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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 TRANSACTIONS

On 8 December 2017, the Company and Hetao Water entered into the Equity Transfer Contract, pursuant to which Hetao Water agreed to transfer and the Company agreed to acquire 70% equity interest in the Target Company. The consideration payable by the Company is approximately RMB776,960,000 (equivalent to approximately HK\$916,813,000).

On 8 December 2017, the Company and Hetao Water also entered into the JV Contract, pursuant to which both parties agreed to implement the PPP Project through the Target Company by adopting the model of “Transfer-Operate-Transfer (TOT)”. Upon completion of the equity transfer and the capital increase and enlargement under the Equity Transfer Contract, the registered capital of the Target Company would be approximately RMB1,219,800,000 (equivalent to approximately HK\$1,439,364,000), among which, the Company agreed to contribute in cash and would hold 70% thereof, and Hetao Water agreed to contribute in kind and will hold 30% thereof.

After execution of the Equity Transfer Contract and the JV Contract, Bayannur Water Authority and the Target Company will enter into the Concession Agreement, pursuant to which Bayannur Water Authority will agree to grant the water supply concession rights and sewage water treatment concession rights to the Target Company with the concession period of 30 years.

As the applicable percentage ratios are more than 5% but less than 25%, the transactions contemplated under the Equity Transfer Contract and the JV Contract constitute discloseable transactions of the Company under the Listing Rules. Accordingly, such transactions are subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 25 July 2017 and 2 August 2017 respectively in relation to the Sewage Treatment and Wastewater Reuse and Water Supply Integration PPP Project of Bayannur.

The Board is pleased to announce that on 8 December 2017, the Company and Hetao Water entered into the Equity Transfer Contract, pursuant to which Hetao Water agreed to transfer and the Company agreed to acquire 70% equity interest in the Target Company. On 8 December 2017, the Company and Hetao Water also entered into the JV Contract, pursuant to which both parties agreed to implement the PPP Project through the Target Company by adopting the model of “Transfer-Operate-Transfer (TOT)”. After execution of the Equity Transfer Contract and the JV Contract, Bayannur Water Authority and the Target Company will enter into the Concession Agreement, pursuant to which Bayannur Water Authority will agree to grant the water supply concession rights and sewage water treatment concession rights to the Target Company.

Set out below is a brief summary of the principal terms of the Equity Transfer Contract, the JV Contract and the Concession Agreement.

EQUITY TRANSFER CONTRACT

(1) Signing Date

8 December 2017

(2) Parties

- (a) The Company; and
- (b) Hetao Water

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, Hetao Water and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

(3) Target Company

In accordance with the assets appraisal report issued by Bayannur Huaxin Assets Appraisal Co., Ltd.* (巴彥淖爾市華信資產評估師事務所), an independent appraisal firm in the PRC, with the appraisal base date of 18 April 2017, the total assets of the Target Company were RMB10,741,298, the total liabilities were zero and the total net assets were RMB10,741,298.

Rule 14.58(7) of the Listing Rules requires disclosure of the net profits (both before and after taxation) attributable to the Target Company for the last two financial years (the “**Required Financial Information**”) in this announcement. Since the Target Company was newly incorporated in 2017, there is no such Required Financial Information.

Pursuant to the Equity Transfer Contract, the cooperation scope that the Company and Hetao Water proposed to perform through the Target Company includes: sewage water treatment and reclaimed water recycle of the Linhe Second Sewage Water Treatment Plant of Bayannur (巴彥淖爾市臨河第二污水處理廠); living water supply, industrial water supply, sewage water treatment and reclaimed water recycle of the Industrial Parks of Urad Front Banner (烏拉特前旗) and Urad Rear Banner (烏拉特後旗); industrial water supply of Menghai Industrial Park (蒙海工業園區) of Hanggin Rear Banner (杭錦後旗).

(4) Equity Transfer

The total assets value of the Target Company is planned to be approximately RMB1,219,800,000, including stock assets to be injected of approximately RMB1,067,600,000 (including finance lease balance of RMB267,810,000) and assets of projects to be constructed and injected of approximately RMB152,200,000 . Among which, stock assets consist of two parts: assets of industrial water supply projects and assets of sewage treatment projects. Industrial water supply projects include Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗加工園區(先鋒鎮)) water supply project, Bayannur Urad Front Banner Shengyuan Water Supply Co., Ltd.* (巴彥淖爾市烏拉特前旗盛源供水有限公司), Urad Rear Banner Industrial Park (烏拉特後旗加工園區) recycled water supply project, Bayannur Urad Rear Banner Qingyuan Water Supply Co., Ltd.* (巴彥淖爾市烏拉特後旗清源供水有限公司), Bayannur Haiyuan Water Supply Co., Ltd.* (巴彥淖爾市海源供水有限責任公司) and Bayannur Rear Banner Qingshan (巴彥淖爾市後旗青山) water supply project. Sewage treatment projects include Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗加工園區(先鋒鎮)) sewage treatment and recycle project, Urad Rear Banner (Huhe Town) Industrial Park (烏拉特後旗加工園區(呼和鎮)) sewage treatment project, and sewage treatment and reclaimed water recycle project of the Linhe Second Sewage Water Treatment Plant (臨河第二污水處理廠).

In accordance with the assets appraisal report issued by Bayannur Huaxin Assets Appraisal Co., Ltd.* (巴彥淖爾市華信資產評估師事務所), an independent appraisal firm in the PRC, with the appraisal base date of 30 November 2016, the

appraised value of the above industrial water supply projects was approximately RMB253,568,700 and the appraised value of the sewage treatment projects was approximately RMB814,009,200. The total sum was approximately RMB1,067,600,000.

Pursuant to the Equity Transfer Contract, Hetao Water agreed to inject all the stock assets into the Target Company and transfer 70% equity interest in the Target Company to the Company. The consideration payable by the Company is approximately RMB776,960,000 (equivalent to approximately HK\$916,813,000). The consideration payable by the Company of RMB776,960,000 was the bidding price for the PPP Project offered by the Company after taking into account the value of the Target Company and its assets and the prospect of the PPP Project.

The Company shall pay approximately RMB370,000,000 to the designated account of the Inner Mongolia Property Rights Exchange Center Co., Ltd.* (內蒙古產權交易中心有限責任公司) (the “**Exchange Center**”) within five working days after entering into the Equity Transfer Contract. Hetao Water shall complete injection of the abovementioned assets of industrial water supply projects and sewage treatment projects into the Target Company within two months after payment of the above RMB370,000,000 by the Company, and shall issue written notice to the Exchange Center on the date of completion of assets injection. The Company shall pay the remaining equity transfer price (i.e. approximately RMB406,960,000) to the designated account of the Exchange Center within fifteen working days after the date of completion of assets injection.

(5) Capital Increase and Enlargement

According to the Equity Transfer Contract, Hetao Water will perform capital contribution in kind to the Target Company with the assets of the completed projects being constructed in the future (with expected value of approximately RMB152,200,000, subject to the final audited and appraised fair value). The capital of the Target Company will be enlarged correspondingly, and Hetao Water will perform necessary equity transfer to the Company, in order to maintain the contribution ratio of the Company and Hetao Water being 70% and 30%.

JV CONTRACT

(1) Signing Date

8 December 2017

(2) Parties

- (a) The Company; and
- (b) Hetao Water

(3) Scope of Business

The business scope of the Target Company includes provision of water supply services in the existing locations of Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗(先鋒鎮)工業園區), Urad Rear Banner (Huhe Town) Industrial Park (烏拉特後旗(呼和鎮)工業園區) and Zijin Company (紫金公司), Hanggin Rear Banner Menghai Industrial Park (杭錦後旗蒙海工業園區), Linhe urban area (臨河城區) and Eastern Industrial Park (東部工業園區), and provision of sewage water treatment services in the existing locations of Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗(先鋒鎮)工業園區) and Urad Rear Banner (Huhe Town) Industrial Park (烏拉特後旗(呼和鎮)工業園區) as well as in Linhe Second Sewage Water Treatment Plant of Bayannur (巴彥淖爾市臨河第二污水處理廠).

(4) Registered Capital

Upon completion of the equity transfer and the capital increase and enlargement under the Equity Transfer Contract, the registered capital of the Target Company will be approximately RMB1,219,800,000 (equivalent to approximately HK\$1,439,364,000), among which, the Company agreed to contribute in cash of approximately RMB776,960,000 (equivalent to approximately HK\$916,813,000) and 70% of the value of the assets of the completed projects being constructed (with expected value of approximately RMB152,200,000, subject to the final audited and appraised fair value), representing 70% of the registered capital of the Target Company, and Hetao Water agreed to contribute in kind of approximately RMB320,280,000 (equivalent to approximately HK\$377,930,000) and 30% of the value of the assets of the completed projects being constructed, representing 30% of the registered capital of the Target Company.

(5) Term of Operation

The term of operation of the Target Company is 30 years.

(6) Organizational Structure

Members of the general meeting of the Target Company shall comprise all shareholders and shareholders are entitled to voting rights in proportion to the percentage of their respective contributions.

The board of directors of the Target Company shall comprise five directors, among which two directors shall be nominated by Hetao Water and three directors shall be nominated by the Company. The chairman of the board of directors is the legal representative of the Target Company who shall be nominated by the Company.

The supervisory committee of the Target Company shall comprise three supervisors, among which each of Hetao Water and the Company shall nominate one supervisor and the remaining employee representative supervisor shall be elected by employees democratically.

(7) Equity Transfer

Hetao Water shall be entitled to transfer its equity interest in the Target Company to third parties without obtaining the Company's consent in advance, provided that the transfer is in accordance with the requirements of management of state-owned assets or requirement of the Bayannur People's Government.

CONCESSION AGREEMENT

(1) Expected Signing Date

After execution of the Equity Transfer Contract and the JV Contract

(2) Parties

- (a) The Target Company; and
- (b) Bayannur Water Authority

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Bayannur Water Authority and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

(3) Water Supply Concession Rights and Sewage Water Treatment Concession Rights

Pursuant to the Concession Agreement, Bayannur Water Authority will grant to the Target Company the concession rights for provision of water supply services in the existing locations of Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗(先鋒鎮)工業園區), Urad Rear Banner (Huhe Town) Industrial Park (烏拉特後旗(呼和鎮)工業園區) and Zijin Company (紫金公司) and Hanggin Rear Banner Menghai Industrial Park (杭錦後旗蒙海工業園區), and the

concession rights for provision of reclaimed water supply services in Linhe urban area (臨河城區) and existing location of Eastern Industrial Park (東部工業園區), and to collect water charges. Bayannur Water Authority will also grant to the Target Company the concession rights for provision of sewage water treatment services in the existing locations of Urad Front Banner (Xianfeng Town) Industrial Park (烏拉特前旗(先鋒鎮)工業園區) and Urad Rear Banner (Huhe Town) Industrial Park (烏拉特後旗(呼和鎮)工業園區) as well as in Linhe Second Sewage Water Treatment Plant of Bayannur (巴彥淖爾市臨河第二污水處理廠), and to collect sewage water treatment service fees. The PPP Project is expected to have a sewage processing capacity of 150,000 tonnes per day, recycled water capacity of 115,000 tonnes per day and water supply capacity of 85,000 tonnes per day.

(4) Concession Period

The concession rights granted to the Target Company shall be exclusive, with the concession period of 30 years. Upon expiry of the concession period, the water supply concession rights and sewage water treatment concession rights shall be recovered at nil consideration. In respect of water supply, the equity interest held by the Company in the Target Company shall be repurchased by Bayannur Water Authority or other authorities designated by the municipal government with reference to the carrying amount of audited increased net assets of the water supply projects after the agreement is signed in proportion of the shareholdings. In respect of sewage water treatment, the Target Company shall transfer all assets of sewage water treatment projects to Bayannur Water Authority or other authorities designated by the municipal government at nil consideration, in good condition and without indebtedness, guarantee or other right restrictions.

(5) Letter of Guarantee in relation to Maintenance

The Target Company shall provide a letter of guarantee in relation to maintenance to Bayannur Water Authority within 10 working days from the effective date of the Concession Agreement as a guarantee of performance of the obligations of the Target Company under the Concession Agreement during the concession period. Such letter of guarantee in relation to maintenance shall be issued by a financial institute in the PRC which is acceptable to Bayannur Water Authority. The amount of such letter of guarantee in relation to maintenance shall be RMB15,000,000 (equivalent to approximately HK\$17,700,000) from the first year up to the date which is three years prior to expiry of the concession period and RMB30,000,000 (equivalent to approximately HK\$35,400,000) from the date which is three years prior to expiry of the concession period up to the date which is 12 months upon transfer back of sewage water treatment assets.

INFORMATION OF THE COMPANY, HETAO WATER AND BAYANNUR WATER AUTHORITY

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.

Hetao Water is the investor representative of the Bayannur People's Government and is principally engaged in construction and operation of non-agricultural water projects in Bayannur and is focus on business of water supply, water ecology, environmental technology, new material, finance and tourism properties and elderly care real estate.

Bayannur Water Authority is the competent authority of water administration system in Bayannur and is mainly responsible for highly centralized and unified management of water resources in Bayannur.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Hetao Water and Bayannur Water Authority and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

REASONS FOR ENTERING INTO THE EQUITY TRANSFER CONTRACT, THE JV CONTRACT AND THE CONCESSION AGREEMENT

The PPP Project is a new concession project acquired by the Company within its scope of principal business of water supply and sewage water treatment, which can assist the Company in expansion of market share in the water supply and sewage water treatment sector and in increasing its revenue and profit. The acquisition of the PPP Project will be of great significance to the Company in entering into the Inner Mongolia Autonomous Region market, increasing the influence in the region and expanding the overall scale. The smooth operation of the PPP Project will enable the Company to take full advantage of its management and technical personnel resources and can provide convenience for the Company to further develop projects in the western region.

The terms of the Equity Transfer Contract, the JV Contract and the Concession 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 Equity Transfer Contract, the JV Contract and the Concession 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 the applicable percentage ratios are more than 5% but less than 25%, the transactions contemplated under the Equity Transfer Contract and the JV Contract constitute discloseable transactions of the Company under the Listing Rules. Accordingly, such transactions are subject to the reporting and announcement requirements only but 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:

“Bayannur Water Authority”	Bayannur Water Authority of the Inner Mongolia Autonomous Region of the PRC
“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
“Concession Agreement”	the concession agreement between Bayannur Water Authority and the Target Company which is expected to be entered into after execution of the Equity Transfer Contract and the JV Contract, and pursuant to which Bayannur Water Authority will agree to grant the water supply concession rights and sewage water treatment concession rights to the Target Company
“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
“Equity Transfer Contract”	the equity transfer contract entered into between the Company and Hetao Water on 8 December 2017, pursuant to which Hetao Water agreed to transfer and the Company agreed to acquire 70% equity interest in the Target Company
“Group”	the Company and its subsidiaries
“Hetao Water”	Bayannur Hetao Water Group Company Limited* (巴彥淖爾市河套水務集團有限公司), a limited liability company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Contract”	the joint venture contract entered into between the Company and Hetao Water on 8 December 2017, pursuant to which both parties agreed to implement the PPP Project through the Target Company by adopting the model of “Transfer-Operate-Transfer (TOT)”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PPP Project”	the Sewage Treatment and Wastewater Reuse and Water Supply Integration Public-Private-Partnership (PPP) Project of Bayannur to be conducted by the Company and Hetao Water by using social capital and government cooperation model (PPP model), including the equity transfer of the Target Company by adopting the model of “Transfer-Operate-Transfer (TOT)”
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of the Company with nominal value of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company ”	Bayannur Jinshengyuan Water Supply and Drainage Company Limited* (巴彥淖爾市金晟源給排水有限公司), a limited liability company incorporated in the PRC and wholly-owned by Hetao Water as at the date of this announcement
“%”	per cent.

*For the purpose of this announcement, the following exchange rate is used:
RMB1.00 = HK\$1.18*

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
8 December 2017

As at the date of this announcement, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Tang Fusheng, Ms. Fu Yana and Ms. Peng Yilin; 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.

** For identification purposes only*