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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)**

## **ANNOUNCEMENT IN RESPECT OF THE UPGRADE AND RENOVATION OF THE FOUR SEWAGE WATER TREATMENT PLANTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and all Directors warrant that there are no false information, misleading statements or material omissions in this announcement, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents contained in this announcement.

### **I. Introduction**

On 25 September 2015, Tianjin Environmental Protection Bureau (天津市環境保護局) and Tianjin Market and Quality Supervision and Administration Commission (天津市市場和質量監督管理委員會) jointly issued the “Emission Standards of Urban Sewage Water Treatment Plant Pollutants (《城鎮污水處理廠污染物排放標準》)” (the “**New Emission Standards**”) as the local standards in Tianjin, coming into effect from 1 January 2018. According to the New Emission Standards, all of the Company’s Dongjiao Sewage Water Treatment Plant, Xianyanglu Sewage Water Treatment Plant, Jingu Sewage Water Treatment Plant and Beichen Sewage Water Treatment Plant (the “**Four Sewage Water Treatment Plants**”) in Tianjin are required to be upgraded and renovated. Upon completion of the upgrade and renovation, quality of the treated water of the Four Sewage Water Treatment Plants will meet grade A standard in the New Emission Standards.

Since the implementation of licensed operation on 1 January 2014, the Four Sewage Water Treatment Plants have been providing sewage water treatment services and charging sewage water treatment service fees pursuant to the licensed operation agreement (the “**Licensed Operation Agreement**”) entered into between the Company and Tianjin Water Bureau (天津市水務局) and Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會) (formerly known as Tianjin Construction and Communication Administration Committee (天津市建設交通管理委員會)) (details of which were set out in the announcements of the Company dated 17 February 2014 and 20 February 2014).

On 16 June 2016, the Company entered into the supplemental agreement to the licensed operation of the four sewage water treatment plants in Tianjin central area (the “**Supplemental Agreement**”) with Tianjin Water Bureau (天津市水務局) and Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會) (the “**Counterparties**”) in respect of the upgrade and renovation of the Four Sewage Water Treatment Plants.

The 12th meeting of the Seventh Board of the Company was convened on 16 June 2016, and considered and approved the “Resolution in respect of the Upgrade and Renovation of the Four Sewage Water Treatment Plants in locations including Jingu”.

## II. Major Terms of the Supplemental Agreement

### 1. *Upgrade and Renovation Scale of the Four Sewage Water Treatment Plants*

- (1) Jingu Sewage Water Treatment Plant with current treatment capacity of 550,000 cubic meters per day will be upgraded and renovated in the same location by utilizing the reserved land in the plant area to expand its scale by 100,000 cubic meters per day, and is expected to have treatment capacity of 650,000 cubic meters per day upon completion of the upgrade and renovation;
- (2) Beichen Sewage Water Treatment Plant with current treatment capacity of 100,000 cubic meters per day will be upgraded and renovated in the same location by utilizing the reserved land in the plant area to expand its scale by 50,000 cubic meters per day, and is expected to have treatment capacity of 150,000 cubic meters per day upon completion of the upgrade and renovation;
- (3) Dongjiao Sewage Water Treatment Plant with current treatment capacity of 400,000 cubic meters per day will be reconstructed in a new location, and is expected to have treatment capacity of 600,000 cubic meters per day upon completion of the relocation and upgrade; and

- (4) Xianyanglu Sewage Water Treatment Plant with current treatment capacity of 450,000 cubic meters per day will be reconstructed in a new location, and is expected to have treatment capacity of 450,000 cubic meters per day upon completion of the relocation and upgrade.

## **2. *Construction and Organization Model and Licensed Operation***

- (1) The Company will implement, as the investment and construction entity, the upgrade and renovation of Jingu and Beichen Sewage Water Treatment Plants which will be funded by the internal resources of the Company;
- (2) The investment and construction entity as designated by the government of the People's Republic of China (the "PRC") and the Company, as the construction agent, are expected to implement the relocation and upgrade of Dongjiao and Xianyanglu Sewage Water Treatment Plants by adopting the "Exchanging Project for Project" model; Upon completion of the relevant financing and construction agency procedures, the Company will complete, as the agent, the construction of the two plants; After the projects and environmental inspection and acceptance are completed, the Company shall have the licensed operation rights of the two relocated and renovated plants; and
- (3) Upon completion of the upgrade and renovation, the term of the licensed operation rights of the Four Sewage Water Treatment Plants of the Company shall be in continuance of the term of the Licensed Operation Agreement.

## **3. *Construction Period***

- (1) The upgrade and renovation projects of Jingu and Beichen Sewage Water Treatment Plants shall be completed and proceeded to water connection testing and adjustment in December 2017; and
- (2) The relocation and renovation projects of Dongjiao and Xianyanglu Sewage Water Treatment Plants shall be completed and proceeded to water connection testing and adjustment in June 2018.

## **4. *Commercial Operations***

The Company shall notify the Counterparties and apply for commencement of commercial operations in writing within five days after completion of the environmental inspection and acceptance of the upgrade and renovation projects of sewage water treatment plants. Since the commencement date of the

commercial operations, the Counterparties shall pay sewage water treatment service fees to the Company in accordance with the requirements under the Supplemental Agreement and Licensed Operation Agreement.

5. ***Project Investments***

It is expected that the total investment amount of the expansion and upgrade project of Jingu Sewage Water Treatment Plant will be RMB 827,070,000 and total investment amount of the expansion and upgrade project of Beichen Sewage Water Treatment Plant will be RMB 466,790,000. The total investment amounts are subject to the audited project settlement and completion of final accounts.

6. ***Guidance Unit Price for Sewage Water Treatment Composite Service Fees after Completion of the Upgrade and Renovation***

Before all of the upgrade and renovation projects are completed, commercial operations are commenced for two years and final accounts are completed, the guidance unit price for sewage water treatment composite service fees of the Four Sewage Water Treatment Plants will be RMB2.62 per cubic meter, determined with reference to the industrial norms and standards and according to the principles to compensate for maintenance costs of sewage water treatment operation and provide reasonable return.

7. ***Guaranteed Water Volume***

After completion of the upgrade and renovation, guaranteed water volume of the Four Sewage Water Treatment Plants will be 80% of the aforementioned designed capacity of each plant respectively.

8. ***Calculation of Sewage Water Treatment Service Fees***

- (1) During the construction period, sewage water treatment service fees will be calculated and paid according to the terms of the Licensed Operation Agreement.
- (2) After commencement of commercial operations of any upgrade and renovation projects, sewage water treatment service fees will be calculated and paid according to the aforementioned guidance unit price for composite

service fees and guaranteed water volume, and the terms of the Licensed Operation Agreement.

- (3) After all of the upgrade and renovation projects are completed, commercial operations are commenced for two years and final accounts are completed, the actual unit price for sewage water treatment service fees of the Four Sewage Water Treatment Plants after completion of the upgrade and renovation will be determined according to the relevant data including investment and operation, and the aforementioned guidance unit price for composite service fees will be adjusted accordingly.

### **III. Impacts of this Matter on the Company**

Based on the terms of the Supplemental Agreement, the upgrade and renovation of the Four Sewage Water Treatment Plants have the following impacts on the Company:

1. Investments in Jingu and Beichen Sewage Water Treatment Plants will increase, and sewage water treatment costs will also increase after the upgrade and renovation. Although investments in Xianyanglu and Dongjiao Sewage Water Treatment Plants will not increase, sewage water treatment costs will increase after the relocation and upgrade. In order to compensate for the aforementioned increase in investments and sewage water treatment costs, sewage water treatment service fees of the Four Sewage Water Treatment Plants will be adjusted on one hand, and on the other hand, income from water charges will increase due to an increase in sewage water treatment volume as a result of an increase in capacity. Therefore, it is expected that the upgrade and renovation of the Four Sewage Water Treatment Plants will not affect the original project revenue;
2. During the project construction period, the Four Sewage Water Treatment Plants will provide sewage water treatment services and charge service fees according to the terms of the Licensed Operation Agreement, which will not have significant impact on the current sewage water treatment service income; and
3. After completion of the upgrade and renovation, quality and standard of treated water of the Four Sewage Water Treatment Plants will be improved, which is consistent with the increasing social concern on environmental requirements and beneficial in producing better social and environmental benefits.

#### IV. General Information

The Supplemental Agreement itself does not constitute a notifiable transaction of the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). This announcement is made voluntarily by the Company. The purpose of this announcement is to keep the shareholders of the Company and potential investors informed of the latest business development of the Company. Further announcement(s) in respect of the upgrade and renovation of the Four Sewage Water Treatment Plants will be made by the Company in compliance with the Listing Rules as and when appropriate.

By order of the Board  
**Liu Yujun**  
*Chairman*

Tianjin, the PRC  
16 June 2016

*As at the date of this announcement, the Board comprises three executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana; 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.*