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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 RENEWAL OF CONTRACT OPERATION AGREEMENT ON ZHANGGUIZHUANG WATER RECYCLING PLANT AND ITS SUPPORTING WATER PIPE-NETWORK ASSETS

The Board is pleased to announce that since contract operation of assets under the Original Agreement will expire on 31 December 2022, the Board has considered and approved the resolution in respect of the renewal of the Original Agreement between Tianjin Infrastructure Construction and Water Recycling Company on 21 December 2022. Pursuant to the New Agreement, Tianjin Infrastructure Construction shall continue to contract the operation of Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company during the Operating Term, while Water Recycling Company shall be responsible for the contract operation of the Zhangguizhuang Water Recycling Plant Project constructed by Tianjin Infrastructure Construction, and shall be engaged in the production and sales of recycled water.

IMPLICATIONS OF THE LISTING RULES

As stated above, as at the date of this announcement, Tianjin Infrastructure Construction is the ultimate holding company of the Company. Therefore, Tianjin Infrastructure Construction is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the New Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios of the relevant transaction contemplated under the New Agreement will be more than 0.1% but lower than 5%, the New Agreement is only subject to reporting and announcement requirements and but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the Company's announcement dated 7 August 2020 regarding connected transaction in relation to the contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets and announcement dated 30 December 2021 regarding connected transaction in relation to the renewal of contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets.

The Board is pleased to announce that since contract operation of assets under the Original Agreement will expire on 31 December 2022, the Board has considered and approved the resolution in respect of the renewal of the Original Agreement between Tianjin Infrastructure Construction and Water Recycling Company on 21 December 2022. Pursuant to the New Agreement, Tianjin Infrastructure Construction shall continue to contract the operation of Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company during the Operating Term, while Water Recycling Company shall be responsible for the contract operation of the Zhangguizhuang Water Recycling Plant Project constructed by Tianjin Infrastructure Construction, and shall be engaged in the production and sales of recycled water.

THE NEW AGREEMENT

The principal terms of the New Agreement are summarized as follows:

Date

30 December 2022

Parties

- (a) Tianjin Infrastructure Construction; and
- (b) Water Recycling Company.

Location of Assets under Management

Zhangguizhuang Water Recycling Plant and its supporting water pipe-network

Management Matters, Requirements and Mode of Management during the Operating Term

According to the New Agreement, the management matters, requirements and mode of management during the Operating Term are as follows:

- (1) Adjust and improve the overall operating process of the Zhangguizhuang Water Recycling Plant Project to its best operating condition while ensuring its safe and stable operation during the Operating Term.
- (2) Water Recycling Company shall perform assets contracting for the operation and management of the facilities of the Zhangguizhuang Water Recycling Plant Project and charge fees from water users and provide corresponding bills in accordance with the requirements specified by the price department of Tianjin city, and shall bear the production and operation costs, responsibilities and risks, and responsible for its own profits and losses during the Operating Term.

Assets Contracting and Operating Term

The Operating Term shall be two years from 1 January 2023 to 31 December 2024. The New Agreement shall be terminated automatically in advance if Tianjin Infrastructure Construction transfers the assets of the Zhangguizhuang Water Recycling Plant Project and changes its operation rights during the term of the New Agreement, and Water Recycling Company shall cooperate in the transfer of operation rights.

Contracting Fees and Payment

Water Recycling Company shall charge the recycled water fees from its recycled water users, and pay all reasonable production expenses.

Water Recycling Company shall pay contracting fees to Tianjin Infrastructure Construction, which is equivalent to 60% of the annual profits (i.e. sales revenue from recycled water sales less expenses), based on the figures audited annually during the Operating Term.

Based on the current operating condition of Zhangguizhuang Water Recycling Plant and the sales volume of water from the Zhangguizhuang Water Recycling Plant Project as of October 2022, which was 15.49 million tonnes, the estimated profit available for distribution for the year will be RMB22.08 million, and the contracting fees to be paid by Water Recycling Company to Tianjin Infrastructure Construction will be RMB13.25 million. Pursuant to the New Agreement, it is estimated that the profit of the Company for 2023 under the New Agreement will be RMB20.84 million based on the sales volume and cost, and it is estimated that the contracting fees payable by Water Recycling Company to Tianjin Infrastructure Construction in 2023 will be approximately RMB12.51 million based on the agreed profit sharing ratio of 60% under the New Agreement. Given that the Zhangguizhuang Water Recycling Plant Project has now entered into a stable operation period and the profit for 2024 is estimated with reference to the profit forecast for 2023, it is estimated that the contractual fees payable by Water Recycling Company to Tianjin Infrastructure Construction in 2024 will also be approximately RMB12.51 million. The Company will make further disclosures in accordance with the Listing Rules and based on the actual conditions in a timely manner if the contracting fees exceed the expected amount of the contracting fees above.

ANNUAL CAPS

2023 Annual Cap

Pursuant to the New Agreement, the Company expects that the total amount of contracting fees payable by Water Recycling Company to Tianjin Infrastructure Construction will not exceed RMB12.51 million for the financial year ending 31 December 2023 of the Company.

Therefore, the annual cap of the New Agreement will not exceed RMB12.51 million for the financial year ending 31 December 2023 of the Company.

2024 Annual Cap

Pursuant to the New Agreement, the Company expects that the total amount of contracting fees payable by Water Recycling Company to Tianjin Infrastructure Construction will not exceed RMB12.51 million for the financial year ending 31 December 2024 of the Company.

Therefore, the annual cap of the New Agreement will not exceed RMB12.51 million for the financial year ending 31 December 2024 of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW AGREEMENT

Water Recycling Company is expected to be able to expand its sales in recycled water and pipeline connection business stemming from Zhangguizhuang Water Recycling Plant. Therefore, the Directors (including independent non-executive Directors) are of the view that the contract operation of Zhangguizhuang Water Recycling Plant will help Water Recycling Company to gain operating service revenue and develop new markets for its recycled water business in the future, which is in line with market principles.

The terms of the New Agreement are determined by the parties after arm's length negotiation. The Directors (including independent non-executive Directors) are of the view that the terms of the New Agreement are entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY, WATER RECYCLING COMPANY AND TIANJIN INFRASTRUCTURE CONSTRUCTION

The Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services for sewage water, tap water and other types of water treatment facilities; the design, construction, management, building and operational management of municipal infrastructures; license operation, technical consultation and auxiliary services of Southeastern Half Ring Urban Road of the Middle Ring of Tianjin; development and operation of environmental protection technology and products; leasing of self-owned properties, etc. Tianjin Infrastructure Construction is the ultimate holding company of the Company and the sole shareholder of TMICL (the controlling shareholder of the Company), holding 100% equity interest in TMICL.

Water Recycling Company is a direct wholly-owned subsidiary of the Company. Its business scope includes the construction and operation of urban water supply, drainage, sewage treatment, and recycled water utilization projects.

Tianjin Infrastructure Construction is principally engaged in investment in 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 consultation; market construction development services; leasing of self-owned buildings; leasing of infrastructures and development and operation of utilities; construction investment consultation. As of the date of this announcement, the ultimate beneficial owner of Tianjin Infrastructure Construction is Tianjin SASAC.

IMPLICATIONS OF THE LISTING RULES

As stated above, as at the date of this announcement, Tianjin Infrastructure Construction is the ultimate holding company of the Company. Therefore, Tianjin Infrastructure Construction is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the New Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios of the relevant transaction contemplated under the New Agreement will be more than 0.1% but lower than 5%, the New Agreement is only subject to reporting and announcement requirements and but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Ji Guanglin, an executive Director of the Company, and Ms. Peng Yilin and Mr. An Pindong, the non-executive Directors of the Company, are connected with Tianjin Infrastructure Construction or TMICL, and are considered unable to provide recommendations to the Board in their independent capacity, therefore they have abstained from voting at the board meeting on approving the New Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“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)” and “controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company (including independent non-executive Directors)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Agreement”	the contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets proposed to be entered into by Tianjin Infrastructure Construction and Water Recycling Company on 30 December 2022, pursuant to which, Tianjin Infrastructure Construction shall contract the operation of Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company during the period from 1 January 2023 to 31 December 2024
“Operating Term”	from 1 January 2023 to 31 December 2024
“Original Agreement”	the contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets entered into by Tianjin Infrastructure Construction and Water Recycling Company on 30 December 2021, pursuant to which, Tianjin Infrastructure Construction shall contract the operation of Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company during the period from 1 January 2022 to 31 December 2022
“Percentage Ratio(s)”	has the same meaning ascribed to it under the Listing Rules (applicable to a transaction)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Infrastructure Construction”	Tianjin City Infrastructure Construction and Investment Group Co., Ltd.* (天津城市基礎設施建設投資集團有限公司), the ultimate holding company of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL
“Tianjin SASAC”	the State-owned Assets Supervision and Administration Commission of Tianjin People’s Government, the PRC Governmental Body as defined in Rule 19A.04 of the Listing Rules
“TMICL”	Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司), the controlling shareholder of the Company, holding approximately 45.57% equity interest in the Company

“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
“Zhangguizhuang Water Recycling Plant Project”	Zhangguizhuang Water Recycling Plant and its supporting water pipe-network project invested and constructed by Tianjin Infrastructure Construction
“%”	percentage

By Order of the Board
Ji Guanglin
Chairman

Tianjin, the PRC
21 December 2022

As at the date of this announcement, the Board comprises three executive Directors: Mr. Ji Guanglin, Mr. Li Yang and Ms. Jing Wanying; three non-executive Directors: Ms. Peng Yilin, Mr. An Pindong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang.

* For identification purpose only