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)

DISCLOSEABLE TRANSACTION

On 6 November 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the MOU with the Vendor and the Guarantor, pursuant to which, the Vendor has agreed to negotiate with the Purchaser in good faith the terms of the S&P Agreement in respect of the sale and purchase of the Sale Shares and to procure the PRC Companies Acquisition. In consideration of the Purchaser agreeing to enter into the MOU, the Guarantor has agreed to provide guarantee in favour of the Purchaser for the obligations of the Vendor to refund the Earnest Money to the Purchaser. According to the Vendor, the PRC Companies have been approved to carry on the business of railway constructions for the Zunxiao Railway, and two of the PRC Companies have been approved to carry on the container and self-owned rail wagon chartering services.

The payment of the Earnest Money under the terms of the MOU constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the payment of the Earnest Money under the MOU and other information will be dispatched to the Shareholders in accordance with the Listing Rules.

MEMORANDUM OF UNDERSTANDING

Date

6 November 2008

Parties

Purchaser	:	Sharprise Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
Vendor	:	Fast Sky Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Guarantor
Vendor’s Guarantor	:	Mr. Zhu Gongshan, the sole shareholder of the Vendor

As at the date of this announcement and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor is interested in approximately 1.72% of the total issued share capital of the Company through a company wholly-owned by him, save as aforesaid, each of the Vendor and its ultimate beneficial owner, the Guarantor, is a third party independent of the Company and connected persons of the Company.

Proposed Investment

Pursuant to the MOU, the Vendor intends to sell and the Purchaser intends to purchase the Sale Shares. The Vendor has agreed to negotiate with the Purchaser in good faith the terms of the S&P Agreement in respect of the sale and purchase of the Sale Shares and to procure the PRC Companies Acquisition.

Consideration

The total Consideration and the total capital to be contributed to the PRC Companies by the Purchaser through the Target Group shall be subject to negotiations between the Vendor and the Purchaser.

Conditions of the Proposed Investment

Pursuant to the MOU, signing of the S&P Agreement is subject to, among others, the following :

(i) the relevant PRC Companies having obtained from the relevant PRC governmental authorities the valid licences and permits issued in favour of relevant PRC Companies, which confer the right to own and operate the Projects;

(ii) completion of the PRC Companies Acquisition;

(iii) the receipt by the Purchaser of a legal opinion by a firm of qualified lawyers in the PRC in such form and substance satisfactory to the Purchaser confirming the shareholders of the PRC Companies, the relevant PRC Companies ownership of the Projects, its right to operate the Projects and the state and conditions of the Projects; and

(iv) the receipt by the Purchaser of a legal opinion by a firm of qualified lawyers in the BVI in such form and substance satisfactory to the Purchaser confirming the due incorporation and existence of the Vendor and its subsidiaries incorporated in the BVI.

In addition to and without prejudice to the above, Completion is also subject to the representations and warranties and undertakings by the Vendor as set out in the S&P Agreement being not inaccurate and not incorrect and there is no material adverse change or effect occurred on the Target Group, the PRC Companies and the Projects prior to Completion and, among others, the following :

(i) the Purchaser having obtained the relevant management accounts and audited account of the Target Group and the PRC Companies;

(ii) the Purchaser having conducted and completed Due Diligence on the Target Group, the PRC Companies and the Projects to its absolute satisfaction;

(iii) the shareholders of CSCP having approved the S&P Agreement and all transactions contemplated thereunder at an extraordinary general meeting of CSCP in accordance with the Listing Rules, if required;

(iv) the entering into the shareholders' agreement between shareholders of the Target in respect of the Target;

(v) all requisite consents and approvals from the relevant third parties (including any governments, official authorities or regulatory authorities) having been obtained; and

(vi) such other conditions as may be required by the Purchaser.

Earnest Money and Exclusivity Period

Pursuant to the MOU, within ten business days after the date of signing of the MOU, the Purchaser shall pay the Earnest Money to the Vendor in cash and which will be satisfied by internal resources of the Group. Following the signing of the MOU, the Purchaser will conduct the Due Diligence.

The Vendor has undertaken that it will procure that during the Exclusivity Period, there will not be any (i) sale, mortgage, grant of option or other disposition of, or encumbrance, or agreement to sell, mortgage, grant option over or otherwise dispose of or encumber, in respect of the whole or any part of the business, assets or shares of the Target Group, the PRC Companies or the Projects by any person other than the Purchaser; or (ii) discussions or negotiations with any person other than the Purchaser in relation to the sale, mortgage or other disposition of, or grant of an option or other encumbrance in respect of, the whole or any part of the business, assets or shares of the Target Group, the PRC Companies or the Projects without consent of the Purchaser.

Pursuant to the MOU, if the S&P Agreement can be concluded and entered into between the Vendor and the Purchaser within the Exclusivity Period, the Earnest Money will be applied towards the part payment of the Consideration payable by the Purchaser to the Vendor under and in accordance with the terms of the S&P Agreement. In the event that the Consideration is less than the Earnest Money, the Purchaser shall on Completion direct the Vendor to inject the balance to the PRC Companies through the Target Group as the Purchaser's capital contribution to the PRC Companies.

If for any reason no S&P Agreement can be concluded and entered into within the Exclusivity Period, the Vendor shall within ten business days after the expiry of the Exclusivity Period refund the Earnest Money to the Purchaser, or if at any time after the signing of the MOU, the Purchaser is, in its absolute discretion, not satisfied with the results of the Due Diligence and the Vendor and the Purchaser fail to agree on any unresolved matter(s) under the Due Diligence within the Exclusivity Period, the Vendor shall refund the Earnest Money to the Purchaser within ten business days after the notice of refund is served by the Purchaser to the Vendor and in such event, the Exclusivity Period shall lapse on the date of return of the Earnest Money from the Vendor to the Purchaser. The Guarantor has guaranteed the obligations of the Vendor for the refund of the Earnest Money which becomes due to be refunded under the MOU.

Formal S&P Agreement

The formal S&P Agreement will be entered into subject to the Due Diligence and fulfillment of the conditions precedent for signing of S&P Agreement as mentioned above.

Other principal terms

If for any reason no S&P Agreement can be concluded and entered into within the Exclusivity Period, the MOU will lapse and the Vendor shall within ten business days after the expiry of the Exclusivity Period refund the Earnest Money to the Purchaser.

The provision relating to the sale and purchase of the Sale Shares is not legally-binding whereas the provisions relating to, inter alia, the Due Diligence, confidentiality, the Earnest Money and the Exclusivity Period are legally-binding.

INFORMATION OF THE TARGET AND THE PRC COMPANIES

The Vendor is an investment holding company and the sole shareholder of the Target which indirectly owns 100% of the issued share capital of China Railway Logistic. Pursuant to two share sale and purchase agreements entered into between China Railway Logistic and the Shanghai Company, China Railway Logistic has agreed to purchase and the Shanghai Company has agreed to sell 62.5% equity interest of the two PRC Companies and which have been approved by the PRC governmental authorities to build and construct two sections of Zunxiao Railway. China Railway Logistic is in negotiation with the relevant vendors for the acquisition of not less than 51% equity interest in one of the PRC Companies which has been approved by the PRC governmental authorities to build and construct the remaining section of the Zunxiao Railway.

According to information provided by the Vendor, the PRC Companies have been approved to carry on the business of railway constructions for the Zunxiao Railway, and two of the PRC Companies have been approved to carry on the container and self-owned rail wagon chartering services. According to the information provided by the Vendor, Zunxiao Railway is the railway to be constructed to connect Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the PRC with a total of approximately 121 kilometres starting from Zunhua South (遵化南), Tangshan City to Xiaosigou (小寺溝), Chengde City, Hebei Province, the PRC.

REASONS FOR THE PROPOSED INVESTMENT

The Group is principally engaged in Municipal Solid Waste incineration and power generation businesses in the PRC. The Directors consider the Proposed Investment represents a good opportunity to invest in an infrastructure project in a fast growing industry in the PRC which would enhance the Shareholders' value in the long run.

Given that if the S&P Agreement is not entered into on or before the Exclusivity Period, the MOU will lapse and the Earnest Money (without any accrued interest) shall be returned to the Purchaser, the Directors consider that payment of the Earnest Money under the terms of the MOU are fair and reasonable. The Directors consider that by payment of the refundable Earnest Money, the Group would be able to conduct the Due Diligence to evaluate the Proposed Investment and is in the interests of the Company and the Shareholders as a whole.

GENERAL

The payment of the Earnest Money under the terms of the MOU constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the payment of the Earnest Money under the terms of the MOU and other information required to be disclosed under the Listing Rules will be dispatched to the Shareholders in accordance with the Listing Rules.

DEFINITIONS

"Board"	the board of Directors
"BVI"	British Virgin Islands
"China Railway Logistic"	China Railway Logistic Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Target
"Company"	China Sciences Conservational Power Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
"Consideration"	the total consideration for the Sale Shares
"Directors"	the director(s) of the Company
"Due Diligence"	the due diligence review on the Target Group, the PRC Companies and the Projects
"Earnest Money"	a sum of HK$35,000,000 which shall be payable by the Purchaser to the Vendor
"Exclusivity Period"	the period from the date of the MOU until three months from thereafter or such other date as the parties may agree
"Guarantor"	Mr. Zhu Gongshan, being the sole shareholder of the Vendor
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the memorandum of understanding entered into between the Purchaser, the Vendor and the Guarantor on 6 November 2008
"PRC"	the People's Republic of China, which, for the purposes of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Companies"	three companies incorporated in the PRC and the equity interests of which are to be acquired by China Railway Logistic, and "PRC Company" shall mean one of them
"PRC Companies Acquisition"	the acquisition of the PRC Companies by China Railway Logistic
"Projects"	the railway construction projects of Zunxiao Railway comprising three sections of construction and each PRC Company has been approved to construct one section of the construction of the Zunxiao Railway, and the container and self-owned rail wagon chartering services approved to be operated by two of the PRC Companies

"Proposed Investment"	the proposed purchase of the Sale Shares by the Purchaser from the Vendor
"Purchaser"	Sharprise Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Shareholders"	shareholders of the Company
"S&P Agreement"	a sale and purchase agreement to be entered into between the Purchaser and the Vendor in respect of the Proposed Investment
"Sale Shares"	49% of the enlarged issued share capital of the Target
"Shanghai Company"	上海弗卡斯環保工程有限公司 (Shanghai Fu Ka Si Environmental Protection Engineering Limited*), a company incorporated in the PRC with limited liabilities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Gofar Holdings Limited, a company incorporated in the BVI with limited liability and is an investment holding company. As at the date hereof, there is only 1 share issued in the Target. The Target will further allot and issue 99 shares to the Vendor before the signing of the S&P Agreement
"Target Group"	the Target and its subsidiaries
"Vendor"	Fast Sky Holdings Limited, a company incorporated in the BVI and is wholly-owned by the Guarantor
"Zunxiao Railway"	a railway to be constructed to connect Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the PRC with a total of approximately 121 kilometers

By Order of the Board of
China Sciences Conservational Power Limited
Liang Jun
Chairman

Hong Kong, 7 November 2008

As at the date of this announcement, the executive directors of the Company are Messrs Liang Jun (Chairman), Chan Wai Ming and Chan Ka Fat; the non-executive director of the Company is Mr. Tse On Kin; and the independent non-executive directors of the Company are Messrs Chan Chi Yuen, Zhang Xi and Tsang Kwok Wa.

* *For identification purposes only*