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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)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION – ACQUISITION OF ASSETS OF JINNAN SLUDGE PLANT PROJECT**

The Board is pleased to announce that on 21 December 2022, the Board considered and approved the resolution on the Assets Transfer Agreement to be entered into between the Company and Tianjin Infrastructure Construction in relation to the Jinnan Sludge Plant Project. Pursuant to the Assets Transfer Agreement, the Company conditionally agreed to acquire and Tianjin Infrastructure Construction conditionally agreed to sell the Transferred Assets at a consideration of RMB471,825,900 (the “**Acquisition**”).

### **IMPLICATIONS OF THE LISTING RULES**

As stated above, Tianjin Infrastructure Construction is the ultimate controlling company of the Company and therefore Tianjin Infrastructure Construction is regarded as a connected person of the Company under the Listing Rules. Under the Listing Rules, the transaction contemplated under the Assets Transfer Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Assets Transfer Agreement exceed 5% but all are less than 25%, the transaction contemplated under the Assets Transfer Agreement constitutes a discloseable and connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the independent shareholders as to whether the terms of the Assets Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the independent shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the Assets Transfer Agreement and the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent shareholders in this regard.

## GENERAL

The EGM will be convened for the independent shareholders to consider and, if thought fit, approve, among other things, the Assets Transfer Agreement and the transaction contemplated thereunder. Tianjin Infrastructure Construction and its associates will abstain from voting on the resolution in relation to the Assets Transfer Agreement at the EGM. The EGM will be conducted by way of poll.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendation to the independent shareholders in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent shareholders in respect of the Acquisition; (iv) the valuation report on the Transferred Assets issued by the independent valuer; (v) a notice convening the EGM; and (vi) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 16 January 2022.

**Completion of the Acquisition is subject to the fulfilment of certain conditions as set out in the Assets Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

The Board is pleased to announce that on 21 December 2022, the Board considered and approved the resolution on the Assets Transfer Agreement to be entered into between the Company and Tianjin Infrastructure Construction in relation to the Jinnan Sludge Plant Project. Pursuant to the Assets Transfer Agreement, the Company conditionally agreed to acquire and Tianjin Infrastructure Construction conditionally agreed to sell the Transferred Assets at a consideration of RMB471,825,900 (the “**Acquisition**”).

## THE ACQUISITION

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

**Date** 21 December 2022

**Parties** (a) Tianjin Infrastructure Construction, as the transferor; and  
(b) the Company, as the transferee (collectively, the “**Parties**”).

### Subject Project

Jinnan Sludge Disposal Plant is located at Da Sun Zhuang (大孫莊), Jinnan District, Tianjin, on the northwest side of Jinnan Sewage Disposal Plant, with Tianjin Infrastructure Construction as the owner (the “**Jinnan Sludge Plant Project**”).

The construction of Jinnan Sludge Plant Project was commenced on 28 June 2014 and was completed on 29 December 2016. Tianjin Infrastructure Construction is mainly responsible for its investment and construction. Since 2015, it has entrusted Caring Company, a subsidiary of the Company, to be responsible for the commissioning and operation of the project.

## Assets to be acquired

Pursuant to the Assets Transfer Agreement, the assets to be acquired by the Company include the Existing Assets and the Existing Land Use Rights (the “**Transferred Assets**”).

The Existing Assets refer to buildings, structures and other auxiliary facilities, pipeline trenches, machinery and equipment, electronic equipment and other assets of Jinnan Sludge Plant Project included in the Scope of Assets Transfer, as well as spare parts and other inventories related to the existing assets.

The Scope of Assets Transfer includes:

1. the existing assets listed in the asset list and the spare parts and other inventories related to the existing assets in the asset valuation report;
2. all the information related to the Transferred Assets, such as operation manuals, operation summaries, records, design drawings, technical information, approval documents, contract agreements, customer information and daily operation data; and
3. all the rights and interests of Tianjin Infrastructure Construction in the Transferred Assets.

The Existing Land Use Rights refer to the land use rights of Jinnan Sludge Plant Project included in the Scope of Assets Transfer. The land transfer area for Jinnan Sludge Plant Project is 60,000.8 square metres (as stipulated in the real estate title certificate).

## Consideration

Pursuant to the Assets Transfer Agreement, the transfer price is RMB471,825,900 (the “**Consideration**”).

The Consideration shall be payable by the Company to Tianjin Infrastructure Construction in the following manner:

1. Upon consideration and approval of the Acquisition by the Board of the Company, the Company shall pay the deposit (the “**Deposit**”) in respect of the Acquisition amounting to 20% of the Consideration to Tianjin Infrastructure Construction within 15 days after entering into the Assets Transfer Agreement between Tianjin Infrastructure Construction and the Company. The Company shall pay the second installment (the “**Second Installment**”) to Tianjin Infrastructure Construction amounting to 70% of the Consideration within 15 days after the Conditions Precedent are fulfilled. The remainder shall be fully paid within 180 days after Tianjin Infrastructure Construction has fulfilled all obligations under the Assets Transfer Agreement.
2. Unless otherwise agreed by the Parties, where the Company fails to pay the Deposit as agreed in the Assets Transfer Agreement, the Company shall pay default damages daily on the basis of 0.01 percent of the Deposit to Tianjin Infrastructure Construction, and Tianjin Infrastructure Construction shall be entitled to terminate the Assets Transfer Agreement since the 16<sup>th</sup> day after the consideration and approval of the Acquisition by the Board of the Company and the execution of the Assets Transfer Agreement between Tianjin Infrastructure Construction and the Company.

3. Unless otherwise agreed by the Parties, where the Company fails to pay the Second Installment as agreed in the Assets Transfer Agreement, the Company shall pay default damages daily on the basis of 0.01 percent of the Second Installment to Tianjin Infrastructure Construction, and Tianjin Infrastructure Construction shall be entitled to terminate the Assets Transfer Agreement since the 16<sup>th</sup> day after the effective date of the Assets Transfer Agreement.
4. Unless otherwise agreed by the Parties, where the Company fails to pay the remainder as agreed in the Assets Transfer Agreement, the Company shall pay default damages daily on the basis of 0.01 percent of the outstanding portion of the remainder to Tianjin Infrastructure Construction, and Tianjin Infrastructure Construction shall be entitled to terminate the Assets Transfer Agreement since the 181<sup>st</sup> day after fulfillment of all of the obligations in the Assets Transfer Agreement by Tianjin Infrastructure Construction.

### **Basis for Determining the Consideration**

The Consideration was determined after arm's length negotiations between the Company and Tianjin Infrastructure Construction in accordance with the valuation report dated 8 December 2022 as prepared by the independent valuer, according to which, as at 30 June 2022 (the valuation benchmark date), the appraised value of the Transferred Assets was approximately RMB471,825,900.

The valuation report of the Transferred Assets will be included in the circular to be despatched.

### **Funding sources**

The Company currently expects that the Consideration will be funded by internal resources and bank borrowings.

### **Conditions Precedent**

The payment of the Second Instalment and the Completion are conditional upon the following conditions having been fulfilled or maintained (or waived) on or before 30 June 2023 ("**Conditions Precedent**"):

- (a) the Assets Transfer Agreement being duly signed and remaining effective;
- (b) the work report being prepared and completed by the transfer team, and being signed and confirmed by the Parties;
- (c) Tianjin Infrastructure Construction is the legal and beneficial owner of the Transferred Assets and has complete ownership of the Transferred Assets, and the Transferred Assets are free from all encumbrances or third party rights of any nature;
- (d) Tianjin Infrastructure Construction having completed all necessary internal decision-making procedures (such as approval by the board of directors) and all approval procedures required by any competent government and/or regulatory authorities in respect of the Assets Transfer Agreement and the transaction contemplated thereunder;

- (e) the Company having completed all necessary internal decision-making procedures (such as the approval of the Board) and all approval procedures required by any competent government and/or regulatory authorities in respect of the Assets Transfer Agreement and the transaction contemplated thereunder (including but not limited to obtaining the approval or confirmation of no comment by the Stock Exchange for the relevant announcement and circular of the Company);
- (f) the independent shareholders of the Company having passed the necessary resolutions at the general meeting to approve the transaction contemplated under the Assets Transfer Agreement;
- (g) Tianjin Infrastructure Constructions's warranties remaining true, accurate and not misleading in all respects as at the Assets Interest Transfer Date, as if repeated on the Assets Interest Transfer Date and during the period from the date of the Assets Transfer Agreement to the Assets Interest Transfer Date;
- (h) no order or judgement (whether temporary, preliminary or permanent) of any relevant governmental authority or any applicable law or regulation being issued or made prior to the Asset Interest Transfer Date that has the effect of making any party's completion of any transaction contemplated under the Assets Transfer Agreement unlawful or otherwise prohibiting or restricting any party from completing any transaction contemplated under the Assets Transfer Agreement;
- (i) Tianjin Infrastructure Construction having performed in all respects the undertakings and covenants in accordance with the Assets Transfer Agreement; and
- (j) there having been no material adverse change to the Transferred Assets between the date of the Assets Transfer Agreement and the Assets Interest Transfer Date.

The Company is entitled to exercise its discretion to waive the fulfilment of the above Conditions Precedent. As at the date of this announcement, the Company does not intend to waive any of the Conditions Precedent.

If the Conditions Precedent are not fully satisfied, the Board may consider waiving any of the Conditions Precedent after taking into account the interests of the Company and the Shareholders as a whole.

### **Refund of the Deposit**

Tianjin Infrastructure Construction shall return the Deposit in full to the Company on or before 30 June 2023 if the Conditions Precedent are not fulfilled or waived under the Assets Transfer Agreement on or before 30 June 2023.

Upon the Deposit being returned in full to the Company in accordance with the Assets Transfer Agreement, the Assets Transfer Agreement (save for surviving clauses) shall cease to take effect, and all of the responsibilities and obligations of the Parties under the Assets Transfer Agreement shall cease to be of any effect (save for any party's claim against the other party arising from the defaults before the termination as otherwise prescribed by the Assets Transfer Agreement).

## **Completion**

The Assets Interest Transfer Date shall be the first working day after all of the Conditions Precedent are satisfied.

On the Assets Interest Transfer Date, Tianjin Infrastructure Construction shall deliver all of the Transferred Assets to the Company, and the Transferred Assets shall be delivered in the current state.

After the Assets Interest Transfer Date, the Parties shall conduct the transfer procedure in respect of the Transferred Assets (including the Existing Assets and the Existing Land Use Rights) in accordance with the requirements of the applicable laws, such that the Company can obtain all of the assets interests or certification of the ownership of the Transferred Assets within 6 months after the Assets Interest Transfer Date.

If the Company is unable to obtain all of the assets interests or certification of the ownership of the Transferred Assets due to any reasons on the part of Tianjin Infrastructure Construction, Tianjin Infrastructure Construction shall refund all transferred amounts paid to the Company including the Deposit as soon as practicable unless otherwise agreed by the Parties.

## **INFORMATION ON THE PARTIES**

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 controlling company of the Company and the sole shareholder of TMICL (the controlling shareholder of the Company), holding 100% equity interest in TMICL.

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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSETS TRANSFER AGREEMENT**

The acquisition of Jinnan Sludge Plant Project by the Company is conducive to the expansion of the existing reclaimed water business and the realisation of the strategic planning goal of Tianjin's development of reclaimed water resources utilisation. At the same time, it will expand the sludge disposal business of the Company and realise the strategic development plan of the Company's industrial chain extension. The Acquisition will help the Company to prevent the risk of non-going operation and obtain stable profits on the basis of long-term healthy development, and enhance the Company's market competitiveness in the environmental protection field.



The Directors (excluding the members of the Independent Board Committee who will give their opinions after considering the recommendation from the independent financial adviser) consider that the Assets Transfer Agreement is entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As stated above, Tianjin Infrastructure Construction is the ultimate controlling company of the Company and therefore Tianjin Infrastructure Construction is regarded as a connected person of the Company under the Listing Rules. Under the Listing Rules, the transaction contemplated under the Assets Transfer Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Assets Transfer Agreement exceed 5% but all are less than 25%, the transaction contemplated under the Assets Transfer Agreement constitutes a discloseable and connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

Mr. Ji Guanglin, being an executive Director of the Company, and Ms. Peng Yilin and Mr. An Pindong, being 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 on the approval of the Assets Transfer Agreement at the Board meeting.

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the independent shareholders as to whether the terms of the Assets Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the independent shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the Assets Transfer Agreement and the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent shareholders in this regard.

## **GENERAL**

The EGM will be convened for the independent shareholders to consider and, if thought fit, approve, among other things, the Assets Transfer Agreement and the transaction contemplated thereunder. Tianjin Infrastructure Construction and its associates will abstain from voting on the resolution in relation to the Assets Transfer Agreement at the EGM. The EGM will be conducted by way of poll.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendation to the independent shareholders in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent shareholders in respect of the Acquisition; (iv) the valuation report on the Transferred Assets issued by the independent valuer; (v) a notice convening the EGM; and (vi) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 16 January 2022.

**Completion of the Acquisition is subject to the fulfilment of certain conditions as set out in the Assets Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Assets Transfer Agreement”	the conditional assets transfer agreement in relation to Jinnan Sludge Disposal Plant Project entered into between the Company and Tianjin Infrastructure Construction on 21 December 2022, pursuant to which the Company has conditionally agreed to acquire and Tianjin Infrastructure Construction has conditionally agreed to sell the Transferred Assets at a consideration of RMB471,825,900
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司), a joint stock limited company incorporated in the PRC, quoted on the National Equities Exchange and Quotations System (stock code: 871226) and is a non-wholly owned subsidiary 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)
“EGM”	the extraordinary general meeting to be held by the Company for the Shareholders to consider and, if thought fit, approve the Assets Transfer Agreement and the transaction contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all of the independent non-executive Directors, namely: Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang, to advise the independent shareholders in respect of the Acquisition



“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	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
“Shares”	shares of the Company
“Shareholder(s)”	shareholders of the Company
“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 controlling 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
“%”	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