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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)

**CONTINUING CONNECTED TRANSACTION
EPC FIRST TENDER SECTION (SECOND BATCH) AGREEMENT IN RELATION TO
THE RECYCLED WATER PIPELINE NETWORK CONNECTION PROJECT
IN THE MAIN DISTRICT OF TIANJIN**

The Board hereby announces that on 1 December 2022, Water Recycling Company (a wholly-owned subsidiary of the Company) entered into the First Tender Section (Second Batch) Agreement with Hua Miao Company and Tianjin Tongsheng Municipal, pursuant to which, Hua Miao Company and Tianjin Tongsheng Municipal agreed to provide Water Recycling Company with EPC general contracting service for the first tender section of the Project (Second Batch) during the First Tender Section (Second Batch) Service Period, including the design, construction and procurement work of all the engineering projects involved.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Tianjin Investment Group is the ultimate holding company of the Company, and Tianjin Tongsheng Municipal is an indirect subsidiary of Tianjin Investment Group. Therefore, Tianjin Tongsheng Municipal is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the First Tender Section (Second Batch) Agreement constitutes continuing connected transaction of the Company.

As all applicable percentage ratios for the First Tender Section (Second Batch) Agreement (after calculated by aggregation on an annual basis) will exceed 0.1% but are less than 5%, the First Tender Section (Second Batch) Agreement is only subject to reporting and announcement requirements but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to (i) the overseas regulatory announcement of the Company dated 25 August 2021 regarding Water Recycling Company's external investment in the Project; (ii) the announcement of the Company dated 20 October 2021 regarding continuing connected transactions of the Engineering Consultation Service Agreement and the Construction Agreement for the Recycled Water Pipeline Network Connection Project in the Main District of Tianjin; (iii) the announcement of the Company dated 27 January 2022 regarding continuing connected transactions of the EPC Second Tender Section Agreement and Third Tender Section Agreement in relation to the Recycled Water Pipeline Network Connection Project in the Main District of Tianjin; (iv) the announcement of the Company dated 18 February 2022 regarding continuing connected transactions of the EPC Fourth Tender Section Agreement in relation to the Recycled Water Pipeline Network Connection Project in the Main District of Tianjin; (v) the announcement of the Company dated 30 September 2022 regarding continuing connected transaction of Engineering Consultation Service (Second Batch) Agreement in relation to the Recycled Water Pipeline Network Connection Project in the Main District of Tianjin; (vi) the announcement dated 16 November 2022 regarding the revision of annual cap for continuing connected transaction; and (vii) the announcement dated 25 November 2022 regarding continuing connected transaction of the Jincang Expressway Construction Agreement in relation to the Recycled Water Pipeline Network Connection Project in the Main District of Tianjin (collectively, the "**Announcements**"). Unless the context otherwise requires, the terms used herein shall have the same meanings as those defined in the Announcements.

The Board hereby announces that on 1 December 2022, Water Recycling Company (a wholly-owned subsidiary of the Company) entered into the First Tender Section (Second Batch) Agreement with Hua Miao Company and Tianjin Tongsheng Municipal, pursuant to which, Hua Miao Company and Tianjin Tongsheng Municipal agreed to provide Water Recycling Company with EPC general contracting service for the first tender section of the Project (Second Batch) during the First Tender Section (Second Batch) Service Period, including the design, construction and procurement work of all the engineering projects involved.

The principal terms of the First Tender Section (Second Batch) Agreement are summarized as follows:

Date:	1 December 2022
Parties:	(a) Water Recycling Company (as employer); (b) Hua Miao Company (as consortium leader of the contractors); and (c) Tianjin Tongsheng Municipal (as consortium member of the contractors).
Scope of service:	All engineering design, construction and procurement work involved in the EPC general contracting of the first tender section of the Project (Second Batch).
Duration:	The service period is scheduled to commence from 15 December 2022 and to end on the completion date of the project (expected to be 30 June 2023).

Service fees:

The total service fees for the EPC general contracting of the first tender section of the Project (Second Batch) is RMB9.809821 million (tax inclusive) (the “**First Tender Section (Second Batch) Service Fees**”), of which the amount of the design fees is RMB40,000 (the “**First Tender Section (Second Batch) Design Fees**”) and the amount of the construction and installation engineering fees (including the procurement part) is RMB9.769821 million (the “**First Tender Section (Second Batch) Construction and Installation Engineering Fees**”).

In accordance with the applicable PRC laws and regulations and relevant provisions for project construction management, Water Recycling Company selected the general contractor for the first tender section of the Project (Second Batch) by way of open tender.

According to the tender invitation documents, the whole-process consultation unit shall prepare the budgeted price for the service fees of engineering design, construction and installation works according to the engineering project feasibility study report, and after confirmation by Water Recycling Company, it will be taken as the tender base price; bidders bid at a discount coefficient of the bidding base price.

Through open bidding, Hua Miao Company and Tianjin Tongsheng Municipal, as a consortium, made a successful bid with a coefficient of 0.985. The pricing and terms of their bid are no more favourable than the price and terms awarded to other independent third-party contractors and/or service providers of the Company. Among them, Hua Miao Company is responsible for the design work of the project, and Tianjin Tongsheng Municipal is responsible for the construction and installation work.

Based on the foregoing, the Board considers that the pricing principles and basis for the First Tender Section (Second Batch) Service Fees are in line with fairness and general commercial principles, the terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Payment method:

Water Recycling Company shall pay the First Tender Section (Second Batch) Design Fees and the First Tender Section (Second Batch) Construction and Installation Engineering Fees to Hua Miao Company and Tianjin Tongsheng Municipal respectively.

Water Recycling Company shall pay the First Tender Section (Second Batch) Construction and Installation Engineering Fees according to the progress of the project:

1. Upon entering into the First Tender Section (Second Batch) Agreement, within 60 days after Tianjin Tongsheng Municipal provides such documents as the Letter of Equivalent Advance Payment Guarantee (等額預付款保函), the Application Form for Payment of Project Funds (支付工程款項申請表) and the VAT Special Invoice for the Equivalent Amount (等額增值稅專用發票) to Water Recycling Company, Water Recycling Company shall pay 10% advance payment of the First Tender Section (Second Batch) Construction and Installation Engineering Fees of the contract price to Tianjin Tongsheng Municipal;
2. After the construction of the newly constructed part of the recycled water pipeline at the corresponding point is completed, Water Recycling Company shall pay 20% of the bid quotation for the First Tender Section (Second Batch) Construction and Installation Engineering Fees in respect of the corresponding point within 60 days;
3. If there is no newly constructed pipeline at the corresponding point, after the completion of the investigation of the current pipeline facilities and the internal inspection of the pipeline in accordance with the requirements of Water Recycling Company, Water Recycling Company shall allocate 20% of the bid quotation for the First Tender Section (Second Batch) Construction and Installation Engineering Fees in respect of the corresponding point within 60 days;
4. For the projects in each point that can be completed separately, the completion acceptance can be carried out in stages and settlement work can be commenced. After applying pressure, flushing, maintenance and connection work of the new and the upstream and downstream current pipelines at the corresponding point are completed and acceptance test is passed, 85% of the final price for the Construction and Installation Engineering Fees in respect of that point, which has been reviewed by the whole process consultation unit of the Project and confirmed by Water Recycling Company, shall be paid; when the final amount of the Construction and Installation Engineering Fees at that point is greater than the bid quotation at that point, if the accumulated amount of payments at that point has reached 85% of the Construction and Installation Engineering Fees at that point, the progress payment for that point shall be suspended;

5. When the total amount of the progress payment reaches 30% of the First Tender Section (Second Batch) Construction and Installation Engineering Fees of the contract price, the advance payment will be deducted at 20% of the progress payment. When the total amount of the project payment reaches 80% of the contract amount, the advance payment will be deducted in full;
6. Upon completion of the completion acceptance, final accounting, and archiving of the completion files for all points of the project, up to 97% of the total settlement price of the First Tender Section (Second Batch) Construction and Installation Engineering Fees shall be paid;
7. Within 60 days upon expiration of the defect liability period (that is, 24 months from the date of passing the acceptance test), up to 100% of the total settlement price of the First Tender Section (Second Batch) Construction and Installation Engineering Fees shall be paid.

Water Recycling Company shall pay the First Tender Section (Second Batch) Design Fees according to the following progress and time:

1. 50% of the First Tender Section (Second Batch) Design Fees of corresponding point locations shall be paid within 45 days after obtaining the certificate of passing construction drawing review for corresponding point locations; and
2. Up to 100% of the settlement price of the First Tender Section (Second Batch) Design Fees of the completed point locations shall be paid within 45 days after completion settlement and archiving of the completion files are completed.

ANNUAL CAPS

As disclosed in the Announcements, Water Recycling Company (a wholly-owned subsidiary of the Company) entered into an Engineering Consultation Service Agreement with Tianjin Infrastructure Consultant on 3 September 2021, entered into the Construction Agreement with Tianjin Municipal Institute and Tianjin Tongsheng Municipal on 20 October 2021, entered into the Second Tender Section Agreement with Shanghai Urban Construction Design General Institute and Tianjin Tongsheng Municipal on 27 January 2022, entered into the Third Tender Section Agreement with the Railway Fifth Institute and Environmental Investment Company on 27 January 2022, entered into the Fourth Tender Section Agreement with Shanghai Urban Construction Design General Institute and Tianjin Tongsheng Municipal on 18 February 2022, entered into the Engineering Consultation Service (Second Batch) Agreement with Tianjin Infrastructure Consultant on 10 October 2022, and entered into the Jincang Expressway Construction Agreement with Expressway Group and Tianjin Tongsheng Municipal on 25 November 2022 (collectively, the “**Agreements**”), respectively.

The continuing connected transactions under the Agreements and the First Tender Section (Second Batch) Agreement are all conducted with direct or indirect subsidiaries of Tianjin Investment Group (i.e. Tianjin Infrastructure Consultant, Tianjin Tongsheng Municipal, Environmental Investment Company and Expressway Group), the ultimate holding company of the Company, and are similar in nature, therefore the continuing connected transactions contemplated under the Agreements and the First Tender Section (Second Batch) Agreement shall be aggregated in calculation in accordance with the requirements of Rules 14A.81 and 14A.83 of the Listing Rules.

2022 Annual Cap

Pursuant to the First Tender Section (Second Batch) Agreement, the Company expects that the total amount of the First Tender Section (Second Batch) Service Fees payable by Water Recycling Company to Tianjin Tongsheng Municipal will not exceed RMB980,000 for the financial year ending 31 December 2022 of the Company.

As stated in the Announcements, the annual caps of the Agreements (when aggregated) will not exceed RMB124.61 million for the financial year ending 31 December 2022 of the Company.

Therefore, the annual caps of the Agreements and the First Tender Section (Second Batch) Agreement (when aggregated) will not exceed RMB125.59 million for the financial year ending 31 December 2022 of the Company.

2023 Annual Cap

Pursuant to the First Tender Section (Second Batch) Agreement, the Company expects that the total amount of the First Tender Section (Second Batch) Service Fees payable by Water Recycling Company to Tianjin Tongsheng Municipal will not exceed RMB8.54 million for the financial year ending 31 December 2023 of the Company.

As stated in the Announcements, the annual caps of the Agreements (when aggregated) will not exceed RMB86.54 million for the financial year ending 31 December 2023 of the Company.

Therefore, the annual caps of the Agreements and the First Tender Section (Second Batch) Agreement (when aggregated) will not exceed RMB95.08 million for the financial year ending 31 December 2023 of the Company.

2024 Annual Cap

Pursuant to the First Tender Section (Second Batch) Agreement, the Company expects that Water Recycling Company is not required to pay any First Tender Section (Second Batch) Service Fees to Tianjin Tongsheng Municipal for the financial year ending 31 December 2024 of the Company.

As stated in the Announcements, the annual caps of the Agreements (when aggregated) will not exceed RMB14.12 million for the financial year ending 31 December 2024 of the Company.

Therefore, the annual caps of the Agreements and the First Tender Section (Second Batch) Agreement (when aggregated) will remain at RMB14.12 million for the financial year ending 31 December 2024 of the Company.

2025 Annual Cap

Pursuant to the First Tender Section (Second Batch) Agreement, the Company expects that the total amount of the First Tender Section (Second Batch) Service Fees payable by Water Recycling Company to Tianjin Tongsheng Municipal will not exceed RMB300,000 for the financial year ending 31 December 2025 of the Company.

As stated in the Announcements, the annual caps of the Agreements (when aggregated) will not exceed RMB7.39 million for the financial year ending 31 December 2025 of the Company.

Therefore, the annual caps of the Agreements and the First Tender Section (Second Batch) Agreement (when aggregated) will not exceed RMB7.69 million for the financial year ending 31 December 2025 of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FIRST TENDER SECTION (SECOND BATCH) AGREEMENT

As stated in the Announcements, Water Recycling Company as the construction unit that has invested funds in the construction of the Project, upon completion of the Project, Water Recycling Company will be the property right unit for the newly built recycled water supply facilities, responsible for the operation and maintenance of the facilities and pipeline network. Water Recycling Company focuses on water sales revenue while expanding its pipeline network connection business. The Board believes that the investment and implementation of the Project by Water Recycling Company complies with the project planning requirements of Tianjin and is in line with the policy requirements of Tianjin and the State in terms of industrial policy. The investment and implementation of the Project can greatly increase the utilization rate of recycled water in Tianjin, and can effectively maintain the dominant position of Water Recycling Company in the water supply area for the main district of Tianjin, and has important strategic significance to the long-term operation and development of Water Recycling Company.

In addition, Hua Miao Company and Tianjin Tongsheng Municipal have relevant experience and expertise in the construction of municipal infrastructure and pipe network projects. Entering into the First Tender Section (Second Batch) Agreement can ensure that the quality of works for the Project invested and implemented by Water Recycling Company will meet the standards.

The terms of the First Tender Section (Second Batch) Agreement are determined after arm's length negotiations between the Parties. The Directors (including the independent non-executive Directors) are of the view that the First Tender Section (Second Batch) Agreement is on normal commercial terms and entered into during the usual and ordinary course of business of the Company, the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

Water Recycling Company is a direct wholly-owned subsidiary of the Company. Its business scope includes the construction and operation of urban water supply, drainage, sewage treatment, and recycled water utilization projects.

Tianjin Tongsheng Municipal is an indirect wholly-owned subsidiary of Tianjin Investment Group, and its scope of business includes services such as project management services, construction of landscaping works, tender agency services, property management and conference and exhibition services, residential leasing and sales of construction materials. As at the date of this announcement, the ultimate holding company of Tianjin Tongsheng Municipal is Tianjin Investment Group.

Hua Miao Company is a limited liability company incorporated in the PRC, and its scope of business includes planning, feasibility studies, design, project management, engineering surveying, general contracting, construction and equipment installation, environmental impact assessment, project supervision and consultancy services (excluding intermediaries) for water supply and drainage works, construction works, environmental protection works, town gas works, thermal works and road works; sales and maintenance, technology development, transfer, consultancy and services of mechanical equipment and materials; and blueprinting. As at the date of this announcement, the controlling shareholder of Hua Miao Company is Tianjin Water Group Co., Ltd.* (天津水務集團有限公司), whose controlling shareholder is Tianjin Guoxing Capital Operation Co., Ltd.* (天津國興資本運營有限公司) and ultimate controlling shareholder is Tianjin SASAC. Although the ultimate controlling shareholder of the Company is Tianjin SASAC, Tianjin SASAC will not be considered as a connected person of the Company under Rule 14A.10 of the Listing Rules as it is a PRC Governmental Body as defined under Rule 19A.04 of the Listing Rules. For the reasons set out above, after making all reasonable enquiries, to the best knowledge, information and belief of the Directors, Hua Miao Company and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Tianjin Investment Group 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 Investment Group is Tianjin SASAC.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Tianjin Investment Group is the ultimate holding company of the Company, and Tianjin Tongsheng Municipal is an indirect subsidiary of Tianjin Investment Group. Therefore, Tianjin Tongsheng Municipal is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the First Tender Section (Second Batch) Agreement constitutes continuing connected transaction of the Company.

As all applicable percentage ratios for the First Tender Section (Second Batch) Agreement (after calculated by aggregation on an annual basis) will exceed 0.1% but are less than 5%, the First Tender Section (Second Batch) Agreement is only subject to reporting and announcement requirements but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Ji Guanglin, an executive Director of the Company, and Ms. Peng Yilin and Mr. An Pindong, the non-executive Directors of the Company, are connected with Tianjin Investment Group or TMICL, and are considered unable to provide recommendations to the Board in their independent capacity, therefore they have abstained from voting at the board meeting on approving the First Tender Section (Second Batch) Agreement.

DEFINITIONS

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

“Board”	the board of Directors 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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Miao Company”	Tianjin Hua Miao Research & Design Institute of Water & Waste Water Company Limited* (天津市華淼給排水研究設計院有限公司), a company incorporated in the PRC with limited liability and an independent third party of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Percentage Ratio(s)”	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
“Project”	Tianjin Main District Recycled Water Pipeline Network Connection Project, which involves 117 construction projects located in Nankai District, Hexi District, Hebei District, Hongqiao District, Hedong District, Xiqing District, Beichen District, Dongli District and Jinnan District, respectively, and is expected to be constructed in 5 batches in a construction period of 5 years with a total of 61.56 kilometers of newly built recycled water pipeline network
“Project (First Batch)”	the first batch of the Project, including 43 projects, totaling 24.4 kilometers of pipeline network connection works for recycled water plants in the Tianjin main district
“Project (Second Batch)”	the second batch of the Project, involving 74 sub-items, with a total investment amount of RMB0.341 billion and a newly constructed pipeline of 35.5 kilometers
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Investment Group”	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 holding 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
“Tianjin Tongsheng Municipal”	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.* (天津通盛市政園林工程項目管理有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of Tianjin Investment Group

“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
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
“%”	percentage

By Order of the Board
Ji Guanglin
Chairman

Tianjin, the PRC
1 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*