



Tianjin Capital Environmental Protection Company Limited

天津創業環保股份有限公司

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

(Stock code: 1065)

Announcement Relating to 2005 Interest Payment and Share Conversion of A Share Convertible Bonds

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Tianjin Capital Environmental Protection Company Limited (the “Company”) and all members of the board (the “Board”) of directors (the “Directors”) of the Company warrant that the content of this announcement is true, accurate and complete, and assume joint responsibilities for any false record, misrepresentation or material omission in this announcement.

Summary

I. Interest payment of the A Share Convertible Bonds in 2005

1. The interest of the A Share Convertible Bonds is calculated based on its nominal amount starting from the Interest Commencement Date. The nominal interest rate is 2.34% p.a. for the first year.
2. The interest payable for each A Share Convertible Bond with a nominal value of RMB1,000 is RMB23.4 (tax inclusive).
3. The Registration Date is 30 June 2005.
4. The ex-interest date is 1 July 2005.
5. The interest payment date is 7 July 2005.

II. Share Conversion of the A Share Convertible Bonds

1. A Share Convertible Bond code: 110874
A Share Convertible Bond short form: Tianjin Convertible Bonds
2. Share Conversion code: 190874
Share Conversion short form: Tianjin Share Conversion
3. Initial Conversion Price: RMB7.70 per share
4. Conversion Period: from 1 July 2005 to 30 June 2009
5. The listing and trading date of the A Shares arising from Share Conversion: the next trading day after confirmation of settlement (T+1, i.e. the following trading day after Share Conversion, where T represents the application date for Share Conversion)

I. Interest payment of the A Share Convertible Bonds in 2005

As at 1 July 2005, it has been a year since the issue date (1 July 2004) of the A Share Convertible Bonds of the Company (“A Share Convertible Bonds”) namely “Tianjin Convertible Bonds”. In accordance with the terms stipulated in the “Offering Memorandum of the A Share Convertible Bonds (the “Offering Memorandum”), the interest payment arrangement was announced as follows:

(1) Interest rate and interest payable

In accordance with the terms stipulated in the Offering Memorandum, the interest of the A Share Convertible Bonds shall be calculated starting from 1 July 2004 (the “Interest Commencement Date”). The nominal interest rate for the first year is 1.7% p.a.. It is also provided that if the statutory interest rate for five-year term deposit of the People’s Republic of China (the “PRC”) is above 2.79% on the interest payment registration date (the “Registration Date”), the first year nominal interest rate for A Share Convertible Bonds will be adjusted to 65% of the PRC statutory interest rate for five-year term deposit. The nominal interest rate for the remaining years will remain unchanged. As the People’s Bank of China has increased the basic interest rate of financial institutions since 29 December 2004, the PRC statutory interest rate for five-year term deposit was adjusted to 3.60%. As such, the nominal interest rate of the A Share Convertible Bonds was adjusted to 2.34% from 1.7% for the first year. Interest payable in 2005 for each A Share Convertible Bond with a nominal value of RMB1,000 is RMB23.4 (tax inclusive).

During the term of the A Share Convertible Bonds, the formula for the calculation of the annual interest payable is as follows:

$$I = B \times i$$

I: annual interest payable

B: total nominal value of the A Share Convertible Bonds held by the holders

i: nominal interest rate as determined pursuant to item (1) of this section

The interest payable shall be rounded up to RMB cents. Holders of the A Share Convertible Bonds shall be responsible for the taxes arising from the associated interest income.

(2) The Registration Date, the ex-interest date and the interest payment date

1. The Registration Date is 30 June 2005.
2. The ex-interest date is 1 July 2005.
3. The interest payment date is 7 July 2005.

(3) *Holders qualifying to receive the interest payment*

All holders of the A Share Convertible Bonds whose names appear on the register of members as maintained at China Securities Registration and Clearing Corporation Limited Shanghai Branch after the closing time of the Shanghai Stock Exchange as at 30 June 2005 (the “Registered Holders”) qualified to receive the interest payment.

(4) *Matters relating to interest payment*

The Registered Holders shall be entitled to receive the interest payable associated with the A Share Convertible Bonds for the year. The Company will pay the interest for the year within five trading days after the Registration Date.

The Company will appoint China Securities Registration and Clearing Corporation Limited Shanghai Branch as its agent to pay for the interest of the A Share Convertible Bonds. The Registered Holders who have completed the designated transaction can receive interest on the fifth trading day after the Registration Date, i.e. 7 July 2005, at the designated securities sales department. The interest of the Registered Holders who have not completed the designated transaction will be held in custody by China Securities Registration and Clearing Corporation Limited Shanghai Branch. Upon completion of the designated transaction, they can receive the interest at the designated securities sales department.

If any investor wishes to fully understand all the terms in relation to interest payment of the A Share Convertible Bonds, please read the Offering Memorandum carefully. A summary of the Offering Memorandum was published in China Securities News and Shanghai Securities News on 26 June 2004. Investors may also access the full text and relevant terms of the Offering Memorandum at the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

(5) *Enquiry*

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II. Share conversion of the A Share Convertible Bonds

With the approval issued by the China Securities Regulatory Commission (“CSRC”) (Zheng Jian Fa Xing Zi [2004] No. 100 Document), the Company issued RMB1.2 billion A Share Convertible Bonds through placing and public offer on the website of the Shanghai Stock Exchange on 1 July 2004. The preferential subscription right was given to the original holders of the A shares of the Company (the “A Shares”) for the issuance of A Share Convertible Bonds. The remaining portion not subscribed was available for public investors through online subscription and for institutional investors on fixed pricing basis through non-online subscription methods. The target subscribers are holders of A Shares as well as PRC natural persons, legal persons and other institutions (except those restricted by the PRC laws and regulations) that have A Shares stock trading accounts with the Shanghai Stock Exchange. In accordance with the Interim Administrative Measures for Convertible Bonds, Implementation Measures for Issuance of Convertible Bonds of Listed Companies, Implementation Rules for the Listing, Trading, Settlement, Share Conversion and Conversion Payment of Convertible Bonds on the Shanghai Stock Exchange and Listing Rules for Convertible Bonds of the Shanghai Stock Exchange, the RMB1.2 billion A Share Convertible Bonds can be converted into A Shares starting from 1 July 2005 (the “Share Conversion”). The announcement of the relevant Share Conversion, which investors of A Share Convertible Bonds should pay particular attention to, was published as follows:

(1) *Total issue size, nominal value, commencement date and closing date for the Share Conversion*

1. The total issue size is RMB1.2 billion.
2. The nominal value of each A Share Convertible Bond is RMB100, with 12 million bonds in total and 1.2 million board lots in total.
3. The share conversion period is from 1 July 2005 to 30 June 2009 (the “Conversion Period”).

(2) *Procedures for the Share Conversion*

1. The procedures and statement for the application of Share Conversion.

The holders of the A Share Convertible Bonds may convert the A Share Convertible Bonds held by them into A Shares at any time within the Conversion Period at the then effective conversion price (the “Conversion Price”) in accordance with the terms of the Offering Memorandum.

Application for the Share Conversion shall be processed by way of booking on the trading system of the Shanghai Stock Exchange. During the Conversion Period, the Shanghai Stock Exchange provides the transaction code of 190874 for holders of the A Share Convertible Bonds in relation to the application for the Share Conversion. Holders may convert part or all of the A Share Convertible Bonds held in their account into A Shares. The application for the

Share Conversion shall be lodged to the designated securities firm and the Share Conversion shall be based on the nominal value of the A Share Convertible Bonds and the then effective Conversion Price. The total nominal value of the A Share Convertible Bonds corresponding to the application for the Share Conversion shall be a multiple of 1,000. The total number of A Shares being converted into shall be an integer. The portion of the A Share Convertible Bonds that cannot be converted into one whole A Share at the time of the Share Conversion, the Company shall convert the nominal interest of such portion of the A Share Convertible Bond and settle in cash plus interest accruable, within five trading days after the date of Share Conversion. Once confirmed as valid by the trading system of the Shanghai Stock Exchange, the application for the Share Conversion is irrevocable. If the number of A Shares applied for upon Share Conversion by a holder is more than the number of A Shares that can actually be converted from the A Share Convertible Bonds held by him, the Shanghai Stock Exchange will proceed with the Share Conversion based on the maximum number of A Shares that can be converted into, and the excess portion of the application will be withdrawn.

During the Conversion Period, the Company will publish announcements in relation to the changes of the number ordinary A Shares arising from the Share Conversion within two trading days at the end of each quarter. When the number of Shares converted from the A Share Convertible Bonds in aggregate reaches 10% of the issued ordinary A Shares, the Company will issue announcement accordingly.

2. Application time for the Share Conversion

Holders of the A Share Convertible Bonds must submit application for Share Conversion within the time designated for the submission of the application for Share Conversion during the Conversion Period. The time designated for the submission of the application for Share Conversion refers to the normal transaction time in the trading days of the Shanghai Stock Exchange within the Conversion Period, except for the following:

- (i) period of which the trading of the A Share Convertible Bonds suspended;
- (ii) period of which the trading of A Shares suspended; or
- (iii) period of which the Company has to apply for suspension under the relevant requirements of the PRC.

3. Suspension and cancellation of the A Share Convertible Bonds

After the application for Share Conversion was confirmed as valid by the trading system of the Shanghai Stock Exchange, the number of the A Share Convertible Bonds held by the holder will be reduced (suspended and cancelled), whilst the corresponding number of A Shares held by the holder will be increased accordingly.

4. Share registration and interests entitled upon the allotment of A Shares as a result of the Share Conversion

Pursuant to the relevant disclosure of the trust manager of the holders, the share registrar of the Company will register the changes in the number of A Shares in the securities account and the number of A Share Convertible Bonds held by the holders. Upon the confirmation of settlement for application for the Share Conversion on the next trading day after the submission of the application, the ordinary A Shares allotted to the holders of the A Share Convertible Bonds can be circulated in the market. The ordinary A Shares allotted as a result of Share Conversion will rank pari passu with the issued ordinary A Shares.

5. The relevant taxation in the course of Share Conversion

In the event of any tax arising in the course of the Share Conversion, it shall be borne by the holders of the A Share Convertible Bonds, unless such tax shall be paid by the Company or the Company has assumed the obligation to withhold and pay such tax accordingly.

(3) *Relevant provisions of the A Share Convertible Bonds*

1. Conversion Period

The Conversion Period is 12 months after the date of the issue of the A Share Convertible Bonds up to the maturity date of the A Share Convertible Bonds, that is, between 1 July 2005 to 30 June 2009.

2. Determination of the initial Conversion Price

Pursuant to the relevant provisions as stipulated in the Implementation Measures for Issuance of Convertible Bonds of Listed Companies, the initial Conversion Price will be based on the arithmetic mean of the closing price of the A Shares in the 30 trading days preceding the date of the Offering Memorandum, with a positive margin of 0.5%.

The formula for the calculation of the initial Conversion Price is as follows:

$$\text{Conversion Price} = (\sum P_i) \div 30 \times (1+S)$$

Among which, P_i is the daily closing price of the A Shares during the 30 trading days preceding the date of the Offering Memorandum.

S is the premium rate of the Share Conversion, which is 0.5%.

As such, the initial Conversion Price for A Share Convertible Bonds will be RMB7.70 per share.

3. Adjustment to the Conversion Price

Following the issue of the A Share Convertible Bonds, in the event of bonus issue, capitalisation, new issue (other than the increase in the share capital as a result of the Share Conversion), rights issue and distribution of dividends, the Company shall make adjustments to the Conversion Price in the sequence of the occurrence of the above conditions, and details of adjustments are as follows:

By assuming the Conversion Price before the adjustment as P_o , the number of bonus shares or shares being issued upon capitalisation for each share as N , the number of new shares or rights issue of each share as K , the price of the new shares or rights issue as A , distribution of dividends for each share as D , the Conversion Price after the adjustment as P (the adjustment value are reserved up to two digits after the decimal point, and rounding the last figure), then

Dividends distribution: $P = P_o - D$;

Bonus issue or capitalisation: $P = P_o / (1 + N)$;

Issue of new shares or rights issue: $P = (P_o + AK) / (1 + K)$;

Combination of the three items: $P = (P_o - D + AK) / (1 + N + K)$.

In the event that there are changes to the shares and/or equity interests, the Conversion Price shall be adjusted accordingly and an announcement of the Company shall be published on listed companies information disclosure media designated by CSRC, stating the price adjustment date of the Share Conversion, adjustment method and suspension of the Conversion Period (if necessary). In the event the price adjustment date of the Share Conversion being on or after the application for the Share Conversion, and prior to the Registration Date, then the application for the Share Conversion of such holder will be executed at the Conversion Price after the adjustment.

In the event the Company may repurchase, merge, subdivide or any condition resulting in the changes in the class or number of shares and/or equity interests of the Company, whereby the interests of the holder of the A Share Convertible Bonds or interest accruable from the Share Conversion may be affected, the Company shall make adjustment to the Conversion Price in accordance with the principles of fair, impartial and just (as the case may be), and the interests of the holders of the A Share Convertible Bonds shall be fully protected. The contents and operation method regarding the adjustment of the Conversion Price shall be in accordance with the relevant laws and regulations of the PRC and the related requirements of the securities regulatory departments.

4. Provisions for downward adjustments of the Conversion Price

During the Conversion Period, in the event that the closing prices of the A Shares for 20 consecutive trading days are lower than 80% of the then Conversion Price, the Board is entitled to make downward adjustment of the Conversion Price, provided that the adjusted price shall not be lower than the average closing price of the A Shares for five trading days preceding the holding of the Board meeting to amend the Conversion Price. In the event the amendment is higher than 20% of the then Conversion Price, it shall be proposed by the Board and submitted for consideration and approval in the shareholders' general meeting.

In the event the Company decides to revise the Conversion Price, the Company shall make an announcement of the Board resolution on the listed companies information disclosure media designated by CSRC, stating the price adjustment date of the Share Conversion, adjustment method and suspension of the Conversion Period (if necessary). After the formal publication of the announcement, changes in the share price shall not affect the Company's decisions on the adjustment of the Conversion Price.

In the event the price adjustment date of the Share Conversion being on or after the application for Share Conversion and prior to the Registration Date, then the application for Share Conversion of such holder will be executed at the Conversion Price after the adjustment.

5. Disposal of fractional Share arising upon Share Conversion

Upon Share Conversion, in the event that there is any fractional Shares arising from the conversion of such portion of the A Share Convertible Bonds, the Company shall convert the nominal amount of such portion of the A Share Convertible Bonds and settle in cash plus interest accrued.

6. Vesting of the relevant dividends for the year upon which the Share Conversion takes place

Once confirmed as valid by the trading system of the Shanghai Stock Exchange, the A Shares in respect of the Share Conversion shall be automatically credited to the stock account of the applicant, and the rights of such holders shall rank pari passu with those of the existing shareholders of the Company commencing from the date the A Shares as converted are credited into the account of the original holder, whilst both the old and new shareholders shall be entitled to the un-appropriated profits of the Company. In determining the profit appropriation for the period, shareholders who are named on the share register on the record date of shareholding entitlement are eligible to the distribution of dividends for the period as resolved by the shareholders' general meeting, otherwise will be regarded as not qualified.

7. Disposal of the A Share Convertible Bonds of less than RMB30 million

During the listing period of the A Share Convertible Bonds, in the event the outstanding A Share Convertible Bonds shall be less than RMB30 million, the Shanghai Stock Exchange will immediately issue an announcement and transactions of the A Share Convertible Bonds shall be suspended three trading days thereafter. Upon the suspension of the trading of A Share Convertible Bonds and before the end of the Conversion Period, holders of the A Share Convertible Bonds may still apply for Share Conversion in accordance with the agreed terms in the Offering Memorandum.

(4) *Others*

If any investor wishes to fully understand all the terms of the A Share Convertible Bonds, please read the Offering Memorandum carefully. A summary of the Offering Memorandum was published in China Securities News and Shanghai Securities News on 26 June 2004. Investors may also access the full text and relevant terms of the Offering Memorandum at the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

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As at the date of this announcement, the Board comprises executive Directors: Ms. Ma Baiyu, Mr. An Pindong, Mr. Gu Qifeng, Mr. Wang Zhanying, Mr. Tan Zhaofu and Ms. Fu Yana, and independent non-executive Directors: Mr Wang Xuangfei, Mr. Gao Zongze, and Mr. Ko Poming.

By order of the Board
Ma Baiyu
Chairman

Tianjin, the PRC
24 June 2005

Please also refer to the published version of this announcement in The Standard.