in the PRC which is consistent with the Group's investment strategy. The Group needs more funding to facilitate the Group's plan to diversify its existing business into waste incineration and processing business in the PRC.

The gross proceeds from the Subscription are estimated to be approximately HK$23.4 million while the gross proceeds from the Placing was approximately HK$70.2 million. The aggregate gross and net proceeds from the Placing and the Subscription are estimated to be approximately HK$93.6 million and HK$91.3 million respectively. It is the current intention of the Directors to use the net proceeds in the following manner: (i) approximately HK$65.0 million will be used for the further development of the joint venture in Xingning City, Meizhou, the PRC to carry out waste incineration and processing business in the PRC; and (ii) the balance of approximately HK$26.3 million will be used as general working capital for the Group.

The Subscribers are confident of the business development of the Group, in particular, the waste incineration and the processing business in the PRC. As a result, they agreed to subscribe for the Subscription Shares so that their interests in the Company will not be materially diluted.

CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The following table summaries the capital raising activities of the Group during the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Event	Subscriber/Placees	Net proceeds (Approximately)	Intended use of proceeds (Approximately)	Actual use of proceeds as at the date of this circular (Approximately)
1 April 2005	Placing of 90,000,000 and subscription of 30,000,000 new Shares respectively at HK0.78 per Share *(Note)*	(i) 90,000,000 new Shares have been placed to not fewer than six independent investors (ii) 30,000,000 new Shares to be subscribed by the Subscribers	HK$91.3 million	(i) Approximately HK$ 65.0 million for the proposed establishment of a new legal entity to carry out waste incineration and processing business in the PRC; and (ii) the balance of approximately HK$26.3 million will be used as general working capital	(i) Approximately HK$8.0 million has been paid for the proposed acquisition of a BVI company involved in the setting up of a joint venture to carry out waste incineration and processing business in Xingning City, Meizhou, the PRC

Note: The subscription of the 30,000,000 new Shares is yet to be completed.

Date of announcement	Event	Subscriber/Placees	Net proceeds (Approximately)	Intended use of proceeds (Approximately)	Actual use of proceeds as at the date of this circular (Approximately)
26 November 2004	Subscription of 50,000,000 new Shares at HK$0.54 per Shares	Quadrant Investment Holdings Ltd.	HK$26.9 million	Future investment in waste incineration and processing business in the PRC	(i) Approximately HK$25.8 million has already been used for investment in waste incineration and processing business in the PRC; and (ii) Approximately HK$1.1 million as general working capital
27 August 2004 (as supplemented by a supplemental placing agreement on 8 September 2004)	Placing of 134,660,000 new Shares at HK$0.45 per Share on a fully underwritten basis	Not fewer than six independent investors	HK$58.7 million	(i) Not more than HK$30.0 million for future investments in a waste incineration and processing business in the PRC; (ii) About HK$20.0 million for making investments in an environmental protection project in the PRC; and (iii) remaining of about HK$8.7 million for general working capital.	(i) Approximately HK$40.2 million used for the joint venture in Guilin, the PRC, to carry on waste incineration and processing business; (ii) Approximately HK$16.0 million used as operating expenses; and (iii) Approximately HK$2.5 million used as part of the consideration for the acquisition of the 39% equity interest in Dongguan China Sciences Conservational Power Co, Ltd.

Date of announcement	Event	Subscriber/Placees	Net proceeds (Approximately)	Intended use of proceeds (Approximately)	Actual use of proceeds as at the date of this circular (Approximately)
25 June 2004	Subscription of HK$20,000,000 8.5% extendable convertible notes due 2006	CIAM	HK$19.0 million	Future investment in waste incineration and processing business in the PRC.	HK$19.0 million has been used to finance the acquisition of approximately 32.89% equity interest in Beijing China Sciences General Energy & Environment Co., Ltd.
12 May 2004	Placing of 11,200,000 new Old Shares at HK$1.40 per Old Share on a best effort basis	Not fewer than six independent investors	HK$15.0 million	(i) About HK$2.0 million for repayment of loans; and (ii) remaining HK$13.0 million for general working capital purpose	(i) Approximately HK$2.1 million for repayment of bank loans; (ii) Approximately HK$8.82 million was used for payment of operating expenses; and (iii) Approximately HK$4.08 million for working capital

GENERAL

As at the Latest Practicable Date, the Subscribers and their respective associates in aggregate held approximately 47.13% of the issued Shares. The Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is thus required to be approved by the Independent Shareholders by way of poll. The Subscribers, Mr. Chan and their respective associates will abstain from voting at the EGM for the Subscription. An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Subscription. Tanrich has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

EGM

A notice convening the EGM (to be held at 1:30 p.m. on 30 May 2005 at Harbour Room I and II, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon, Hong Kong) at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Subscription Letter and the Subscription is set out on pages 32 to 33 of this circular.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Unit 3618, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you wish to do so.

The ordinary resolution as set out in the notice of the EGM will be put to the vote of the Independent Shareholders by poll.

An announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of its results.

RECOMMENDATION

The Independent Board Committee, comprising Mr. Cham Yiu Keung, Mr. Chan Chi Yuen and Mr. Cheng Kin Chow, Tony, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription set out in its letter on page 15 of this circular. Your attention is drawn to the letter of advice from Tanrich to the Independent Board Committee and the Independent Shareholders in respect of the Subscription set out on pages 16 to 22 in this circular.

The Independent Board Committee having taken into account the advice of Tanrich and the principal factors and reasons considered by Tanrich, considers that the Subscription is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and recommends that the Independent Shareholders vote in favour of the Subscription at the EGM.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders and the letter from Tanrich set out on pages 16 to 22 of this circular which contains its recommendation to the Independent Board Committee and the principal factors and reasons taken into consideration in arriving at its recommendation.

On behalf of the Board
CHINA SCIENCES CONSERVATIONAL POWER LIMITED
Hon Ming Kong
Chairman

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0351)

SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

6 May 2005

To the Independent Shareholders,

Dear Sir or Madam,

We refer to the circular dated 6 May 2005 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been established by the Board for the purpose of advising the Independent Shareholders in connection with the Subscription, details of which are set out in the letter from the Board in the Circular. The Independent Board Committee comprises three independent non-executive Directors. Tanrich has been appointed as the independent financial adviser to advise the Independent Board Committee regarding the Subscription. Details of the advice from Tanrich together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 16 to 22 of the Circular.

Having considered the Subscription, the interests of the Independent Shareholders, the principal factors and reasons considered by Tanrich and the advice of Tanrich, we consider that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Subscription to the Independent Shareholders.

Yours faithfully
Independent Board Committee of
Mr. Cham Yiu Keung **Mr. Chan Chi Yuen** **Mr. Cheng Kin Chow, Tony**
Independent Non-executive Directors

The following is the text of the letter of advice from Tanrich Capital Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, in relation to the Subscription, which has been prepared for the purpose of incorporation into this circular.

TANRICH

Tanrich Capital Limited
16/F Central Plaza,
18 Harbour Road, Wan Chai,
Hong Kong

6 May 2005

The Independent Board Committee and Independent Shareholders of
China Sciences Conservational Power Limited

Dear Sirs,

CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

INTRODUCTION

We refer to our appointment by the Company as the independent financial adviser to the Independent Board Committee and Independent Shareholders to give our recommendation as to whether the terms of the Subscription are fair and reasonable in so far as the Independent Shareholders are concerned, particulars of which have been set out in a circular to the Shareholders dated 6 May 2005 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as defined in the Circular. Detailed terms of and the reasons for entering into the Subscription Letter are set out in the "Letter from the Board" in the Circular.

The Subscribers, being Sky Bright, Mr. Hon, CIAM and CCIH, are connected persons of the Company. Sky Bright is owned by Ms. Wong, being an executive Director and the Vice Chairman of the Company. Sky Bright is therefore an associate of Ms. Wong. Mr. Hon is an executive Director and the Chairman of the Company. CIAM and CCIH together hold an aggregate of approximately 11.56% of the existing issued share capital of the Company and convertible notes under the subscription agreement dated 24 June 2004. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is thus required to be approved by the Independent Shareholders by way of poll. An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Subscription.

In formulating our opinion and recommendation, we have relied on the statements, information and facts supplied by, the opinions expressed by and the representations of, the Directors and management of the Company and its subsidiaries concerning the Subscription, including those facts, opinions and representations set out in the Circular. We have assumed that all such information and all statements, information, opinion and representations contained or referred to in the Circular were true, complete and accurate in all aspects at the time they were made and given and continue to be so in all respects as at the date of dispatch of the Circular. We have also assumed that all statements of beliefs, opinions and intentions made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Directors have confirmed that they take full responsibility for the contents of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the transaction. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information and representations provided or opinions expressed in the Circular. In line with normal practice, we have not, however, conducted a verification of the information and representations provided to us by the Directors, nor have we conducted any independent in-depth investigation into the business and affairs and prospects of the Company and its subsidiaries. The Directors have confirmed that no material facts have been omitted from the information supplied to us.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Subscription Letter, we have taken into consideration the following factors:

1. Background of the Group

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 annual report of the Group for the year ended 31 December 2004, the Group identified waste incineration and processing as a unique environmental protection business with vast market potential.

2. Reasons for entering into the Subscription Letter

As stated in the "Letter from the Board", the Group has set up a joint venture to carry on waste incineration and processing in Guilin, the PRC, details of which are set out in the circular of the Company dated 6 October 2004. Following the set up of the aforesaid joint venture, the Group has acquired a 39% interest of another joint venture which is also principally engaged in waste incineration and processing in Dongguan, the PRC ("Dongguan JV"), details of which are set out in the circular of the Company dated 22 December 2004. On 12 April 2005, the Company announced that it has proposed to acquire an additional 51% interest in the Dongguan JV from CCPH. Upon completion, the Group will be interested in a 90% equity interest in the Dongguan JV. On 21 April 2005, the Company announced that its wholly-owned subsidiary has proposed to acquire a BVI company involved in setting up of a joint venture to carry out waste incineration and processing business in Xingning City, Meizhou, the PRC.

As stated in the "Letter from the Board", in view of the continuous 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 for generating electricity in the PRC has a promising future with high returns. The Board considers to further invest in waste incineration and processing business in the PRC which is consistent with the Group's investment strategy.

As stated in the "Letter from the Board", the gross proceeds from the Subscription are estimated to be approximately HK$23.4 million while the gross proceeds from the Placing are estimated to be approximately HK$70.2 million. The aggregate gross and net proceeds from the Placing and Subscription are estimated to be approximately HK$93.6 million and HK$91.3 million respectively. It is the current intention of the Directors to use the net proceeds in the following manner: (i) approximately HK$65.0 million will be used for the further development of the joint venture in Xingning City, Meizhou, the PRC; and (ii) the balance of approximately HK$26.3 million will be used as general working capital for the Group.

It is apparent that the proceeds from the Subscription will be used as general working capital for the Group. As stated in the "Letter from the Board", the Group needs more funding to facilitate the Group's plan to diversify its existing business into waste incineration and processing business in the PRC. Moreover, based on the audited accounts of the Group for the year ended 31 December 2004, the cashflow from operating activities was net outflow of approximately HK$107.7 million. This indicates that the Group needs more funding to support their operating activities. Given the above factors, we concur with the Directors' view that the net proceeds will facilitate the Group's plan to diversify its existing business into waste incineration and processing business in the PRC which is in line with the Group's existing investment strategy and the Subscription is in the interests of the Company and the Independent Shareholders as a whole.

On 23 March 2005, the Company entered into the Placing and Underwriting Agreement to place an aggregate of 90,000,000 Placing Shares to independent third parties who are not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or associates of any of them. Before the completion of the Placing, the Subscribers and their respective associates in aggregate hold approximately 51.68% of then issued Shares. As stated in the "Letter from the Board", the Subscribers are confident of the business development of the Group, in particular, the waste incineration and the processing business in the PRC. As a result, they agreed to subscribe for the Subscription Shares so that their interests in the Company will not be materially diluted. The aggregate interest of the Subscribers and their respective associates in the issued Shares has been diluted from 51.68% to 47.15% due to completion of the Placing and will increase to 48.64% upon completion of the Subscription. We are of the view that the Subscription will reduce the dilution effect of the Placing on the Subscribers' shareholdings in the Company. Please also refer to the dilution effect on the public shareholding under the sub-section headed *"3.2 Potential dilution of shareholding"* below.

3. The terms of the Subscription

3.1 Subscription Price

The Subscription Price is HK$0.78 per Share which is equal to the Placing Price. The Directors are of the view that the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers.

The Subscription Price represents a premium of approximately 1.30% over the closing price of 0.77 per Share on the Stock Exchange as at the Latest Practicable Date, a discount of approximately 7.14% 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 prior to the suspension of trading in the Shares pending the release of the Announcement ("Suspension")) and a discount of approximately 3.70% to the average closing price of approximately HK$0.81 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 March 2005.

As the Subscription Price is equal to the Placing Price, we have studied the principal terms of all transactions we are aware in relation to i) placing of shares; ii) subscription of shares; as well as iii) placing and subscription of shares by other listed companies in Hong Kong for the first quarter in 2005 (i.e. all of the transactions involving placing of shares for cash, irrespective of whether the shares are existing shares or new shares, during the latest quarter immediately prior to the announcement of the Placing and the Subscription). Among all of the aforesaid transactions, we have selected a total of 8 transactions with similar issue size and the respective number of shares involved in the transactions represent not more than 20% of the issued share capital of the companies concerned for the purpose of comparison. Relevant details are as shown below:

Listed Company	**Date of Announcement**	**Issue Size**	**% of number of shares involved in the transaction over the issued share capital of the company concerned**	**(Discount)/ Premium to closing price to the last trading day prior to the date of announcement of the transaction concerned**	**(Discount) / Premium to 5 days average closing price for the last 5 trading days prior to the date of announcement of the transaction concerned**
		(HK$M)		*(%)*	*(%)*
Get Nice Holdings Limited	5-Jan-05	108.00	20.00	(9.10)	15.98
China Sci-Tech Holdings Limited	7-Jan-05	97.50	19.14	2.56	8.70
Good Fellow Group Limited	13-Jan-05	97.80	19.96	(13.04)	(14.60)
China Sci-Tech Holdings Limited	3-Feb-05	60.00	13.18	3.45	8.70
Universal Holdings Limited	23-Feb-05	78.58	20.00	(17.81)	(14.89)
Topsearch International (Holdings) Limited	25-Feb-05	63.00	10.94	(10.00)	(10.54)
Asia Orient Holdings Limited	2-Mar-05	86.50	17.31	(9.91)	(12.13)
Eagle Nice (International) Holdings Limited	4-Mar-05	90.75	6.47	(5.71)	(4.40)
		Average	15.88	(7.45)	(2.90)
		Median	18.23	(9.51)	(7.47)

Based on the above transactions, we found that the ratios of placing price to the last trading prices of the shares represent a range from a premium of approximately 3.45% to a discount of approximately 17.81%. Moreover, the ratios of placing price to the average closing price for the last 5 trading days of the shares represent a range from a premium of approximately 15.98% to a discount of approximately 14.89%.

In light of the above and the fact that the Subscription Price represents a discount of approximately 7.14% to the closing price of HK$0.84 per Share on 22 March 2005 (being the last trading day of Shares prior to the suspension of trading in the Shares pending the release of the Announcement) and a discount of approximately 3.70% to the average closing price of approximately HK$0.81 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 March 2005, we are of the view that the discounts of the Placing Price to the closing price on the last trading day and to the average closing price for the last 5 trading days of Shares prior to the Suspension are within the ranges of the placing transactions in the market during the first quarter in 2005. In fact, both these two discounts are below the medians of these sample transactions. Hence, we concur with the Directors' view that the Subscription Price is fair and reasonable and the Subscription is in the interests of the Company and its Shareholders as a whole.

3.2 Potential dilution of shareholding

As stated in the Letter from the Board, the Placing was completed as at the Latest Practicable Date. Upon completion of the Subscription, a total of 30,000,000 new Shares will be issued, representing approximately 2.92% of the existing issued share capital of the Company of 1,025,997,100 Shares as at the Latest Practicable Date and approximately 2.84% of the enlarged issued share capital of the Company of 1,055,997,100 Shares as enlarged by the issuance of the Subscription Shares. As at the Latest Practicable Date, the public shareholding of the Company of approximately 51.67% will be diluted to approximately 50.19% upon the completion of the Subscription. Given that this level of dilution is not material as compared with the potential benefits of the Subscription including the improvement on the net asset value per Share after the Subscription and the potential benefit of diversification of the Group's business into waste incineration and processing business in the PRC, we are of the view that the potential dilution of shareholding of the Shareholders are acceptable.

4. Financial effects of the Subscription

4.1 Net asset value per Share

Based on the audited accounts of the Group for the year ended 31 December 2004, the Group's audited net assets and audited net asset value per Share as at 31 December 2004 were approximately HK$119.9 million and approximately HK$0.147 per Share (based on 812,897,100 Shares in issue as at 31 December 2004).

As the Subscription involves the issue of new shares at HK$0.78 per Share, being approximately 430.6% premium over the audited net asset value per Share as at 31 December 2004, the net asset value per Share would be increased upon completion of the Subscription.

Based on the above, we consider the improvement in terms of net asset value per Share upon completion of the Subscription to be in the interests of the Company and the Independent Shareholders as a whole.

4.2 Working capital

Based on the audited accounts of the Group for the year ended 31 December 2004, the available cash balance of the Group was approximately HK37.0 million as at 31 December 2004. As a result of the Subscription, the cash balance of the Group will increase by approximately HK$22.9 million, being the estimated net proceeds from the Subscription. As such, we are of the view that the working capital position of the Group will be improved upon completion of the Subscription.

RECOMMENDATION

Having taken into account, inter alia, the principal factors referred to above, we consider that the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription Letter is entered into on an arm's length basis. Accordingly, we advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution in respect of the Subscription at the EGM.

Yours faithfully,
For and on behalf of
Tanrich Capital Limited
Li Wai Kuen, Clara
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief, there are no other facts the omission of which would made any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Directors

As at the Latest Practicable Date, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in Shares

Name of the Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of shareholding
Hon Ming Kong *(Note 1)*	Interest of a controlled corporation	–	–	295,000,000	–	295,000,000	28.75%
Chan Tat Chee *(Note 1)*	Interest of a controlled corporation and beneficial owner	4,770,000	–	295,000,000	–	299,770,000	29.22%
Chow Ho Tung, Anthony	Beneficial owner	2,500,000	–	–	–	2,500,000	0.24%

Name of the Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of shareholding
Cheng Kin Chow, Tony	Beneficial owner	5,100,000	–	–	–	5,100,000	0.50%
Wong King King *(Note 2)*	Interest of a controlled corporation	–	–	70,000,000	–	70,000,000	6.82%

Notes:

1. By virtue of the SFO, both Mr. Hon and Mr. Chan were deemed to be interested in 295,000,000 Shares held by Aimstar, a company which is owned as to 38% by Mr. Hon, as to 50% by Mr. Chan and as to 12% by Ms. Tang Yuk Chee, Josephine, spouse of Mr. Chan.

2. By virtue of the SFO, Ms. Wong King King is deemed to be interested in 70,000,000 Shares held by Sky Bright, a company wholly-owned by her.

(b) Rights to acquire Shares

Pursuant to a share option scheme adopted by the Company on 27 May 2002, four Directors were granted share options to subscribe for Shares, details of which as at the Latest Practicable Date were as follows:

Name of grantee	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Exercise price per Share *HK$*
Mr. Chow Ho Tung, Anthony	27 October 2004	2,400,000	27 October 2004 to 26 October 2014	0.470
Mr. Hon Ming Kong	27 October 2004	8,000,000	27 October 2004 to 26 October 2014	0.470
Ms. Wong King King	27 October 2004	8,000,000	27 October 2004 to 26 October 2014	0.470
Mr. Hon Yik Kwong	1 December 2004	8,000,000	1 December 2004 to 30 November 2014	0.670

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Interests of Substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons who had an interest or short position in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows:

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
CITIC International Assets Management Limited *(Note 1)*	Beneficial owner	111,116,666 *(Note 2)*	10.83%
CITIC Capital Investments Holdings Limited *(Note 1)*	Beneficial owner	74,140,000	7.23%
CITIC Capital Markets Holdings Limited *(Note 1)*	Interest of a controlled corporation	74,140,000	7.23%
Forever Glory Holdings Ltd. *(Note 1)*	Interest of a controlled corporation	74,140,000	7.23%
Golden Gateway Enterprises Inc. *(Note 1)*	Interest of a controlled corporation	74,140,000	7.23%

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
CITIC Pacific Limited *(Note 1)*	Interest of a controlled corporation	74,140,000	7.23%
CITIC International Financial Holdings Limited *(Note 1)*	Interest of a controlled corporation	185,256,666	18.06%
CITIC Group *(Note 1)*	Interest of a controlled corporation	185,256,666	18.06%
Hon Ming Kong *(Note 3)*	Interest of a controlled corporation	295,000,000	28.75%
Chan Tat Chee *(Notes 3 & 8)*	Interest of a controlled corporation and beneficial owner	299,770,000	29.22%
Tang Yuk Chee, Josephine *(Notes 3 & 4)*	Interest of spouse	299,770,000	29.22%
Wong King King *(Note 5)*	Interest of a controlled corporation	70,000,000	6.82%
Sky Bright International Development Limited *(Note 5)*	Beneficial owner	70,000,000	6.82%
Aimstar Holdings Limited *(Note 3)*	Beneficial owner	295,000,000	28.75%
Kingston Finance Limited *(Note 6)*	Beneficial owner	295,000,000	28.75%
Chu Yuet Wah *(Notes 6 & 7)*	Interest of a controlled corporation	295,000,000	28.75%
Ma Siu Fong *(Notes 6 & 7)*	Interest of a controlled corporation	295,000,000	28.75%

Notes:

1. 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 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 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. Accordingly, under the SFO: (i) CITIC Group and CITIC International Financial Holdings Limited are deemed to be interested in the 111,116,666 Shares held by CITIC International Assets Management Limited and the 74,140,000 Shares held by CITIC Capital Investment Holdings Limited; (ii) CITIC International Assets Management Limited is interested in 44,450,000 Shares held by it and 66,666,666 Shares to be issued and allotted to it under the Convertible Notes; and (iii) each of CITIC Pacific Limited, Golden Gateway Enterprises Inc. and CITIC Capital Markets Holdings Limited are deemed to be interested in the 74,140,000 Shares held by CITIC Capital Investment Holdings Limited.

2. Out of the 111,116,666 Shares held by CITIC International Assets Management Limited, 66,666,666 Shares represented the shares to be issued to CITIC International Assets Management Limited pursuant to the exercise of the conversion rights under the Convertible Notes subscribed under the subscription agreement dated 24 June 2004 entered into between the Company and CITIC International Assets Management Limited.

3. Aimstar is owned as to 50% by Mr. Chan, an executive Director, as to 12% by Ms. Tang Yuk Chee, Josephine, spouse of Mr. Chan, and as to 38% of Mr. Hon, an executive Director.

4. As Ms. Tang Yuk Chee, Josephine is the spouse of Mr. Chan, she is deemed to be interested in the 295,000,000 Shares held by Aimstar.

5. Sky Bright International Development Limited is wholly-owned by Ms. Wong King King. As such Ms. Wong King King is deemed to be interested in the 70,000,000 Shares held by Sky Bright International Development Limited.

6. The 295,000,000 Shares held by Aimstar in which both Mr. Chan, Ms. Tang Yuk Chee, Josephine, spouse of Mr. Chan, and Mr. Hon are deemed to be interested are pledged to Kingston Finance Limited.

7. Kingston Finance Limited is held as to 51% by Chu Yuet Wah and as to 49% by Ma Siu Fong. Accordingly, each of Chu Yuet Wah and Ma Siu Fong are deemed to be interested in the Shares held by Kingston Finance Limited.

8. The 299,770,000 Shares, comprise (i) 295,000,000 Shares held by Aimstar and (ii) 4,770,000 Shares held by Mr. Chan. As Aimstar is owned as to 50% by Mr. Chan, he is deemed to be interested in such 295,000,000 Shares held by Aimstar.

Save as disclosed above, the Directors and the chief executive of the Company had not been notified of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

3. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited consolidated accounts for the Group have been made up.

4. OTHER INTERESTS OF THE DIRECTORS AND THE EXPERTS

As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2004, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group save for the proposed acquisition of a 51% equity interest in the Dongguan JV from CCPH of which Mr. Hon is an executive director holding a 11.83% shareholding interest and 4,000,000 share options, and Mr. Chan is the chairman and an executive director as set out in the Company's announcement dated 12 April 2005;

(ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole;

(iii) Tanrich did not have any direct or indirect interest in any assets which have, since 31 December 2004, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(iv) Tanrich was not materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole.

5. INTERESTS IN OTHER COMPETING BUSINESS

Mr. Hon, an executive Director, is interested as to approximately 11.83% of the issued share capital of CCPH held through Highworth Venture Limited and holds 4,000,000 share options of CCPH. Such share options are not yet exercised by Mr. Hon as at the Latest Practicable Date. Mr. Hon is also an executive director of CCPH. Mr. Chan, an executive Director, is also an executive director and the chairman of CCPH. Mr. Chan and his associates do not have any shareholding in CCPH.

CCPH is engaged in the business of, among others, waste incineration and processing in Dongguan, the PRC through its 51% interest in the Dongguan JV with the Group. The Group has a 39% interest in the Dongguan JV. In addition, the Group has set up a joint venture conducting waste incineration and processing business in Guilin, the PRC ("Guilin Joint Venture").

The Directors are also of the view that any potential conflict of interests arising from the likelihood that CCPH will compete with the Group in the business of waste incineration and processing in the future would be effectively mitigated given that the operations of CCPH and the Group would be run independently as two separately listed entities with the respective board of directors performing their fiduciary duties and providing their oversight and to safeguard the interests of the respective interest of the shareholders of the Company and CCPH. In addition, in accordance with the constitutional documents of the Company, the Directors are required to declare their interests in any transactions in which they have an interest and not to be counted as quorum of the board meeting in circumstances as set out in the articles of association of the Company.

As set out in the Company's announcement dated 12 April 2005, the Company had agreed to acquire from CCPH its 51% interest in the Dougguan JV subject to the fulfilment of certain conditions including approval of the shareholders of the Company. Assuming all conditions are to be fulfilled and the acquisition is to take place in accordance with the relevant agreement between the parties, any possible competition between the Company and CCPH in respect of waste incineration and processing business in the PRC will be eliminated.

Save as disclosed, each of the Directors has confirmed that he/she and their respective associates do not have any interests in a business apart from the Group's business which directly competes with and will have a material adverse impact on the Group.

6. SERVICE CONTRACTS

There is no existing and proposed service contract between any of the Directors and the Company or any of its members which is not terminable within one year without payment of compensation (other than statutory compensation) and no service contract has been entered into or amended within six months before 6 May 2005, being the date of this circular.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. CONSENT

Tanrich has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the reference to its name included herein in the form and context in which it is included.

9. QUALIFICATION OF EXPERT

The qualification of the expert who has given opinion in this circular is as follows:

Name	**Qualification**
Tanrich	a company licensed by the Securities and Futures Commission of Hong Kong for types 1 and 6 regulated activities under the SFO, which is the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, Tanrich was not beneficially interested in the share capital of any member of the Group and did not have any right to subscribe or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

(a) The secretary of the Company is Ms. Yu Sau Kam. Ms. Yu is an associate member of The Hong Kong Institute of Company Secretaries. The qualified accountant of the Company is Mr. Chow Ho Tung, Anthony, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The share registrar and transfer office of the Company is Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(c) The English version of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at Unit 3618, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours up to the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2004 and the interim report for the six months ended 30 June 2004;

(c) the Subscription Letter;

(d) the letter of advice from Tanrich dated 6 May 2005;

(e) the letter from the Independent Board Committee dated 6 May 2005; and

(f) the written consent referred to in the paragraph headed "Consent" in this Appendix.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0351)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Sciences Conservational Power Limited (the "Company") will be held on 30 May 2005 at 1:30 p.m. at Harbour Room I and II, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon, Hong Kong, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

the subscription letter dated 23 March 2005 entered into between the Company and Mr. Hon Ming Kong ("Mr. Hon"), Sky Bright International Development Limited ("Sky Bright"), CITIC International Assets Management Limited ("CIAM") and CITIC Capital Investments Holdings Limited ("CCIH") as amended by a supplemental agreement dated 4 May 2005 entered into between the same parties (a copy of which has been tabled at the meeting and initialled by the Chairman and for the purpose of identification marked "A") (the "Subscription Letter") be and is hereby approved, confirmed and ratified and the allotment and issue to Mr. Hon, Sky Bright, CIAM and CCIH of an aggregate of 30,000,000 new shares of HK$0.01 in the Company ("Shares") as to 6,500,000 Shares to Mr. Hon, 8,500,000 Shares to Sky Bright, 5,550,000 Shares to CIAM and 9,450,000 Shares to CCIH thereunder be and is hereby approved and THAT any one Director of the Company be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Subscription Letter or as any such Director considers necessary, desirable or expedient in connection with the Subscription Letter."

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

Hong Kong, 6 May 2005

Registered Office:
Unit 3618, 36/F., China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong.

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the registered office of the Company at Unit 3618, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be have been revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. The Ordinary Resolution will be put to a poll.

8. Each of Mr. Chan, Mr. Hon, Sky Bright, CIAM, CCIH and their respective associates will abstain from voting in respect of the Ordinary Resolution.