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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 TRANSACTION – FRANCHISING PROJECT OF ENSHI DASHA DAM PHASE I AND PHASE II (TANJIA DAM) SEWAGE TREATMENT PLANTS AND THEIR SUPPORTING PIPELINES

INTRODUCTION

The Board is pleased to announce that, as of the date of this announcement, the Project Company has entered into the Project Agreement with Enshi Municipal Housing and Construction Bureau. The Project Company and Enshi Municipal Housing and Construction Bureau will grant the rights of investment, financing, construction, maintenance and management and transfer of the Stock Project and the New Project under the Project to the Project Company during the cooperation period through the combined model of “Transfer-Operate-Transfer (TOT)” and “Build-Operate-Transfer (BOT)”, respectively. The total investment of the Project is estimated to be RMB854,304,500.

On the same day, the Company entered into the JV Agreement with Wuhan Municipal, pursuant to which (among other things), both parties agreed to establish the Project Company for the Project. The Company agreed to contribute RMB162,317,855 in cash, representing approximately 95% of the registered capital of the Project Company, and Wuhan Municipal agreed to contribute RMB8,543,045 in cash, representing approximately 5% of the registered capital of the Project Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios is/are more than 5% but less than 25%, the Project Agreement and the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the overseas regulatory announcement of the Company dated 7 March 2023 in relation to the successful bidding for the franchising project of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) Sewage Treatment Plants and their supporting pipelines (the “**Project**”) and the overseas regulatory announcement of the Company dated 23 May 2023 in relation to the investment in the Project and the establishment of the Project Company.

The Board is pleased to announce that, as of the date of this announcement, the Project Company has entered into the Project Agreement with Enshi Municipal Housing and Construction Bureau. The Project Company and Enshi Municipal Housing and Construction Bureau will grant the rights of investment, financing, construction, maintenance and management and transfer of the Stock Project and the New Project under the Project to the Project Company during the cooperation period through the combined model of “Transfer-Operate-Transfer (TOT)” and “Build-Operate-Transfer (BOT)”, respectively. The total investment of the Project is estimated to be RMB854,304,500.

On the same day, the Company entered into the JV Agreement with Wuhan Municipal, pursuant to which (among other things), both parties agreed to establish the Project Company for the Project. The Company agreed to contribute RMB162,317,855 in cash, representing approximately 95% of the registered capital of the Project Company, and Wuhan Municipal agreed to contribute RMB8,543,045 in cash, representing approximately 5% of the registered capital of the Project Company.

A summary of the principal terms of the Project Agreement and the JV Agreement is set out below.

(I) THE PROJECT AGREEMENT

(1) Date of Signing

17 June 2023

(2) Parties

- (a) Enshi Municipal Housing and Construction Bureau; and
- (b) The Project Company.

(3) The Project

According to the Project Agreement, the Project refers to the franchising project of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) Sewage Treatment Plants and their supporting pipelines jointly implemented by the Project Company and Enshi Municipal Housing and Construction Bureau, including two sub-projects:

- (i) Enshi Dasha Dam Phase I Sewage Treatment Plant and its supporting pipelines TOT project, a stock asset project which adopts the “Transfer-Operate-Transfer (TOT)” model (the “**Stock Project**”). The Project Company shall be responsible for the investment and financing, operation and maintenance and management of the Project during the cooperation period. After the expiration of the cooperation period, the assets and facilities under the Project will be transferred to Enshi Municipal Housing and Construction Bureau or its designated institution at zero consideration; and

- (ii) Enshi Dasha Dam Phase II (Tanjia Dam) Sewage Treatment Plant and its supporting pipelines BOT project, a new project which adopts the “Build-Operate-Transfer (BOT)” model (the “**New Project**”). The Project Company shall be responsible for the investment and financing, construction, operation and maintenance and management of the Project during the cooperation period. After the expiration of the cooperation period, the assets and facilities under the Project will be transferred to Enshi Municipal Housing and Construction Bureau or its designated institution at zero consideration.

The total investment of the Project is estimated to be RMB854,304,500 in aggregate, including: (1) the estimated total amount for the New Project of approximately RMB362,304,500 (of which RMB296,183,499.91 as construction fees after financial investment review, i.e. the estimated price of the assessed construction drawings, RMB30,748,066.08 as other engineering and construction fees, RMB16,346,577.80 as preparation fees, and RMB19,026,356.21 as interest accrued for the construction period); and (2) the consideration for transfer of the franchised operation of the Stock Project of approximately RMB492,000,000 (the “**Consideration for the Stock Asset**”).

The estimated total investment of the Project (RMB854,304,500) is within the boundary conditions stipulated in the tender document of Enshi Municipal Housing and Construction Bureau. In addition, the boundary conditions stipulated in the tender document also include the procurement method of the Project (TOT + BOT), the maximum unit price for sewage treatment (RMB2.79/cubic meter), and the content of the Project (The Stock Project TOT: The daily treatment capacity of Dasha Dam Sewage Treatment Plant is 50,000 cubic meter, the length of the supporting pipelines is 43.763 kilometers, and the water reaches the first-class A standard. The New Project BOT: Tanjia Dam Sewage Treatment Plant, with a treatment capacity of 50,000 cubic meter/day; the length of the new pipelines is about 116.727 kilometers), the franchise period (the operation period of the Stock Project is 30 years, the construction period of the New Project is 3 years, and the operation period is 27 years), etc. The tender announcement of the Project has been published on the “The Electronic Trading Platform of Enshi City for Decentralized Procurement” (<http://enshi.etrading.cn/>) from 2 March 2023 to 8 March 2023, and was scheduled to open the tender on 30 March 2023.

According to factors including the boundary conditions stipulated in the tender document, the ratio of investment and financing is 2:8, the interest rate is 4.3%, the water volume is predicted based on the guaranteed bottom water volume and the actual water volume and achieving up to 95% of the designed water volume year by year. Combining with the Company’s advantage of controlling operating cost, the Company has calculated the estimated bottom line price of sewage treatment service fee, on the basis of satisfying the Company’s external investment income rate. By analyzing competitors and comparing the Company’s advantages and disadvantages, the Company has finally fixed a unit price of RMB2.72/cubic meter for sewage treatment and successfully obtained the bidding of the Project, the investment income has been improved compared with that generated from the bottom line price and can meet the Company’s requirements for external investment income.

According to the Project Agreement, the Project Company shall pay 20% of the Consideration for the Stock Asset (RMB98,400,000) to Enshi Municipal Housing and Construction Bureau within 10 days after the signing of the Project Agreement, and 80% of the Consideration for the Stock Asset (RMB393,600,000) shall be paid within 2 months after all the information of the Project is ready and the financing is secured.

(4) The Franchise

According to the Project Agreement, Enshi Municipal Housing and Construction Bureau agreed to grant the franchise right of the Project to the Project Company, including investment and financing, construction, maintenance and management and transfer of the Stock Project and the New Project, and to charge Enshi Municipal Housing and Construction Bureau sewage treatment service fee during the cooperation period.

The franchise period of the Project is 30 years, and the franchise period of the Stock Project will commence from the date of transfer and will end on the date of the completion of the transfer of the Project; the New Project will have a construction period of 3 years from the date on which the commencement order of the New Project is issued and will end on the date immediately preceding the first day of commercial operation of the plant area of the New Project; the operation period is 27 years and will commence from the date the New Project passes the environmental protection inspection and completes the filing with the ecology and environment department, and the Enshi Municipal Housing and Construction Bureau agrees to commence commercial operation in writing, and will end when the Project is handed over to the Enshi Municipal Housing and Construction Bureau or its designated institution at zero consideration upon expiry of the franchise period.

Upon the expiry of the franchise period, the Project Company shall transfer all assets of the Project to Enshi Municipal Housing and Construction Bureau or its designated institution at zero consideration in accordance with the Project Agreement, and ensure that the Project is well maintained and in good operating condition.

(5) Establishment of the Project Company

Pursuant to the Project Agreement, the registered capital of the Project Company is RMB170,860,900, representing 20% of the estimated total investment of the Project, the Project Company will be responsible for raising the debt capital for the Project, which represents 80% of the estimated total investment of the Project.

(6) Letters of Guarantee

(a) Letter of Guarantee for Construction Period

The Project Company shall provide an irrevocable letter of guarantee for construction period, to be paid on demand, in the amount of RMB2,000,000 and issued by a bank to Enshi Municipal Housing and Construction Bureau within 30 working days after signing the Project Agreement. The letter of guarantee for construction period shall be released within 30 working days after the completion and acceptance of the Project and the delivery of the letter of guarantee for operation period by the Project Company.

(b) Letter of Guarantee for Operation Period

The Project Company shall provide an irrevocable letter of guarantee for operation period, to be paid on demand, in the amount of RMB2,000,000 and issued by a bank to Enshi Municipal Housing and Construction Bureau three months before the expiry of the construction period. The letter of guarantee for operation period shall be released within 30 working days after the delivery of the letter of guarantee for transfer by the Project Company.

(c) Letter of Guarantee for Transfer

The Project Company shall provide an irrevocable letter of guarantee for transfer, to be paid on demand, in the amount of RMB2,000,000 and issued by a bank to Enshi Municipal Housing and Construction Bureau twelve months before the expiry of the cooperation period. Enshi Municipal Housing and Construction Bureau shall release the letter of guarantee for transfer within 10 working days after the expiry of the guarantee period.

(II) THE JV AGREEMENT

(1) Date of Signing

17 June 2023

(2) Parties

(a) The Company; and

(b) Wuhan Municipal.

(3) Scope of Business

The scope of business of the Project Company will include sewage treatment and recycling; water pollution control; collection, treatment and utilization of rainwater, brackish water and mine water; research and development of unconventional water utilization technologies; air pollution prevention and control services; solid waste management; engineering management services; administration of municipal facilities; construction of various municipal projects and construction projects at all levels and of all categories; manufacturing of sludge treatment equipment; manufacturing of specialty equipment for water resources; manufacturing of specialty instruments for environmental monitoring; sales of specialty equipment for environmental protection; sales of machinery and equipment; sales of instruments; repairing of instruments; repairing of general equipment; repairing of electrical equipment; water pollution control services; environmental protection advisory services; technological services, technology development, technology consultation, technology exchange, technology transfer, technology promotion; environmental protection monitoring; heat production and supply; property management. (Except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licenses in accordance with the laws) (Subject to the industrial and commercial registration).

(4) Total Investment and Registered Capital

The total investment of the Project is estimated to be RMB854,304,500, and the registered capital of the Project Company is RMB170,860,900, representing 20% of the estimated total investment of the Project. The Company agreed to contribute RMB162,317,855 in cash, representing approximately 95% of the registered capital of the Project Company, and Wuhan Municipal agreed to contribute RMB8,543,045 in cash, representing approximately 5% of the registered capital of the Project Company.

The shortfall between the registered capital of the Project Company and the funds required for the Project shall be settled by the Project Company through project financing in accordance with the Project Agreement.

(5) Organisational Structure

The board of directors of the Project Company will comprise five directors, three of whom will be nominated by the Company, one of whom will be nominated by Wuhan Municipal and the remaining one will be a staff representative. The chairman will be nominated by the Company and elected by the board of directors.

INFORMATION OF THE COMPANY, ENSHI MUNICIPAL HOUSING AND CONSTRUCTION BUREAU AND WUHAN MUNICIPAL

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; licence 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.

Enshi Municipal Housing and Construction Bureau is an entity of the Enshi Municipal People's Government primarily responsible for housing security and real estate management, administrative examination and approval, management of municipal public utilities, village construction, construction project management (construction project bidding and bidding management), survey design and technology (energy saving and innovative wall material in buildings), civil air defense management, and guiding and coordinating the fire prevention design review of construction projects, examination and acceptance of fire prevention facilities, fire safety filing or fire safety inspections. As Enshi Municipal Housing and Construction Bureau is a PRC governmental body as defined in Rule 19A.04 of the Listing Rules, it is therefore not deemed to be a connected person of the Company under Rule 14A.10 of the Listing Rules.

Wuhan Municipal is a company incorporated in the PRC with limited liability engaging in the design and construction of various levels and types of municipal engineering and construction works; construction of building projects, highway projects, bridge projects, tunnel projects, rail transit projects, civil airport projects, industrial and civil construction projects, water conservancy and flood control projects, park and greenery projects, housing construction projects, river and lake treatment and flood prevention facilities, environmental protection projects, ecological protection projects, sports venue and facilities projects, civil engineering projects, and overhead line and pipeline projects; project management services; project inspection activities: planning and design management; water pollution control; municipal facilities management: amenity management in urban and rural areas; greening management; urban park management; technology development, transfer, consultation and related services in the field of building technology; supply of ready-mixed concrete and asphalt concrete, leasing of construction machinery and equipment; planting and maintenance of flowers and seedlings; import and export of goods or technologies (except those prohibited by the state or involving administrative approval); leasing of plants and offices; property management; talent intermediary services and public employment services (excluding labor dispatch). (For business subject to approval, relevant permits must be obtained from the corresponding departments before conducting such business). As of the date of this announcement, Wuhan Municipal is held as to 51.22% by Wuhan Ecological Environment Investment Development Group Co., Ltd.* (武漢生態環境投資發展集團有限公司) and 48.78% by Wuhan Municipal Engineering Co., Ltd.* (武漢市市政工程有限公司). The ultimate beneficial owner of Wuhan Ecological Environment Investment Development Group Co., Ltd. is State-owned Assets Supervision and Administration Commission of Wuhan Municipal People's Government* (武漢市人民政府國有資產監督管理委員會), which is a PRC governmental body as defined under Rule 19A.04 of the Listing Rules and therefore not deemed to be a connected person of the Company according to Rule 14A.10 of the Listing Rules. To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Wuhan Municipal and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR ENTERING INTO THE PROJECT AGREEMENT AND JV AGREEMENT

The Project meets the revenue requirements of the Company. The Stock Project can immediately increase the income and profits of the Company, while the New Project can increase the income and profit of the Company to some extent during its construction period and operation period. The Project is in line with the Company's "14th Five-year Plan" development project and its principal business, and its implementation plays an important role in expanding the Company's environmental protection market in the Hubei region, increasing the Company's presence in the region and improving the scale of the Company's principal business.

The terms of the Project Agreement and the JV Agreement were determined after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Project Agreement and the JV Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios is/are more than 5% but less than 25%, the Project Agreement and the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"Board"	board of Directors
"Company"	Tianjin Capital Environmental Protection Group Company Limited, a joint stock company established in the PRC with limited liability, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company, including independent non-executive directors
"Enshi Municipal Housing and Construction Bureau"	Enshi Municipal Housing and Urban-Rural Development Bureau* (恩施市住房和城鄉建設局)
"Group"	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement in relation to the franchising project of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) Sewage Treatment Plants and their supporting pipelines entered into between the Company and Wuhan Municipal on 17 June 2023 for the establishment of the Project Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio”	has the meaning ascribed to it under the Listing Rules, as 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)
“Project Company”	Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司), subject to the registration with the industrial and commercial authorities, which is a Project Company to be established jointly by the Company and Wuhan Municipal
“Project Agreement”	the franchise agreement in relation to the franchising project of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) Sewage Treatment Plants and their supporting pipelines entered into between the Company and Enshi Municipal Housing and Construction Bureau on 17 June 2023 for the implementation of the Project
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder (s)”	registered holder of Shares
“Shares”	Shares of the Company of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Infrastructure Construction”	Tianjin 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 holding company of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL
“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

“Wuhan Municipal”

Wuhan Municipal Construction Group Co., Ltd.* (武漢市市政建設集團有限公司), a participating shareholder who intends to establish the Project Company jointly with the Company

“%”

percentage

By Order of the Board

Ji Guanglin

Chairman

Tianjin, PRC

18 June 2023

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 Ms. Liu Fei.

* *For identification purposes only*