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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)

CONNECTED TRANSACTION

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

The Board is pleased to announce that on 7 August 2020, Tianjin Infrastructure Construction and Water Recycling Company entered into the Agreement, pursuant to which, Tianjin Infrastructure Construction shall contract the operation of the Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company, 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.

Tianjin Infrastructure Construction is the ultimate controlling shareholder of the Company. Therefore, pursuant to the Listing Rules, Tianjin Infrastructure Construction is a connected person of the Company. According to the Listing Rules, the transaction contemplated under the Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios of the relevant transactions contemplated under the Agreement are more than 0.1% but lower than 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements only, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 7 August 2020, Tianjin Infrastructure Construction and Water Recycling Company entered into the Agreement, pursuant to which, Tianjin Infrastructure Construction shall contract the operation of the Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company, 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 AGREEMENT

Set out below is a summary of the principal terms of the Agreement:

Date

7 August 2020

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 along

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

According to the 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 contract the operation and management of the facilities and assets of 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 assume its own profits and losses during the Operating Term.

Assets Contracting and Operating Term

The Operating Term shall begin from the date of the Agreement (the date of this announcement) and end on 31 December 2021. The Agreement shall be terminated automatically in advance if Tianjin Infrastructure Construction transfers the assets of Zhangguizhuang Water Recycling Plant Project and changes its operation rights during the term of the 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.

Based on the current operation condition of Zhangguizhuang Water Recycling Plant, during the term of the Agreement, it is estimated that the sales revenue from Zhangguizhuang Water Recycling Plant Project will be approximately RMB52.50 million and the realized profits will be approximately RMB15.09 million, while the contracting fees to be paid to Tianjin Infrastructure Construction are expected to be RMB9.05 million (equivalent to approximately HK\$10.05 million). The Company will make further disclosures in accordance with the Listing Rules and based on the actual conditions in timely manner when the contracting fees exceed the expected amount of the contracting fees above.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENT

Water Recycling Company is expected to be able to expand its sales in recycled water and pipeline connection business based on Zhangguizhuang Water Recycling Plant. 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 revenue, develop new markets for its recycled water business in the future, which is in line with market principles.

The terms of the 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 Agreement are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and 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 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.

Water Recycling Company is a wholly-owned subsidiary of the Company. It is principally engaged in the production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities etc.

Tianjin Infrastructure Construction is the ultimate controlling shareholder 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 sea and 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 consultancy; market construction development services; leasing of self-owned properties; leasing of infrastructures and development and operation of utilities; licensed operation of infrastructures and transfer of licensed operations with government authorization; production, development, operation of construction materials, decoration materials, electrical products (excluding cars); construction investment consultation.

IMPLICATIONS OF THE LISTING RULES

As mentioned above, Tianjin Infrastructure Construction is the ultimate controlling shareholder of the Company. Therefore, pursuant to the Listing Rules, Tianjin Infrastructure Construction is a connected person of the Company. According to the Listing Rules, the transaction contemplated under the Agreement constitutes a connected transaction of the Company.

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

Mr. Liu Yujun, an executive Director of the Company, and Mr. Gu Wenhui, Mr. Han Wei and Mr. Si Xiaolong, the non-executive Directors of the Company, are connected with Tianjin Infrastructure Construction or TMICL, and are deemed to be unable to provide recommendation opinions to the Board in an independent capacity. Therefore, they have abstained from voting at the Board meeting on approving the Agreement.

DEFINITIONS

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

“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 7 August 2020, pursuant to which, Tianjin Infrastructure Construction shall contract the operation of the Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company, 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
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Tianjin Capital Environmental Protection Group Company Limited, a joint stock company incorporated in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively
“connected person(s)”	has the same meaning as 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
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Operating Term”	from the date of the Agreement (the date of this announcement) to 31 December 2021
“percentage ratio(s)”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“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 Company Limited* (天津城市基礎設施建設投資集團有限公司), the ultimate controlling shareholder of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL
“TMICL”	Tianjin Municipal Investment Company Limited* (天津市政投資有限公司), the controlling Shareholder of the Company, holding 50.14% equity interest in the Company
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.*(天津中水有限公司), a 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

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
7 August 2020

As at the date of this announcement, the Board comprises three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; three non-executive Directors: Mr. Gu Wenhui, Mr. Han Wei and Mr. Si Xiaolong; and three independent non-executive Directors: Mr. Di Xiaofeng, Mr. Guo Yongqing and Mr. Wang Xiangfei.

*For the purpose of this announcement, the following exchange rate is used:
RMB1.00= HK\$1.11*

* *For identification purpose only*