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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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1065)

FURTHER ANNOUNCEMENT- PROFIT FORECAST OF THE DISCLOSEABLE TRANSACTIONS IN RELATION TO

- (1) ACQUISITION OF 100% EQUITY INTEREST IN GAOYOU COMPRO ENVIRONMENTAL RESOURCES COMPANY LIMITED; AND**
- (2) ACQUISITION OF 100% EQUITY INTEREST IN JIANGSU YONGHUI RESOURCES UTILIZATION COMPANY LIMITED**

References are made to (1) the announcement of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) dated 24 December 2020 (the “**Announcement**”) in relation to the Company’s proposed acquisition of 100% equity interest in Target Company I and Target Company II from the Transferors of Target Company I and Transferors of Target Company II at the base considerations of the transfers of RMB382,910,000 and RMB397,090,000, respectively; (2) the announcement dated 18 January 2021 in relation to the Company’s application for waiver under Rules 14.60A and 14.62 of the Listing Rules; and (3) the announcement dated 21 January 2021 in relation to the grant of waiver under Rules 14.60A and 14.62 of the Listing Rules by the Stock Exchange (collectively, the “**Announcements**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

COMPLIANCE WITH THE LISTING RULES

As disclosed in the Announcement, the considerations of Target Company I and Target Company II were agreed after arm’s length negotiations between each of the Transferors of Target Company I and the Transferors of Target Company II, and the Company on normal commercial terms with reference to, among others, the value of the entire equity interest of Target Company I and Target Company II, which was RMB405,000,000 and RMB420,000,000, respectively, determined on 30 April 2020 (the “**Valuation Benchmark Date**”) in accordance with the discounted cash flow method of the income approach as set out in the Valuation Report I and the Valuation Report II (collectively, the “**Valuation Reports**”) prepared by Jiangsu China Enterprise Appraisals Zhongtian Asset Co., Ltd.* (江蘇中企華中天資產評估有限公司), an independent valuer (the “**Independent Valuer**”).

Since the discounted cash flow method of the income approach was adopted by the Independent Valuer in the preparation of the Valuation Reports, such valuations constitute profit forecasts under Rule 14.61 of the Listing Rules. This announcement (the “**Further Announcement**”) is made in compliance with Rules 14.60A and 14.62 of the Listing Rules.

ASSUMPTIONS OF VALUATION

Pursuant to Rule 14.62(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Valuation Reports were based are as follows:

General Assumptions

1. It is assumed that there are no material changes in the current laws, regulations and policies, and the macroeconomic situation of the country, nor are there any material changes in the political, economic and social environment of the regions where the parties to the transactions are located;
2. In view of the actual condition of assets as of the Valuation Benchmark Date, it is assumed that the company operates on a going-concern basis;
3. It is assumed that there are no material changes in the interest rate, exchange rate, tax base and tax rate, policy levy and other expenses relevant to the evaluated entities after the Valuation Benchmark Date;
4. It is assumed that the management of the evaluated entities is responsible, stable, and capable of assuming its duties after the Valuation Benchmark Date;
5. It is assumed that after the Valuation Benchmark Date, there are no force majeure and unforeseen factors which will have a significant adverse impact on the evaluated entities.

Special Assumptions

1. It is assumed that the accounting policies will not affect the discounted cash flow model adopted by the evaluated entities after the Valuation Benchmark Date, and those adopted in the preparation of the Valuation Reports are consistent in material aspects;
2. It is assumed that the evaluated entities maintain the current operation scope and business pattern based on the existing management method and management level after the Valuation Benchmark Date;
3. It is assumed that there are no material changes in the supply and price of raw materials, accessories and labor used by the evaluated entities in their production and operation, nor are there any unforeseeable material changes in the products of the evaluated entities;
4. It is assumed that the evaluated entities are in full compliance with relevant state and local laws and regulations, and no recognized tax benefit qualification is cancelled as a result of violation of laws and regulations;
5. It is assumed that the “Hazardous Waste Operation License” of the evaluated entities will be successfully renewed upon each expiry in the future;

6. According to the notice on issuing the Administrative Measures for Charging Hazardous Waste Treatment in Jiangsu Province [Su Jia Fei (2018) No.169] (《江蘇省危險廢物處置收費管理辦法》的通知【蘇價費(2018)169號】) by the Price Bureau of Jiangsu Province and the Jiangsu Provincial Department of Ecology and Environment, the hazardous waste treatment is attributed to operation service charges and is subject to government guidance prices. The benchmark charging standards and the range of the floating rate for the treatment of hazardous waste in the region were formulated by competent municipal and county pricing authorities in conjunction with other competent authorities including the department of ecology and environment in accordance with the principle of treatment cost reimbursement and reasonable profits, the implementation of which is subject to the reporting to and approval by the local people's government and a copy of such reporting sent to the superior competent pricing authorities. As of the date of the Valuation Reports, the Yanzhou Development and Reform Commission and the Price Bureau have yet to settle the corresponding guidance prices for the document. Therefore, the valuations recognized the executed contracts at contract prices, while the uncontracted forecast prices were determined based on the hazardous waste charging standards set out in the Notice on the Approval of Charging Standards (Trial) of the Incineration of Hazardous Solid Waste by Yangzhou Dongsheng Environmental Solid Waste Treatment Co., Ltd. (《關於核定揚州東晟固廢環保處理有限公司危險固廢燒處置收費試行標準的通知》) issued by the Price Bureau of Yangzhou City on 14 November 2016. If there are changes in the real-time guidance prices issued by the relevant authorities, the enterprise value shall be reassessed.

The Board has reviewed the key assumptions upon which the profit forecast was based and is of the view that the profit forecast was made after due and careful enquiry.

PricewaterhouseCoopers has been engaged by the Company to review the arithmetical calculation and compilation of the discounted future estimated cash flows upon which the Valuation Reports prepared by the Independent Valuer were based.

A letter from the Board and a report from PricewaterhouseCoopers are included in the appendices to this announcement for the purposes of Rules 14.60A and 14.62 of the Listing Rules. The following are the qualifications of the valuer and PricewaterhouseCoopers:

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in the Further Announcement are as follows:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Jiangsu China Enterprise Appraisals Zhongtian Asset Co., Ltd.* (江蘇中企華中天資產評估有限公司)	Independent professional valuer

Each of the Independent Valuer and PricewaterhouseCoopers has given and has not withdrawn its respective written consent to the publication of the Further Announcement with inclusion of its report/letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Independent Valuer and PricewaterhouseCoopers is a third party independent of the Group and is not a connected person of the Group. As at the date of the Further Announcement, neither the Independent Valuer nor PricewaterhouseCoopers has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of the Further Announcement, neither the Independent Valuer nor PricewaterhouseCoopers had any direct or indirect interests in any assets which have been, since 31 December 2019 (the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
5 March 2021

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

* *For identification purpose only*

APPENDIX I – LETTER FROM THE BOARD

5 March 2021

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sirs,

Discloseable Transactions – (1) Acquisition of 100% Equity Interest in Gaoyou Compro Environmental Resources Company Limited; and (2) Acquisition of 100% Equity Interest in Jiangsu Yonghui Resources Utilization Company Limited

We refer to the announcement of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) dated 24 December 2020 (the “**Announcement**”) in relation to the captioned transactions. Capitalized terms used in this letter shall have the same meanings as those defined in the Announcement unless stated otherwise.

We refer to the Valuation Report I and the Valuation Report II (collectively, the “**Valuation Reports**”) dated 18 November 2020 issued by Jiangsu China Enterprise Appraisals Zhongtian Asset Co., Ltd.* (江蘇中企華中天資產評估有限公司) (the “**Independent Valuer**”) regarding the valuation of the entire equity interest in Target Company I and Target Company II as at 30 April 2020 (the “**Valuation**”), which constitutes profit forecasts under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from PricewaterhouseCoopers regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the Valuation Reports. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company confirmed that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Tianjin Capital Environmental Protection Group Company Limited
Liu Yujun
Chairman

* For identification purpose only

APPENDIX II – REPORT FROM PRICEWATERHOUSECOOPERS

The following is the text of the report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

INDEPENDENT REPROTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF GAOYOU COMPRO ENVIRONMENTAL RESOURCES COMPANY LIMITED AND JIANGSU YONGHUI RESOURCES UTILIZATION COMPANY LIMITED

TO THE BOARD OF DIRECTORS OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 18 November 2020 prepared by Jiangsu China Enterprise Appraisals Zhongtian Asset Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in Gaoyou Compro Environmental Resources Company Limited and Jiangsu Yonghui Resources Utilization Company Limited (the “**Target Companies**”) is based. The Valuation is set out in the announcements of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) dated 24 December 2020 (the “**Announcement**”) and 5 March 2021 (the “**Further Announcement**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the section headed “Assumptions of Valuation” of the Further Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the section headed “Assumptions of Valuation” of the Further Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the section headed “Assumptions of Valuation” of the Further Announcement.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 5 March 2021