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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)

CONTINUING CONNECTED TRANSACTION

On 2 August 2012, the Company entered into the Operation Agreement with Tianjin Infrastructure Construction, pursuant to which the Company will operate and maintain the Plants within the Service Scope for Tianjin Infrastructure Construction for 1 year from 2 August 2012 to 1 August 2013.

Tianjin Infrastructure Construction is the ultimate controller of the Company. Tianjin Infrastructure Construction is therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Operation Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Since the total annual service fees payable under the Operation Agreement for each of the Company's financial years ending 31 December 2012 and 31 December 2013 represent less than 5% of the applicable percentage ratios, the Operation Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that the Company entered into the Operation Agreement with Tianjin Infrastructure Construction on 2 August 2012. A summary of the principal terms of the Operation Agreement is as follows:

DETAILS OF THE OPERATION AGREEMENT

Date: 2 August 2012

Parties: (a) The Company, as operator; and
(b) Tianjin Infrastructure Construction, as owner of the Plants

Service Scope:	The operation and maintenance of the Plants, excluding the sludge disposal centre of the Zhangguizhuang Sewage Water Treatment Plant and the aqueducts outside the Zhangguizhuang Water Recycling Plant, in accordance with the specified industry standards
Term:	1 year commencing from 2 August 2012 to 1 August 2013 (both days inclusive)
Total service fees:	RMB53,676,000, which was determined after arm's length negotiations between the parties with reference to the estimated volume of sewage water to be processed, the maintenance operating costs for the water recycling plant, and the operating costs for maintaining the Plants
Payment term:	Monthly service fee of RMB4,473,000 payable for each calendar month during the term shall be payable within 15 business days after receiving the invoice for service fees of previous month from the Company

ANNUAL CAPS

Based on the monthly service fees of RMB4,473,000 payable under the Operation Agreement, the annual caps for the Operation Agreement for the Company's financial years ending 31 December 2012 and 31 December 2013 will not exceed RMB22,365,000 and RMB31,311,000 respectively.

REASONS FOR ENTERING INTO THE OPERATION AGREEMENT

The Company is specialized in operating and maintaining sewage water treatment plants and water recycling plants. The entering into of the Operation Agreement enables the Company to make profit from operating the Plants. The terms of the Operation Agreement were determined after arm's length negotiations between the parties. The Directors, including the independent non-executive Directors, consider that the terms of the Operation Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY AND TIANJIN INFRASTRUCTURE CONSTRUCTION

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.

Tianjin Infrastructure Construction is the ultimate controller of the Company and the sole shareholder of TMICL (the controlling shareholder of the Company), holding 100% equity interest in TMICL. It is principally engaged in investment in sea and river comprehensive development and renovation, subway trains, urban roads and bridges, underground pipeline networks, urban environment infrastructures with self-owned funds; investment planning; corporate management consultancy; market construction development services; leasing of self-owned buildings; leasing of infrastructures and development and operation of utilities; licensed operation of infrastructures and transfer of licensed operations with government authorization; production, development, operation of construction materials, decoration materials, electrical products (excluding cars); construction investment consultation.

LISTING RULES IMPLICATIONS

As mentioned above, Tianjin Infrastructure Construction is the ultimate controller of the Company. Tianjin Infrastructure Construction is therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Operation Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Since the total annual service fees payable under the Operation Agreement for each of the Company's financial years ending 31 December 2012 and 31 December 2013 represent less than 5% of the applicable percentage ratios, the Operation Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Zhong Huifang, the executive Director of the Company, and Mr. An Pindong and Ms. Chen Yinxing, the non-executive Directors of the Company, have abstained from voting to approve the Operation Agreement in the Board meeting due to the fact that they were connected with TMICL and/or Tianjin Infrastructure Construction and are regarded not independent to make any recommendation to the Board.

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
“Directors”	the directors of the Company, including the independent non-executive directors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operation Agreement”	the operation agreement dated 2 August 2012 entered into between the Company and Tianjin Infrastructure Construction in respect of the operation and maintenance of the Plants
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“Plants”	the Zhangguizhuang Sewage Water Treatment Plant and the Zhangguizhuang Water Recycling Plant, both located at Zhangguizhuang, Tianjin, the PRC

“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
“Service Scope”	the services to be provided by the Company under the Operation Agreement, details of which are set out under the paragraph with the heading of “Details of the Operation Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Infrastructure Construction”	Tianjin City Infrastructure Construction and Investment Group Company Limited* (天津城市基礎設施建設投資集團有限公司), the ultimate controller of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL
“TMICL”	Tianjin Municipal Investment Company Limited* (天津市政投資有限公司), the controlling shareholder of the Company, holding 51.60% equity interest in the Company

By Order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
2 August 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 identification purposes only*