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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
IN RELATION TO
ACQUISITION OF 5% EQUITY INTEREST IN
GUIZHOU CAPITAL WATER COMPANY LIMITED**

INTRODUCTION

The Board is pleased to announce that on 15 December 2023, the Board considered and approved the resolution on the Equity Transfer Agreement to be entered into between the Company and TMICL, pursuant to which the Company conditionally agreed to acquire and TMICL conditionally agreed to sell the Target Equity at a consideration of RMB8,893,947.34. Upon Completion, the Company will acquire the Target Equity, and Guizhou Company will be changed from a controlling subsidiary of the Company to a wholly-owned subsidiary of the Company.

IMPLICATIONS OF THE LISTING RULES

As stated above, as at the date of this announcement, TMICL is the holding company of the Company, and therefore TMICL is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) in respect of the transaction contemplated under the Equity Transfer Agreement is (are) more than 0.1% but all are less than 5%, the transaction contemplated under the Equity Transfer Agreement shall only be subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Completion is subject to the fulfillment of certain conditions as set out in the Equity Transfer Agreement and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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EQUITY TRANSFER AGREEMENT

Principal terms of the Acquisition under the Equity Transfer Agreement are as follows:

Parties

- (i) TMICL (as the transferor); and
- (ii) the Company (as the transferee) (collectively, the “**Parties**”).

Subject of transfer

The subject of transfer under the Equity Transfer Agreement was the 5% equity interest in Guizhou Company held by TMICL (the “**Target Equity**”).

TMICL agreed to sell and the Company agreed to acquire the Target Equity, both pursuant to the terms and conditions as agreed in the Equity Transfer Agreement.

The Acquisition was conducted by way of non-public agreement transfer in accordance with the relevant laws and regulations governing transactions of state-owned enterprise assets.

Consideration and payment method

The Parties agreed that the consideration for the transfer of the Target Equity shall be RMB8,893,947.34 (the “**Equity Transfer Price**”).

The Parties agreed that the Equity Transfer Price shall be paid in cash and the Company shall pay the Equity Transfer Price in one lump sum to TMICL within 10 working days after the Completion Date.

Basis for determining the consideration

In accordance with paragraph 7(5) of the “Administrative Measures for the Appraisal of State-owned Assets of Enterprises Under Supervision of Tianjin SASAC” (《天津市國資委監管企業國有資產評估管理辦法》), which stipulates that the transfer of property (equity) rights shall be subject to a valuation of the relevant assets, TMICL entrusted China Tong Cheng Assets Appraisal Co., Ltd. for the valuation of the Acquisition. According to the valuation report Zhong Tong Ping Bao Zi (2023) No. 131063 dated 4 August 2023 (the “**Asset Valuation Report**”) prepared by China Tong Cheng Assets Appraisal Co., Ltd., taking 31 December 2022 as the benchmark date, assessed through the asset-based approach, the appraised values of the total assets, the total liabilities and the net assets of 100% equity interest in Guizhou Company was RMB204,034,100, RMB26,155,200 and RMB177,878,900 respectively, the appreciation of net assets was RMB4,605,900, representing an appreciation rate of 2.66%, the valuation result has completed the valuation filing procedure with Tianjin Infrastructure Construction, and the consideration for the non-public transfer of the corresponding 5% equity interest in Guizhou Company held by TMICL shall be RMB8,893,947.34.

The Equity Transfer Price was determined after arm’s length negotiations between TMICL and the Company on normal commercial terms with reference to, among other things, (i) the business development opportunities and prospects of Guizhou Company; (ii) the Asset Valuation Report, in which the value of the entire equity interest in Guizhou Company assessed through the asset-based method was RMB177,878,900; and (iii) the factors set out in the paragraph headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” below.

Completion

After entering into the Equity Transfer Agreement, the Parties shall jointly complete the formalities relating to the transfer of the Target Equity in accordance with relevant laws and regulations as well as the requirements of the state-owned assets supervision and administration authorities, including but not limited to, the registration of the property rights and industrial and commercial changes required for the equity transfer. The Parties shall unconditionally submit all written materials required for the fulfillment of the Equity Transfer Agreement.

After entering into the Equity Transfer Agreement, the Parties shall actively cooperate with each other, and the date of completion of the registration of industrial and commercial changes of the Target Equity shall be the Completion Date.

Transition period arrangements

The Transition Period shall refer to the period from the Valuation Benchmark Date to the Completion Date. The profit and loss of Guizhou Company during the Transition Period shall be borne by or attributed to the Company.

Conditions of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective upon fulfillment of all of the following conditions:

- (1) The Parties have completed their respective internal authorization or approval procedures in respect of the equity transfer in accordance with their respective internal articles of association and management systems;

- (2) The Equity Transfer Agreement has been signed (or initialed) by the legal representatives of the Parties with official seals affixed;
- (3) the equity transfer has been approved by the competent state-owned assets regulatory authority in accordance with the requirements of the relevant laws and regulations.

Employee diversion and resettlement plan

The Parties confirm that the equity transfer does not involve the diversion and resettlement of the employees of Guizhou Company. After the Completion, Guizhou Company shall continue to perform the employment contracts with its employees.

Creditor's rights, debts and contingent liability settlement plan

The Parties confirm that the equity transfer does not change the independent legal person status of Guizhou Company, and the creditor's rights, debts and contingent liabilities of Guizhou Company shall continue to be exercised or assumed by Guizhou Company after the Completion.

Alteration, amendment and termination of the Equity Transfer Agreement

Any alteration and amendment to the Equity Transfer Agreement shall be made through mutual consent of the Parties in writing, which shall form an integral part of the Equity Transfer Agreement.

After the Acquisition has been approved by the relevant authorities, where the Parties shall adjust the proportion of equity transfer or the method of transfer, or any material change to the Equity Transfer Agreement shall occur, then the Parties shall immediately discuss the amendments to the Equity Transfer Agreement in the principle of good faith and agree on the necessary amendments to such documents, and the issue shall be re-submitted for approval in accordance with the prescribed procedures.

INFORMATION ON THE PARTIES

The Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services for sewage, tap water and other types of water treatment facilities; the design, construction, management, building and operational management of municipal infrastructures; the license operation, technical consultation and auxiliary services of Southeastern Half Ring Urban Road of the Middle Ring of Tianjin; the development and operation of environmental protection technologies and products; and the leasing of self-owned properties, etc. Tianjin Infrastructure Construction 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.

TMICL is mainly engaged in the investment, operation and management of commerce, service industry, real estate industry, urban infrastructure, highway facilities and supporting facilities with its own funds; the management of properties; the leasing of self-owned housing properties; the consultation of enterprise management. TMICL is the controlling shareholder of the Company and directly holds approximately 45.57% of the entire issued share capital of the Company as at the date of this announcement, whereas Tianjin Infrastructure Construction holds 100% equity interest in TMICL and the ultimate beneficial owner of TMICL is Tianjin SASAC.

INFORMATION ON GUIZHOU COMPANY

Guizhou Company

Prior to the Completion, Guizhou Company is a controlling subsidiary of the Company and its 95% equity interest is held by the Company. Guizhou Company is a limited liability company established under the laws of the PRC with a registered capital of RMB120,000,000, its scope of business includes the development, construction, operation and management of municipal sewage treatment plants, tap water treatment plants and solid waste treatment facilities; the research, development and promotion of environmental protection technologies; the project consulting services for water treatment facilities, environmental engineering projects, municipal engineering projects, highway engineering projects and transportation engineering projects. Upon Completion, Guizhou Company will become a wholly-owned subsidiary of the Company.

Financial information on Guizhou Company

Prior to the Completion, the results, assets and liabilities of Guizhou Company have already been consolidated in the accounts of the Group. Set out below is the audited financial information of Guizhou Company for the two financial years ended 31 December 2021 and 31 December 2022 prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended	
	31 December/As at 31 December	
	2022	2021
	<i>Audited</i>	<i>Audited</i>
	(RMB)	(RMB)
Total operating revenue	69,767,110.11	66,957,924.26
Net profit before tax	26,220,634.24	22,667,418.67
Net profit after tax	22,466,654.90	18,929,353.42
Net assets	173,273,008.58	150,800,363.68

REASONS FOR AND BENEFITS OF THE ACQUISITION

With the acceptance of transfer of the Target Equity held by TMICL, the Company's asset scale could be expanded, the integration of environmental and water resources could be realized, and the decision-making efficiency and management quality of the Guizhou Company could be improved.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the Parties. In view of the above, the Directors (including the independent non-executive Directors) consider that the Equity Transfer 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.

IMPLICATIONS OF THE LISTING RULES

As stated above, as at the date of this announcement, TMICL is the holding company of the Company, and therefore TMICL is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) in respect of the transaction contemplated under the Equity Transfer Agreement is (are) more than 0.1% but all are less than 5%, the transaction contemplated under the Equity Transfer Agreement shall only be subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ji Guanglin and Ms. Jing Wanyin, the executive Directors of the Company, and Ms. Peng Yilin and Mr. An Pindong, the non-executive Directors of the Company, are connected with Tianjin Infrastructure Construction 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 Equity Transfer Agreement.

Completion is subject to the fulfillment of certain conditions as set out in the Equity Transfer Agreement and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity by the Company from TMICL pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Completion”	the completion of the acquisition of the Target Equity pursuant to the Equity Transfer Agreement
“Completion Date”	the completion date of registration of industrial and commercial changes of the transfer of the Target Equity
“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)

“Equity Transfer Agreement”	the equity transfer agreement between TMICL and the Company in relation to 5% equity interest in Guizhou Capital Water Company Limited, pursuant to which TMICL conditionally agreed to sell and the Company conditionally agreed to acquire the Target Equity
“Group”	the Company and its subsidiaries
“Guizhou Company”	Guizhou Capital Water Company Limited* (貴州創業水務有限公司), a company incorporated in the PRC with limited liability
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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)”	the ordinary share(s) with a 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 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
“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
“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
“Transition Period”	the period from the Valuation Benchmark Date to the Completion Date

“Valuation Benchmark
Date” 31 December 2022

“%” per cent

By order of the Board
Ji Guanglin
Chairman

Tianjin, the PRC
15 December 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 purpose only*