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

If you have sold or transferred all your shares in Tianjin Capital Environmental Protection Company Limited, you should at once hand this circular to the purchaser or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF ASSETS

A letter from the Board is set out on pages 4 to 8 of this circular.

24th January, 2006

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the content requires otherwise:

“A Shares”	Renminbi-denominated domestic shares of nominal value of RMB1.00 each in the ordinary share capital of the Company
“Assets Transfer Agreement”	an assets transfer agreement entered into between Qujing Capital and Qujing Sewage Water in relation to the transfer of the Transferred Assets dated 31st December, 2005
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business days”	any day (other than a Saturday and a Sunday or days on which a typhoon signal No.8 or above or a black rainstorm signal is hoisted at 9 a.m. and remains hoisted for more than three hours) on which banks in Hong Kong were generally open for business throughout their normal business hours
“Company”	Tianjin Capital Environmental Protection Company Limited (天津創業環保股份有限公司), 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
“Consideration”	RMB290,081,434.64, the consideration for the acquisition of the Transferred Assets
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Latest Practicable Date”	18th January, 2006, being the latest practicable date prior to the printing of this circular for ascertaining information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“Operation Licence”	the operation licence granted by Qujing City Construction Bureau to Qujing Capital to manage and operate the Water Supply Plants and the Sewage Water Treatment Plant under the licensed operation agreement dated 31st December, 2005 entered into between Qujing Capital and Qujing City Construction Bureau
“Portion”	The portion of the Water Supply Plants and the Sewage Water Treatment Plant which was injected into Qujing Capital by Qujing Sewage Water as its capital contribution to the registered capital of Qujing Capital. This portion worths RMB11,918,565.36 and mainly includes certain clear water pools, sediment reaction pools, chlorine pools, siphon filter pools, walkways, roads, walls and pipes of the Water Supply Plants I and II. Since the portion was used as the capital contribution by Qujing Sewge Water to the registered capital of Qujing Capital, the exclusion of the portion will not affect the operation of the Water Supply Plants I and II
“PRC”	the People’s Republic of China
“Qujing Capital”	曲靖創業水務有限公司 (Qujing Capital Water Treatment Company Limited), a company established in the PRC on 20th December, 2005, with the registered capital of RMB120,000,000, of which RMB108,081,434.64, representing 90.07% of the registered capital, is contributed by the Company, and RMB11,918,565.36, representing 9.93% of the registered capital, is contributed by Qujing Sewage Water
“Qujing Sewage Water”	曲靖市城市供排水總公司 (Qujing City Recycled Water Supply and Sewage Water Treatment Corporation), a State-owned enterprise established in the PRC in 1960
“RMB”	Renminbi, the lawful currency of the PRC
“Sewage Water Treatment Plant”	the sewage water treatment plant was constructed in 1999 and is located at Qi Lin District, Qujing City, together with all buildings, constructions, equipment, facilities and other assets constructed thereon. Daily processing capacity is 80,000 tonnes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholders”	holders of Shares
“Shares”	A Shares and H Shares

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferred Assets”	All rights (excluding the ownership of the land) and interests of the Water Supply Plants (including the water supply network and pumping stations) and the Sewage Water Treatment Plant, together with all relevant menus, summaries, memorandums, plans and documents required for the operation and management of the Water Supply Plants and the Sewage Water Treatment Plant, but excluding the Portion which Qujing Sewage Water injected into Qujing Capital as its capital contribution to the registered capital of Qujing Capital for the amount equivalent to RMB11,918,565.36
“Water Supply Plants”	the water supply plants I to III which are all located at Qi Lin District, Qujing City, together with all buildings, constructions, equipment, facilities and other assets constructed thereon. Water supply plants I, II, and III were constructed in 1990, 2002, and 1999 respectively
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Ma Baiyu (*Chairman*)
Mr. An Pingdong
Mr. Gu Qifeng
Mr. Wang Zhanying
Mr. Tan Zhaofu
Ms. Fu Yana

Registered address:

No. 45
Guizhou Road
Heping District
Tianjin
the PRC
Postal Code: 300051

Independent non-executive Directors:

Mr. Wang Xiangfei
Mr. Gao Zongze
Mr. Ko Poming

24th January, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF ASSETS

INTRODUCTION

On 9th January, 2006, the Board announced that on 31st December, 2005, Qujing Capital, a non wholly-owned subsidiary of the Company, entered into the Assets Transfer Agreement with Qujing Sewage Water, an Independent Third Party, to purchase the Transferred Assets at the Consideration of RMB290,081,434.64. The Board also announced that the terms of the Assets Transfer Agreement were approved by the Board. The purpose of this circular is to provide you with details of the Assets Transfer Agreement.

ASSETS TRANSFER AGREEMENT

The major terms of the Assets Transfer Agreement are set out below:

Date	:	31st December, 2005
Parties	:	Vendor: Qujing Sewage Water, an Independent Third Party
		Purchaser: Qujing Capital, a non wholly-owned subsidiary of the Company

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- Transferred Assets : All rights (excluding the ownership of the land) and interests of the Water Supply Plants (including the water supply network and pumping stations) and the Sewage Water Treatment Plant, together with all relevant menus, summaries, memorandums, plans and documents required for the operation and management of the Water Supply Plants and the Sewage Water Treatment Plant, but excluding the Portion of which worths RMB11,918,565.36. Since the Portion was used by Qujing Sewage Water as its capital contribution to the registered capital of Qujing Capital, the exclusion of the Portion will not affect the operation of the Water Supply Plants I and II.
- Consideration : RMB290,081,434.64. The Consideration is calculated by reference to (i) the assessed value, i.e. approximately RMB256.09 million, in the valuation report of the Water Supply Plants and the Sewage Water Treatment Plant but excluding the Portion; and (ii) the payment of the land use rights where the Water Supply Plants and the Sewage Water Treatment Plant situated at, i.e. the remaining amount of the Consideration, which amounted to approximately RMB33.99 million, and this amount is fixed by the State-owned Assets Administrative Commission of Qujing (曲靖市國有資產管理委員會) (the “**Commission**”). Qujing Capital will pay the Consideration in accordance with the payment terms stated below.
- Payment Terms : (i) Within 15 business days upon the signing of the Assets Transfer Agreement between Qujing Capital and Qujing Sewage Water and the transfer of property rights of the Transferred Assets from Qujing Sewage Water to Qujing Capital, Qujing Capital shall pay the People’s Government of Qujing City or any of its authorised authority 40% of the Consideration in cash; and
- (ii) Within 15 business days after obtaining the Operation Licence i.e. 1st January, 2006, Qujing Capital shall pay the People’s Government of Qujing City or any of its authorised authority the remaining 60% of the Consideration in cash.

If Qujing Capital fails to pay the Consideration according to the payment terms of the Assets Transfer Agreement, default interest shall accrue on any outstanding part of the Consideration at the default interest rate by reference to the number of days of default. The default interest rate shall be the interest rate published by the People’s Bank of China for the one-year loan at the time of default.

LETTER FROM THE BOARD

Transfer date of the : Upon the fulfilment of the following conditions, the transfer date of
Transferred Assets the Transferred Assets will be agreed between Qujing Capital and Qujing Sewage Water, but in any event, shall not be later than 30 days after the signing of the Assets Transfer Agreement:

- (i) the inspection work on the Transferred Assets conducted by the transfer committee established in accordance with the Assets Transfer Agreement is completed; and
- (ii) the approval for the transfer of Transferred Assets under the Assets Transfer Agreement is obtained from the Commission.

If the above conditions for the Assets Transfer Agreement cannot be fulfilled within 30 days after the signing of the Assets Transfer Agreement, the Company will negotiate with Qujing Sewage Water for the extension of the fulfillment date of the conditions. Further announcement will be made by the Company in compliance with the Listing Rules and the relevant laws and regulations in the PRC if and when the Company negotiate further terms for the extension of the fulfillment date of the conditions with Qujing Sewage Water.

REASONS FOR AND BENEFITS OF THE ASSETS TRANSFER AGREEMENT

Pursuant to the “Recycled Water Supply and Sewage Water Treatment Infrastructural Project Cooperation Agreement in Qujing Central City Area” entered between the Company and Qujing City Construction Bureau and Qujing Sewage Water on 23rd June, 2005, the Company shall jointly establish a joint venture enterprise with Qujing Sewage Water to operate the Water Supply Plants and the Sewage Water Treatment Plant, which were owned by the People’s Government of Qujing City. Qujing City Construction Bureau, on behalf of the People’s Government of Qujing City, granted the Operation Licence to Qujing Capital to manage and operate the Water Supply Plants and the Sewage Water Treatment Plant for a period of 30 years commencing from 1st January, 2006.

As sewage water treatment is the core business of the Company, the acquisition of the Transferred Assets will allow the Company’s subsidiary, Qujing Capital, to obtain licensed operation right for providing sewage water treatment services to Qujing City, further strengthening the reputation of the Company and enriching its experiences in the industry.

Qujing Capital is a subsidiary of the Company, its assets, liabilities, and profit and loss accounts will be consolidated into the Company’s financial statements. The Board anticipates that there would be no material effect on the net asset value of the Company and a positive impact on the Company’s earnings resulting from the acquisition of the Transferred Assets.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Assets Transfer Agreement are on normal commercial terms which are fair and reasonable and are in the best interests of the Shareholders and the Company as a whole.

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INFORMATION OF QUJING SEWAGE WATER

The Commission is the legal owner of the Transferred Assets. As at the Latest Practicable Date, Qujing Sewage Water is authorised by the Commission to enter into the Assets Transfer Agreement on its behalf. Qujing Sewage Water is a State-owned enterprise established in the PRC in 1960 and is under the supervision of Qujing City Construction Bureau. Qujing Sewage Water is principally engaged in the business of supply of water and the provision of the sewage water treatment services. Save for its 9.93% shareholding in Qujing Capital, Qujing Sewage Water does not have any other relationship with Qujing Capital or the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Qujing Sewage Water and the ultimate beneficial owner of Qujing Sewage Water are Independent Third Party.

INFORMATION OF THE TRANSFERRED ASSETS

The Sewage Water Treatment Plant and the Water Supply Plants are situated at Qi Lin District, Qujing City in the PRC. The unaudited net profits, profits before tax and extraordinary items and net assets of the Water Supply Plants I and II for the two years ended 31st December, 2004 were RMB2.94 million, RMB1.67 million, RMB76.90 million, and RMB0.89 million, RMB0.11 million, RMB65.44 million respectively. As the Water Supply Plant III and the Sewage Water Treatment Plant were not in operation mode in 2003 and 2004, no profit was attributable to them.

As at 31st August, 2005, the valuations of the Sewage Water Treatment Plant and Water Supply Plant III were approximately at RMB52.23 million and RMB143.90 million respectively. As at 31st March, 2005, the valuation of the Water Supply Plants I and II was approximately at RMB59.97 million. The above valuations were conducted by 雲南天贏曲靖公信會計師事務所 (Yunnan Tianying Qujing Trust Accountants Limited) (**"Yunnan Tianying"**), an Independent Third Party, and were based on replacement cost method. Replacement cost method consists of estimating the total replacement costs of constructing or acquiring the same assets in new conditions under current market condition and then adjusting downward to the estimated costs based on the current condition of the assets to be acquired. The selection of the replacement cost method was based on the State-owned Assets Appraisal and Administration Regulations (國有資產評估管理辦法) issued by the State Council (國務院), the Opinions on Operation Standards of Assets Appraisal (provisional) (資產評估操作規範意見 (試行)) and Rules on Application of Asset Appraisal Methodology (資產評估辦法施行細則) issued by the State Assets Office of State-owned Assets Supervision and Administration Commission (國家國有資產管理局國資辦), and the Provisional Regulations on Basic Contents and Formats of Asset Appraisal Report (資產評估報告基本內容與格式的暫行規定) issued by the Ministry of Finance (財政部). The assumptions of the replacement cost method are solely based on various current relevant figures such as the market prices of construction materials and/or other relevant commodities and equipments. In conducting the valuation of the Transferred Assets, Yunnan Tianying based its estimations and assumptions on the following guidelines and information: statistics published by the National Bureau of Statistics of PRC, consumption amounts of construction and installation projects in Yunnan province, rules on determining and estimating construction cost of construction project in Yunnan

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province, prices of construction materials in Qijing City, determinations and control of the project costs, market prices of other relevant commodities and equipments, appraisal standards for the conditions of buildings, and financial information of the Transferred Assets provided by Qijing Sewage Water.

As at 30th September, 2005, the date referred to in the valuation report for the book values of the Transferred Assets, the combined book value of the Water Supply Plants I and II excluding the Portion was RMB54.47 million and the book values of the Water Supply Plant III and the Sewage Water Treatment Plant were RMB150.24 million and RMB49.68 million respectively.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) the design, management, operation, technological consultation of sewage water treatment plants and their related infrastructure facilities and auxiliary services; (ii) the design, toll collection, repair and maintenance, management, operation, technological consultation of toll roads and auxiliary services in relation to the operation of the South-eastern Half Ring Road of the Middle Ring of Tianjin, Tianjin City Indebted Road Construction for Vehicle-passage Toll Collection Office and their related auxiliary facilities; and (iii) the development and operation of environmental protection technology and products.

Qijing Capital is a company established in the PRC on 20th December, 2005, with the registered capital of RMB120,000,000, of which RMB108,081,434.64, representing 90.07% of the registered capital, is contributed by the Company, and RMB11,918,565.36, representing 9.93% of the registered capital, is contributed by Qijing Sewage Water.

DISCLOSEABLE TRANSACTION

As each of the percentage ratios of the consideration for the Transferred Assets is more than 5% but less than 25%, the Assets Transfer Agreements constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. It is subject to the reporting and announcement requirements, but is exempt from the Shareholders' approval requirement.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Ma Baiyu
Chairman

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF INTERESTS

Directors’ Interests

As at the Latest Practicable Date, the interests and/or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

		Approximate percentage in the issued share capital of the Company/ associated corporations		
Name	The Company/ name of associated corporations	Capacity	Number and class of securities (Note)	
<i>Director</i>				
Wang Zhanying	the Company	Beneficial owner	5,000 domestic Shares (L)	0.00038%
<i>Supervisor</i>				
Nie Youzhuang	the Company	Beneficial owner	700 domestic Shares (L)	0.00005%

Note: The letter “L” represents the person’s long positions in the Shares.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

None of the Directors has any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31st December, 2004, the date to which the latest published audited financial statement of the Company were made up.

None of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which the contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company and their respective associates have interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered or was proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

Substantial Shareholders’ Interests

- (a) As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiries by, the Directors, supervisors or chief executives of the Company, the following entities (other than a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
			percentage in the relevant class of securities	percentage in the total issued share capital of the Company
Tianjin Municipal Investment Company Limited (“TMICL”)	Beneficial owner	839,020,000 state Shares (L)	84.69%	63.05%
ISIS Assets Management Plc.	Investment Manager	17,286,000 H Shares (L)	5.08%	1.30%

Note 1: The letter “L” represents the entities’ long positions in the Shares.

(b) As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiries by, the Directors, supervisors or chief executives of the Company, the following entities (other than a Director, supervisor or chief executive of the Company) 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 members of the Group:

Name of entity	Name of member of the Group	Approximate percentage of equity interests held
Tianjin Sewage Engineering Company	Tianjin Capital New Materials Co., Ltd.	15.38%
Shanghai Compak Systems Company Limited	Tianjin Capital New Materials Co., Ltd.	17.58%

(c) Save as disclosed above, there is no other person (other than a Director, supervisor or chief executive of the Company) so far as is known to the Directors, supervisors or chief executives of the Company who, as at the Latest Practicable Date, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or, had, directly or indirectly, interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

(d) As at the Latest Practicable Date, so far as known to the Directors, supervisors or chief executives of the Company, Ms. Ma Baiyu, the Chairman and executive Director, is also the chairman of TMICL, being the controlling shareholder and holding company of the Company. Save as disclosed above, none of the Directors or proposed Directors is a director or an employee of a company which had any interests or short positions in any shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised:	Number of Shares	RMB
ordinary Shares of RMB1.00 each	1,330,658,058	1,330,658,058
Issued and fully paid:		
domestic Shares of RMB1.00 each	990,658,058	990,658,058
H Shares of RMB1.00 each	340,000,000	340,000,000

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 arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company.

GENERAL

The Company secretaries of the Company are Ms. Fu Yana and Mr. Ip Pui Sum. Mr. Ip Pui Sum, who is a fellow member of the Association of Chartered Certified Accountants and associate member of The Hong Kong Institute of Certified Public Accountants, is the Company secretary and the qualified accountant of the Company under the Listing Rules.

The H Share transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

The registered address of the Company is at No.45 Guizhou Road, Heping District, Tianjin, the PRC and the head office of the Company is at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC.

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.