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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 TRANSACTION

On 4 November 2016, the Company and Karamay Construction Bureau entered into the PPP Project Agreement, pursuant to which, among other things, the parties agree to implement the PPP Project, including the transfer of the concession rights of the Existing Phase I to the Project Company by adopting the model of “Transfer-Operate-Transfer (TOT)” and the construction of the New Phase II by the Project Company by adopting the model of “Design-Build-Operate-Transfer (DBOT)”. The consideration for the transfer of the concession rights of the Existing Phase I is approximately RMB180,145,000 (equivalent to approximately HK\$207,166,750) and the investment amount for the New Phase II is approximately RMB317,770,000 (equivalent to approximately HK\$365,435,500). The total investment amount of the PPP Project is approximately RMB497,915,000 (equivalent to approximately HK\$572,602,250).

On the same date, the Company and the Government Representative entered into the JV Agreement, pursuant to which, among other things, the parties agree to establish the Project Company for the PPP Project. The registered capital of the Project Company will be RMB120,000,000 (equivalent to approximately HK\$138,000,000), among which, the Company agrees to contribute RMB108,000,000 (equivalent to approximately HK\$124,200,000) in cash, representing 90% of the registered capital of the Project Company, and the Government Representative agrees to contribute RMB12,000,000 (equivalent to approximately HK\$13,800,000) in cash, representing 10% of the registered capital of the Project Company. The business scope of the Project Company will include the design, investment, financing, construction, operation and maintenance of the PPP Project.

As the applicable percentage ratios are more than 5% but less than 25%, the transactions contemplated under the PPP Project Agreement and the JV Agreement constitute discloseable transactions of the Company under the Listing Rules. Accordingly, such transactions are subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 September 2016 in relation to the success in the bid for the PPP Project of the Second Sewage Water Treatment Plant of Karamay.

The Board is pleased to announce that on 4 November 2016, the Company and Karamay Construction Bureau entered into the PPP Project Agreement, pursuant to which, among other things, the parties agree to implement the PPP Project. On the same date, the Company and the Government Representative also entered into the JV Agreement, pursuant to which, among other things, the parties agree to establish the Project Company for the PPP Project. Set out below is a brief summary of the principal terms of the PPP Project Agreement and the JV Agreement:-

PPP PROJECT AGREEMENT

(1) Signing Date

4 November 2016

(2) Parties

- (a) The Company; and
- (b) Karamay Construction Bureau.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Karamay Construction Bureau and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

(3) PPP Project

Pursuant to the PPP Project Agreement, the PPP Project is the project of the Second Sewage Water Treatment Plant of Karamay to be implemented by the Company and Karamay Construction Bureau, including the transfer of the concession rights of the Existing Phase I to the Project Company by adopting the model of “Transfer-Operate-Transfer (TOT)” and the construction of the New Phase II by the Project Company by adopting the model of “Design-Build-Operate-Transfer (DBOT)”.

The Existing Phase I, which has formally commenced its operation at the end of 2011, has a designed sewage water processing capacity of 50,000 cubic metres per day and the effluent meets Grade 1A discharge standard of “Discharge Standard of Pollutants of Municipal Sewage Water Treatment Plant” (GB18918-2002). It is planned that the New Phase II will have a sewage water processing capacity of 100,000 cubic metres per day and the effluent will also meet Grade 1A discharge standard of “Discharge Standard of Pollutants of Municipal Sewage Water Treatment Plant” (GB18918-2002), and the Nephelometric Turbidity Units (NTU) of the effluent will not exceed 10 under the requirement of “Quality Standard for Municipal Sewage Reclamation for Municipal Multi-Purpose Uses” (GB/T18920-2002).

In accordance with the appraisal report issued by Xinjiang Tianhe Assets Appraisal Co., Ltd.* (新疆天合資產評估有限責任公司), an independent professional valuer in the PRC, on 18 March 2016, the appraised assets value of the Existing Phase I as at 29 February 2016 was RMB180,145,041.99.

Rule 14.58(7) of the Listing Rules requires disclosure of the net profits (both before and after taxation) attributable to the Existing Phase I for the last two financial years (the “**Required Financial Information**”) in this announcement. However, due to its public institution nature, the income and expenses of the Second Sewage Water Treatment Plant of Karamay were incorporated into the annual financial plan of the income and expenses of Karamay, therefore, the Required Finance Information has not been prepared for the last two financial years.

The total investment amount of the PPP Project is approximately RMB497,915,000 (equivalent to approximately HK\$572,602,250), which comprises (1) the consideration for the transfer of the concession rights of the Existing Phase I in the sum of approximately RMB180,145,000 (equivalent to

approximately HK\$207,166,750); and (2) the investment amount of the New Phase II in the sum of approximately RMB317,770,000 (equivalent to approximately HK\$365,435,500). The total investment amount was determined with reference to (i) the abovementioned appraised assets value of the Existing Phase I; and (ii) the designed sewage water processing capacity of 100,000 cubic meters per day, the effluent requirement and other conditions of the New Phase II.

The Company (or upon its establishment, the Project Company) shall make a full payment of the consideration of approximately RMB180,145,000 (equivalent to approximately HK\$207,166,750) for the transfer of the concession rights of the Existing Phase I in a lump sum to an account designated by Karamay Finance Bureau, not later than ten business days before 1 January 2017. The investment amount of the New Phase II of approximately RMB317,770,000 (equivalent to approximately HK\$365,435,500) shall be made by the Project Company according to the construction progress of the New Phase II.

(4) Concession Rights

In accordance with the PPP Project Agreement, Karamay Construction Bureau agrees to grant the concession rights of the PPP Project to the Company, including operation and maintenance of the Existing Phase I, investment, optimized design, operation and maintenance of the New Phase II, provision of sewage water treatment services to the Existing Phase I and the New Phase II as well as collection of sewage water treatment fees. Such concession rights are sole and exclusive to the Company.

The concession period of the PPP Project shall be 27 years from 1 January 2017 to 31 December 2043, including the period of not more than two years since 1 January 2017 for the construction of the New Phase II. Upon expiry of the concession period, the Company shall, in accordance with the PPP Project Agreement, transfer the properties of the PPP Project to Karamay Construction Bureau or any institution or department designated by the government of Karamay.

(5) Establishment of the Project Company

In accordance with the PPP Project Agreement, the Company and the Government Representative shall establish the Project Company, with a registered capital of RMB120,000,000 (equivalent to approximately HK\$138,000,000), among which, the Company agrees to contribute RMB108,000,000 (equivalent to approximately HK\$124,200,000) in cash,

representing 90% of the registered capital of the Project Company, and the Government Representative agrees to contribute RMB12,000,000 (equivalent to approximately HK\$13,800,000) in cash, representing 10% of the registered capital of the Project Company.

The registered capital of the Project Company could be injected in batches, and the time of injection of the registered capital shall satisfy the payment deadline of the consideration for the transfer of the concession rights of the Existing Phase I, the payment of other construction costs and the need of initial working capital.

Upon its establishment, the Project Company will inherit and perform all the rights and obligations which shall have been performed by the Company under the PPP Project Agreement, until the termination of the PPP Project Agreement.

(6) Letters of Guarantee

(a) *Letter of Guarantee in Relation to Construction Performance*

The Project Company shall, within five working days after its establishment, provide a letter of guarantee in relation to construction performance in the amount of RMB30 million (equivalent to approximately HK\$34.5 million) to Karamay Construction Bureau to ensure performance of the obligations of the Project Company during the construction period of the PPP Project. The amount of guarantee in relation to construction performance should be sufficient to cover the need until the tenth working day after the issue of the letter of guarantee in relation to operation and maintenance by the Project Company.

(b) *Letter of Guarantee in Relation to Operation and Maintenance*

The Project Company shall, prior to the commercial operation of the PPP Project, provide a letter of guarantee in relation to operation and maintenance in the amount of RMB20 million (equivalent to approximately HK\$23 million) to Karamay Construction Bureau to ensure performance of the obligations of the Project Company during the operation period of the PPP Project. The amount of guarantee in relation to operation and maintenance should be sufficient to cover the need until the issue of the letter of guarantee in relation to transfer and repair by the Project Company.

(c) *Letter of Guarantee in Relation to Transfer and Repair*

The Project Company shall, before twelve months prior to the end of the concession period, provide a letter of guarantee in relation to transfer and repair in the amount of RMB10 million (equivalent to approximately HK\$11.5 million) to Karamay Construction Bureau to ensure performance of the transfer obligation and other compensation obligations of the Project Company under the PPP Project. The amount of guarantee in relation to construction performance should be sufficient to cover the need until the expiry of twelve months after the date of transfer of the PPP Project by the Project Company.

THE JV AGREEMENT

(1) Signing Date

4 November 2016

(2) Parties

- (a) The Company; and
- (b) The Government Representative.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Government Representative and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

(3) Business Scope

The business scope of the Project Company will include the design, investment, financing, construction, operation and maintenance of the PPP Project.

(4) Total Amount of Investment and the Registered Capital

The total investment amount will be approximately RMB497,915,000 (equivalent to approximately HK\$572,602,250), including the consideration for the transfer of the concession rights of the Existing Phase I of approximately RMB180,145,000 (equivalent to approximately HK\$207,166,750) and the investment amount for the New Phase II of approximately RMB317,770,000 (equivalent to approximately HK\$365,435,500). The registered capital of the Project Company will be RMB120,000,000 (equivalent to approximately HK\$138,000,000), among which, the Company agrees to contribute

RMB108,000,000 (equivalent to approximately HK\$124,200,000) in cash, representing 90% of the registered capital of the Project Company, and the Government Representative agrees to contribute RMB12,000,000 (equivalent to approximately HK\$13,800,000) in cash, representing 10% of the registered capital of the Project Company.

The difference between the total investment amount and the amount of the registered capital shall be resolved by the Project Company by way of bank loans, etc. In the case that the Project Company could not complete the project financing smoothly, the Company shall resolve the matter by way of provision of shareholder's loan, replenishment of guarantees, etc.

(5) Profit Sharing

After offsetting its losses and drawing for the provident fund, the Project Company shall distribute the profit after taxation to its shareholders according to their shareholding.

(6) Organisational Structure

The board of directors of the Project Company will comprise five directors, among which four directors will be nominated by the Company, one director will be nominated by the Government Representative, and the chairman of the board of directors shall be nominated by the Company, the appointment of whom shall be elected by the board of directors.

(7) Transfer of Equity

The shareholders of the Project Company shall not transfer all or part of their equity interest in the Project Company to any third parties within 10 years (inclusive) from the effective date of the PPP Project Agreement, unless the transfer is required by laws or approved by the Karamay Government in advance.

After the expiry of 10 years from the effective date of the PPP Project Agreement, upon obtaining the written approval of the Government Representative, the Company may transfer its equity interest in the Project Company, provided that the transferee is able to satisfy the basic conditions set out in the PPP Project Agreement. The transferee shall also express in written form that after it becomes a shareholder of the Project Company, it will procure and ensure that the Project Company will continuously perform its duties under the PPP Project Agreement.

INFORMATION OF THE COMPANY, KARAMAY CONSTRUCTION BUREAU AND THE GOVERNMENT REPRESENTATIVE

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.

Karamay Construction Bureau is a department of Karamay People's Government, which is responsible for the urban planning and construction of Karamay, the research and formulation of policies, rules and reform plans in respect of engineering construction, urban construction, village and town construction, construction industry, municipal public utilities, investigation design and consultancy industry, etc. and the industrial management.

The Government Representative is the investor representative of the Karamay People's Government, i.e. Karamay City Construction Investment and Development Company Limited* (克拉瑪依市城市建設投資發展有限責任公司).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Karamay Construction Bureau and the Government Representative and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

REASONS FOR ENTERING INTO THE PPP PROJECT AGREEMENT AND THE JV AGREEMENT

The PPP Project is a new concession project acquired by the Company within its scope of principal business of sewage water treatment, which can assist the Company in expansion of market share in the sewage water treatment sector and in increasing its revenue and profit. The acquisition of the PPP Project will be of great significance to the Company in entering into the Xinjiang regional market, increasing the influence in the region and expanding the overall scale. The smooth operation of the PPP Project will enable the Company to take full advantage of its management and technical personnel resources and can provide convenience for the Company to further develop projects in the western region.

The terms of the PPP Project Agreement and the JV Agreement were determined after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the PPP Project Agreement and the JV Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are more than 5% but less than 25%, the transactions contemplated under the PPP Project Agreement and the JV Agreement constitute discloseable transactions of the Company under the Listing Rules. Accordingly, such transactions are 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 otherwise requires, the following terms 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 this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Existing Phase I”	existing phase I of the Second Sewage Water Treatment Plant of Karamay
“Government Representative”	the investor representative of the Karamay People's Government, i.e. Karamay City Construction Investment and Development Company Limited* (克拉瑪依市城市建設投資發展有限責任公司)
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement entered into between the Company and the Government Representative on 4 November 2016 in relation to the establishment of the Project Company
“Karamay Construction Bureau”	Karamay Construction Bureau of Xinjiang Uygur Autonomous Region, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Phase II”	new phase II of the Second Sewage Water Treatment Plant of Karamay to be built
“percentage ratio(s)”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PPP Project”	the Public-Private-Partnership (PPP) project of the Second Sewage Water Treatment Plant of Karamay to be conducted by the Company and Karamay Construction Bureau, including the transfer of the concession rights of Existing Phase I by adopting the model of “Transfer-Operate-Transfer (TOT)” and the construction of New Phase II by adopting the model of “Design-Build-Operate-Transfer (DBOT)”
“PPP Project Agreement”	the project agreement entered into between the Company and Karamay Construction Bureau on 4 November 2016 in relation to the PPP Project
“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
“Project Company”	a project company for the PPP Project preliminarily to be named as Karamay Tianchuang Water Company Limited* (克拉瑪依天創水務有限公司), which will be a limited liability company to be incorporated in the PRC by the Company and the Government Representative in accordance with the JV Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the existing share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used:

RMB1.00 = HK\$1.15

By order of the Board

Liu Yujun

Chairman

Tianjin, the PRC
4 November 2016

As at the date of this announcement, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.

** For identification purpose only*