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Tianjin Capital Environmental Protection Group Company Limited  
天津創業環保集團股份有限公司

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1065)

## DISCLOSEABLE TRANSACTIONS

On 31 October 2012, the Company entered into the Contractor Agreement III with Tiesiju Group, pursuant to which the Company agreed to engage Tiesiju Group and Tiesiju Group agreed to construct Structures III at a total consideration of RMB86,036,082 (equivalent to approximately HK\$106,684,742).

On the same date, the Company entered into the Contractor Agreement IV with Municipal No. 2 Company, pursuant to which the Company agreed to engage Municipal No. 2 Company and Municipal No. 2 Company agreed to construct Structures IV at a total consideration of RMB63,933,393 (equivalent to approximately HK\$79,277,407).

On 13 September 2012, the Company entered into the Contractor Agreement I with Tiesiju Group. On 25 October 2012, Water Recycling Company (a wholly-owned subsidiary of the Company) entered into the Land Contractor Agreement with Tiesiju Group. The Contractor Agreement III should be aggregated with the Contractor Agreement I and Land Contractor Agreement pursuant to Rule 14.22 of the Listing Rules.

On 13 September 2012, the Company entered into the Contractor Agreement II with Municipal No. 2 Company. The Contractor Agreement IV should be aggregated with the Contractor Agreement II pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the transaction contemplated under each of the Contractor Agreements constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

On 31 October 2012, the Company entered into the Contractor Agreement III with Tiesiju Group, pursuant to which the Company agreed to engage Tiesiju Group and Tiesiju Group agreed to construct Structures III at a total consideration of RMB86,036,082 (equivalent to approximately HK\$106,684,742).

On the same date, the Company entered into the Contractor Agreement IV with Municipal No. 2 Company, pursuant to which the Company agreed to engage Municipal No. 2 Company and Municipal No. 2 Company agreed to construct Structures IV at a total consideration of RMB63,933,393 (equivalent to approximately HK\$79,277,407).

Details of each of the Contractor Agreements are as follows:-

### **THE CONTRACTOR AGREEMENT III**

#### *Date*

31 October 2012

#### *Parties*

- (a) The Company; and
- (b) Tiesiju Group

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, Tiesiju Group and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

#### *Services to be provided*

Pursuant to the Contractor Agreement III, Tiesiju Group shall be responsible for the construction of Structures III at the new sewage water treatment plant of the Company situated at Jinnan District, Tianjin (the “**New Sewage Water Treatment Plant**”). The Company shall provide the design drawings and temporary water and electricity supply, and shall be responsible for the temporary road connection to the construction site. The construction of Structures III was commenced on 25 October 2012 and shall be completed by 30 May 2013.

### *Consideration*

The total consideration for the engagement of Tiesiju Group under the Contractor Agreement III is RMB86,036,082 (equivalent to approximately HK\$106,684,742). The consideration was determined after the public tender process, in which Tiesiju Group was awarded the tender, and such consideration was accepted by the Company after taking into account the prevailing market price. The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable.

The Company intends to settle the consideration by its internal resources, which are the compensation (the “**Compensation**”) paid by The People’s Government of Tianjin City for the relocation of the Company’s existing Jizhuangzi sewage water treatment plant and construction of the New Sewage Water Treatment Plant (details of which were set out in the circular of the Company dated 24 May 2012).

### *Payment Terms*

The consideration shall be settled by the Company in the following manner:

- (i) 10% of the total consideration as advance payment (“**Advance Payment I**”) shall be paid in a bank account under the control of both Tiesiju Group and the Company within 14 days after the issuance of a letter of performance guarantee from a third party engaged by Tiesiju Group to the Company and a letter of advance payment guarantee from the bank entrusted by Tiesiju Group to the Company;
- (ii) 30% of the Advance Payment I will be used to deduct the amount of subsequent Monthly Progress Payment I (as defined below), when the total amount of Monthly Progress Payment I paid attains 30% of the total consideration;
- (iii) the remaining balance of the Advance Payment I will be used to deduct the amount of subsequent Monthly Progress Payment I, when the total amount of Monthly Progress Payment I paid attains 70% of the total consideration;
- (iv) the consideration will be paid monthly with payment amount to be determined in accordance with the volume of construction works completed by Tiesiju Group on or before the 25th day of each month (“**Monthly Progress Payment I**”);
- (v) 85% of each Monthly Progress Payment I will be paid within 14 days after issuance of monthly debit notes by Tiesiju Group;

(vi) payment of 95% of the total consideration will be completed within 28 days after the completion and settlement of the construction works and issuance of debit note by Tiesiju Group; and

(vii) if there will be no quality problem, the balance of 5% of the total consideration (being the quality guarantee) will be paid within 30 days after the expiry of the warranty period of 2 years counting from the date when the completed construction works are inspected and accepted.

#### **THE CONTRACTOR AGREEMENT IV**

##### *Date*

31 October 2012

##### *Parties*

(a) The Company; and

(b) Municipal No. 2 Company

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, Municipal No. 2 Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

##### *Services to be provided*

Pursuant to the Contractor Agreement IV, Municipal No. 2 Company shall be responsible for the construction of Structures IV at the New Sewage Water Treatment Plant. The Company shall provide the design drawings and temporary water and electricity supply, and shall be responsible for the temporary road connection to the construction site. The construction of Structures IV was commenced on 25 October 2012 and shall be completed by 30 May 2013.

### *Consideration*

The total consideration for the engagement of Municipal No. 2 Company under the Contractor Agreement IV is RMB63,933,393 (equivalent to approximately HK\$79,277,407). The consideration was determined after the public tender process, in which Municipal No. 2 Company was awarded the tender, and such consideration was accepted by the Company after taking into account the prevailing market price. The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable.

The Company intends to settle the consideration by its internal resources, which are the Compensation.

### *Payment terms*

The consideration shall be settled by the Company in the following manner:

- (i) 10% of the total consideration as advance payment (“**Advance Payment II**”) shall be paid in a bank account under the control of both Municipal No. 2 Company and the Company within 14 days after the issuance of a letter of performance guarantee from a third party engaged by Municipal No. 2 Company to the Company and a letter of advance payment guarantee from the bank entrusted by Municipal No. 2 Company to the Company;
- (ii) 30% of the Advance Payment II will be used to deduct the amount of subsequent Monthly Progress Payment II (as defined below), when the total amount of Monthly Progress Payment II paid attains 30% of the total consideration;
- (iii) the remaining balance of the Advance Payment II will be used to deduct the amount of subsequent Monthly Progress Payment II, when the total amount of Monthly Progress Payment II paid attains 70% of the total consideration;
- (iv) the consideration will be paid monthly with payment amount to be determined in accordance with the volume of construction works completed by Municipal No. 2 Company on or before the 25th day of each month (“**Monthly Progress Payment II**”);
- (v) 85% of each Monthly Progress Payment II will be paid within 14 days after issuance of monthly debit notes by Municipal No. 2 Company;

(vi) payment of 95% of the total consideration will be completed within 28 days after the completion and settlement of the construction works and issuance of debit note by Municipal No. 2 Company; and

(vii) if there will be no quality problem, the balance of 5% of the total consideration (being the quality guarantee) will be paid within 30 days after the expiry of the warranty period of 2 years counting from the date when the completed construction works are inspected and accepted.

## **REASONS FOR ENTERING INTO THE CONTRACTOR AGREEMENTS**

As the existing sewage water treatment plant of the Company situated at Jizhuangzi, Tianjin was required to be relocated by The People's Government of Tianjin City, the New Sewage Water Treatment Plant will be constructed for the continuing provision of sewage water treatment services by the Company (details of which were set out in the circular of the Company dated 24 May 2012). Structures III and Structures IV to be constructed under the Contractor Agreements together with the structures constructed/to be constructed under the Contractor Agreement I and Contractor Agreement II will form part of the New Sewage Water Treatment Plant. The entering into of the Contractor Agreements will ensure that the New Sewage Water Treatment Plant will be completed and commence commercial operation as scheduled, and will have a positive impact on the production and operation of the Company.

The Directors are of the view that each of the transactions contemplated under the Contractor Agreements is on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms of the Contractor Agreements are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **INFORMATION OF THE COMPANY, WATER RECYCLING COMPANY, TIESIJU GROUP AND MUNICIPAL NO. 2 COMPANY**

The Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services of treatment facilities of sewage water, tap water and other types of water; design, construction, management, building and operation management of municipal infrastructures; license operation, technical consultation and auxiliary services of Southeastern Half Ring Urban Road of the Middle Ring of Tianjin City; development and operation of environmental protection technology and products; leasing of self-owned properties, etc.

Water Recycling Company is a wholly-owned subsidiary of the Company and is principally engaged in the production and sales of recycled water; development and construction of water recycling facilities as well as manufacturing, installation, commissioning and operation of equipment for recycled water, etc.

Tiesiju Group is principally engaged in the construction of domestic and overseas railway, highways, houses, and electricity and water facilities as well as environmental protection projects, etc.

Municipal No. 2 Company is principally engaged in the construction of highways, bridges, and electricity and water facilities; wholesale and retail of construction materials and machineries, etc.

## **LISTING RULES IMPLICATIONS**

On 13 September 2012, the Company entered into the Contractor Agreement I with Tiesiju Group. On 25 October 2012, Water Recycling Company (a wholly-owned subsidiary of the Company) entered into the Land Contractor Agreement with Tiesiju Group. The Contractor Agreement III should be aggregated with the Contractor Agreement I and Land Contractor Agreement pursuant to Rule 14.22 of the Listing Rules.

On 13 September 2012, the Company entered into the Contractor Agreement II with Municipal No. 2 Company. The Contractor Agreement IV should be aggregated with the Contractor Agreement II pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the transaction contemplated under each of the Contractor Agreements constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Tianjin Capital Environmental Protection Group Company Limited, a joint stock limited company established in the PRC whose A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange respectively
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Contractor Agreement I”	the contractor agreement dated 13 September 2012 entered into between the Company and Tiesiju Group at a total consideration of RMB120,035,858, details of which were set out in the Company’s announcement dated 13 September 2012
“Contractor Agreement II”	the contractor agreement dated 13 September 2012 entered into between the Company and Municipal No. 2 Company at a total consideration of RMB237,993,393, details of which were set out in the Company’s announcement dated 13 September 2012
“Contractor Agreement III”	the contractor agreement dated 31 October 2012 entered into between the Company and Tiesiju Group in respect of the construction of Structures III at a total consideration of RMB86,036,082
“Contractor Agreement IV”	the contractor agreement dated 31 October 2012 entered into between the Company and Municipal No. 2 Company in respect of the construction of Structures IV at a total consideration of RMB63,933,393
“Contractor Agreements”	Contractor Agreement III and Contractor Agreement IV



“Directors”	the directors of the Company, including the independent non-executive directors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Land Contractor Agreement”	the contractor agreement dated 25 October 2012 entered into between Water Recycling Company and Tiesiju Group at a total consideration of RMB45,538,890, details of which were set out in the Company’s announcement dated 25 October 2012
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Municipal No. 2 Company”	天津市第二市政公路工程有限公司(Tianjin No. 2 Municipal Road Engineering Company Limited*), a company incorporated in the PRC with limited liability
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structures III”	certain structures including an efficient settling tank, a deep bed filter, an ultraviolet disinfection drainage, an intermediate elevation pumping station, a backwashing filter system, substations, a chemical injection and storage pool, a water source air-conditioned station, a water analysis station, fire prevention and water supply pumping station, an integrated building, an auxiliary building, a guardhouse and a reception

“Structures IV”	certain structures including a homogeneous sludge pool, a rainwater pumping station, a sludge hydrolysis pool, coarse grille and inflow water pumping stations (including foundation pit support), fine grille and aerated grit pool, an outflow water pumping station, methanol injection area and storage tank, a blower room, a sludge condensation dewatering pool and a pumping station, a primary pool sludge condensation pool and pumping station, substations and a repair shop
“Tiesiju Group”	中鐵四局集團有限公司(China Tiesiju Civil Engineering Group Company Limited*), a company incorporated in the PRC with limited liability
“Water Recycling Company”	天津中水有限公司(Tianjin Water Recycling Company Limited*), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board  
**Zhang Wenhui**  
*Chairman*

Tianjin, the PRC  
31 October 2012

*As at the date of this announcement, the Board comprises four executive Directors: Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Zhong Huifang; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen.*

*For the purposes of this announcement, the following exchange rate is used:-  
RMB1.00= HK\$1.24*

*\* For identification purposes only*