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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)**

## **ANNOUNCEMENT IN RELATION TO THE PROPOSED CHANGE IN THE USE OF PART OF THE PROCEEDS**

References are made to the relevant announcements and overseas regulatory announcements of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”), all dated 22 November 2021, in relation to (1) the termination of 2020 Adjusted Non-public Issuance of A Shares; (2) the proposed Non-public Issuance of A Shares; (3) the Specific Mandate; and (4) the proposed adoption of the Shareholders’ Return Plan, the relevant circular dated 8 December 2021 (the “**Circular**”), the notice of 2021 fourth extraordinary general meeting and the notice of 2021 second H shareholders’ class meeting dated 8 December 2021, the announcement relating to the approval of Non-public Issuance of A Shares by Tianjin SASAC dated 10 December 2021, the announcement on the resolutions passed at the 2021 fourth extraordinary general meeting, the 2021 second H shareholders’ class meeting and the 2021 second A shareholders’ class meeting dated 24 December 2021, the announcement relating to the acceptance of the application for Non-public Issuance of A Shares by the CSRC dated 11 January 2022, the relevant overseas regulatory announcements dated 7 February 2022, 21 February 2022, 3 March 2022, 17 March 2022 and 22 April 2022, the announcement in relation to the approval obtained from the Issuance Examination Committee of the CSRC for the application for the Non-public Issuance of A Shares dated 16 May 2022, the announcement relating to the approval of Non-public Issuance of A Shares by the CSRC dated 8 June 2022, the announcement on results of Non-public Issuance of A Shares and changes in share capital dated 29 September 2022, the relevant overseas regulatory announcements dated 22 March 2023 and 27 March 2023, the announcement in relation to the proposed change in the use of part of the proceeds and the relevant overseas regulatory announcement dated 7 August 2023, the relevant overseas regulatory announcement dated 25 August 2023, the circular in relation to, among others, the proposed change in the use of part of the proceeds dated 4 September 2023, the announcement on the resolutions passed at the 2023 second extraordinary general meeting dated 21 September 2023, as well as the relevant overseas regulatory announcements dated 22 September 2023, 17 November 2023, 22 March 2024 and 23 August 2024. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular.

## I. SUMMARY ON THE CHANGE IN THE USE OF PART OF THE PROCEEDS

### (I) Background of the Proceeds

According to the Approval on the Non-Public Issuance of Shares of Tianjin Capital Environmental Protection Group Company Limited (Zheng Jian Xu Ke [2022] No. 1122) (《關於核准天津創業環保集團股份有限公司非公開發行股票的批覆》(證監許可[2022]1122號)) issued by the China Securities Regulatory Commission on 30 May 2022, the Company non-publicly issued 143,189,655 RMB-denominated ordinary shares at an issue price of RMB5.80 per Share to certain investors in September 2022, and the gross proceeds raised was RMB830,499,999.00. According to the Verification Report (PricewaterhouseCoopers Zhong Tian Yan Zi (2022) No. 0816) (普華永道中天驗字(2022)第0816號《驗資報告》) issued by PricewaterhouseCoopers Zhong Tian LLP, as of 20 September 2022, the total amount of proceeds from the issuance was RMB830,499,999.00. After deducting the expenses relating to the issuance of RMB19,743,434.08 (tax exclusive), the amount of net proceeds was RMB810,756,564.92.

### (II) Utilization of the Proceeds

As of 30 November 2024, utilization of the proceeds from the issuance by the Company was as follows:

*Unit: RMB0'000*

Investment project related to the proceeds	Total amount of investment	Proposed amount of proceeds to be utilized	Accumulative amount of proceeds utilized	Balance of proceeds
The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	18,963.75	14,800.00	13,395.02	1,404.98
The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	28,465.12	11,150.00	7,340.59	3,809.41
The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	29,917.95	21,900.00	10,629.68	11,270.32
The karamay nanjiao sewage treatment plant franchise project	56,936.62	10,300.00	5,320.15	4,979.85
The repayment of interest-bearing liabilities and replenishment of working capital	–	22,925.66	22,925.66	0.00
<b>Total</b>		<b>81,075.66</b>	<b>59,611.10</b>	<b>21,464.56</b>

*Note:* The Company held the 14th meeting of the ninth session of the Board of Directors on 23 May 2023 to consider and approve the proposal on the adjustment of the change of the investment plan of Honghu Project, and a supplemental project agreement was entered into between the Honghu project company and Honghu Municipal Bureau of Housing and Urban-Rural Development on 7 August 2023, which stipulated that the scope of the Honghu Project was adjusted to the construction of the Honghu Fengkou East Domestic Sewage Treatment Plant and ancillary pipeline network and the construction of the pipeline network for the villages on the outskirts of the townships of Honghu City. The total scale of recent sewage treatment is 3,000m<sup>3</sup>/day and the total investment of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800. The 18th meeting of the ninth session of the Board of Directors and the 8th meeting of the ninth session of the Supervisory Committee were held on 7 August 2023 and the 2023 Second Extraordinary General Meeting was held on 21 September 2023, both of which had considered and passed a resolution on changing the purpose of part of the proceeds, agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Karamay Nanjiao Sewage Treatment Plant. In order to improve the efficiency of the use of the proceeds, safeguard the long-term interests of the Company and arrange the use of the proceeds, the Company intended to use RMB103,000,000 out of the remaining proceeds of RMB181,393,100 for the Honghu Project to the construction of the Karamay Nanjiao Project instead. The remaining proceeds of RMB78,393,100 would continue to be used for the construction of the Honghu Project, thereby promoting the long-term and steady development of the Company's business and safeguarding the interests of the Company and shareholders. For further details, please refer to the Company's announcement dated 7 August 2023 in relation to the proposed change in the use of part of the proceeds, the circular in relation to the proposed change in the use of part of the proceeds dated 4 September 2023 and the announcement on the resolutions passed at the 2023 second extraordinary general meeting dated 21 September 2023.

As of 30 November 2024, the Company has utilized a total of RMB596,111,000 in the proceeds, the balance of which was RMB214,645,600.

### **(III) Change in the Use of Part of the Proceeds**

In order to enhance the efficiency of the use of proceeds, accelerate the implementation of investment projects, safeguard the long-term interests of the Company and the arrangement for the use of proceeds, the Company intends to make certain changes to the use of the proceeds abovementioned.

The Company intends to apply RMB53,000,000 out of the amount originally committed to "The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City" (the "**Water Recycling Batch 1 Project**") to "Chibi Lushui Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Concession TOT Project" (the "**Chibi Lushui Project**") instead. The project company shall be Chibi Capital Environmental Protection Water Co., Ltd.\* (赤壁創環水務有限公司), a wholly-owned subsidiary of the Company.

The proceeds involved in such change in the amount of RMB53,000,000 represent 6.54% of the original net proceeds.

Details of the changes in the use of proceeds are as follows:

*Unit: RMB0'000*

<b>Investment project proposed to be changed</b>		<b>Investment project after the proposed change</b>	
<b>Name of project</b>	<b>Balance of proceeds raised</b>	<b>Name of project</b>	<b>Proposed change to the amount of proceeds</b>
The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	11,270.32	Chibi Lushui Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Concession TOT Project	5,300.00

Subsequent to such changes, the intended amount applicable to the Water Recycling Batch 1 Project has been adjusted from RMB219,000,000 to RMB166,000,000.

#### **(IV) Deliberations of the Board of Directors**

The Company held a Board meeting on 17 December 2024, at which the “Proposal on Changing the Use of Part of the Proceeds” was considered and approved. The Board of Directors agreed that the Company should change the use of the proceeds of RMB53,000,000 for the Water Recycling Batch 1 Project to the investment expenditure of the Chibi Lushui Project.

In accordance with relevant regulations such as “Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds of Listed Companies”, “Stock Listing Rules of Shanghai Stock Exchange” and the Company’s “Management System of Raised Proceeds”, the current change in the use of part of the proceeds does not constitute a related party transaction, and the matter needs to be submitted to a general meeting of the Company for consideration.

## II. SPECIFIC REASONS FOR CHANGE IN THE USE OF PART OF THE PROCEEDS

### (I) Planned Investment and Actual Investment of the Original Project

*Unit: RMB0'000*

<b>Name of the project</b>	<b>The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City</b>
<b>Project company</b>	<b>Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)</b>
Total original planned investment amount	29,917.95
Amount originally proposed to be invested with proceeds	21,900.00
Accumulative amount invested as at 30 November 2024	10,629.68

As at 30 November 2024, the unused balance of the proceeds for the Water Recycling Batch 1 Project was RMB112,703,200.

### (II) Specific Reasons for the Change

With the project acceptance completed on 27 March 2024 and given the readiness of the conditions for water supply, the Water Recycling Batch 1 Project is now in the stage of project settlement. In order to improve the economic benefits of the project, reduce costs, and reasonably save project fees during the implementation of the project, the Company carried out work in the following two aspects:

1. With centralized management of project design, equipment procurement and construction through project bidding management, project processes and resource allocation have been optimised as a result, thus lowering the project construction and installation costs by approximately RMB33,000,000.
2. The Water Recycling Batch 1 Project obtained investment subsidies of RMB20,000,000 from the central budget for the year 2023, which were used to pay for the construction and installation costs of the Water Recycling Batch 1 Project.

In summary, the Water Recycling Batch 1 Project is expected to apply the proceeds of approximately RMB53,000,000 in a more effective way through measures described above. In order to improve the efficiency of utilisation of the proceeds and to safeguard the Company's long-term interests and the arrangement for the use of proceeds, the Company intends to apply RMB53,000,000 out of the remaining RMB112,703,200 of the proceeds for the Water Recycling Batch 1 Project to the construction of the Chibi Lushui Project, and the remaining RMB59,703,200 will still be utilised for the Water Recycling Batch 1 Project, so as to promote the long-term and sound development of the Company's business and safeguard the interests of the Company and Shareholders.

### **III. DESCRIPTION OF NEW PROCEEDS-RAISING AND INVESTMENT PROJECT**

On 8 November 2024, the Company published the "Announcement in relation to Investment in Chibi Lushui Industrial Park Sewage Treatment Plant and Supporting Pipeline Network TOT Project and Establishment of a Project Company" on the website of SSE and the relevant overseas regulatory announcement on the website of the Stock Exchange.

#### **(I) Basic Information and Investment Plan of the Project**

1. Name of the project: Chibi Lushui Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Concession TOT Project
2. Project company: Chibi Capital Environmental Protection Water Co., Ltd.,\* (赤壁創環水務有限公司)
3. Place of implementation: Chibi Lushui Industrial Park, Hubei Province
4. Project sewage treatment scale: 40,000m<sup>3</sup>/day
5. Cooperation period of the project: 40 years
6. Investment plan of the project: The total investment of the project is RMB301,000,000. Currently, the proceeds of RMB53,000,000 is intended to be used and the rest is to be financed by the Company's own funds and bank loans.

#### **(II) Project Feasibility Analysis**

The Company established Chibi Capital Environmental Protection Water Co., Ltd.,\* (赤壁創環水務有限公司) (the "**Chibi Lushui Project Company**") as the project company with a capital contribution of RMB60,200,000 with its own funds to invest, finance, operate and maintain the Chibi Lushui Project.

According to the franchising project agreement signed between the Company and Chibi Municipal Housing and Construction Bureau and the Company, Chibi Municipal Housing and Construction Bureau's subsequent succession agreement of the Franchising Project Agreement signed jointly with the Chibi Lushui Project Company, the Chibi Lushui Project Company is responsible for the investment and financing, operation and maintenance and repair of the project, and enjoys the right to obtain the sewage treatment service fee and the right to receive relevant income from lawful business operations. The project's cooperation period is 40 years, and the scale of sewage treatment is 40,000m<sup>3</sup>/day.

The project adopts a user payment approach. The source of revenue includes industrial sewage treatment fees and domestic sewage treatment service fees, of which the unit price of residential domestic sewage treatment is RMB0.95 per tonne, the unit price of non-residential domestic sewage treatment is RMB1.4 per tonne and the unit price of industrial sewage treatment is RMB5.68 per tonne. The domestic sewage treatment fee is determined in accordance with the government pricing document Chibi Price Control [2015] No. 18 (赤價管[2015]18號), and all domestic sewage is commissioned by the Chibi Municipal Government for water supply. If the government adjusts the unit price of domestic sewage treatment fee during the concession period, the domestic sewage treatment fee received by Chibi Lushui Project Company will be adjusted simultaneously in accordance with the new standard. The price of industrial sewage is adjusted every three years in accordance with changes in the economic environment and market trends with reference to inflation rates and other factors, and price adjustment will only be made when such change of the aforementioned factors exceeds  $\pm 5\%$ .

The Chibi Lushui Project belongs to a normal concession water project model, with the main risks being those of the government's ability to pay, technical operation and policy changes. In view of the Company's leading technical operational capability in China, the Chibi Lushui Project Company will maintain a good cooperation relationship with the government in the future and actively communicate and coordinate to ensure normal revenue and operation of the project.

### **(III) Project Necessity Analysis**

The Chibi Lushui Project can increase the scale of the Company's equity sewage treatment business by 40,000m<sup>3</sup>/day, which is in line with the Company's development strategy of expanding its principal business and conducive to consolidating the good cooperative relationship with the local government, and is positive in further reinforcing its industry position and market share in Hubei, increasing its regional influence and enhancing the scale of the Company's principal business.

#### **IV. OPINIONS OF THE SUPERVISORY COMMITTEE AND THE SPONSOR ON CHANGE IN THE USE OF PART OF THE PROCEEDS**

##### **(I) Opinion of the Supervisory Committee**

After consideration, the Supervisory Committee of the Company is of the view that the change in the use of part of the proceeds is in line with the strategic development plan of the Company and the interests of all Shareholders. The decision-making procedures for the change in the use of proceeds are in compliance with the relevant laws and regulations, without prejudice to the interests of the Company and the Shareholders. Therefore, the Supervisory Committee of the Company agrees with the Company's change in the use of part of the proceeds, and agrees to submit this matter to the general meeting of the Company for consideration.

##### **(II) Opinion of the Sponsor**

After verification, the sponsor is of the view that the change in the use of part of the proceeds has been considered and approved by the Board of Directors and the Supervisory Committee of the Company, and the independent Directors have expressed their clear consent and the matter will be submitted to the general meeting for consideration. The change in the use of part of the proceeds is an arrangement made by the Company in accordance with the current market environment and future strategic development planning, and the objective needs for the implementation of investment projects, without prejudice to the interests of the Shareholders. The change is also in compliance with the relevant provisions of the "Guidelines for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of proceeds of Listed Companies" and the Company's "Management System of Raised Proceeds". The sponsor has no disagreement with the change in the use of part of the proceeds of the Company, which shall be subject to the approval of the general meeting of the Company before implementation.



The change in the use of part of the proceeds is subject to the approval of the Shareholders of the Company by way of ordinary resolution at general meeting. An extraordinary general meeting will be convened for the purpose of, among other things, seeking the Shareholders' approval for the proposed change in the use of part of the proceeds. Votes at the general meeting will be taken by poll.

A notice of the general meeting and a circular containing, among other things, details of the proposed change in the use of part of the proceeds, will be despatched to the Shareholders as soon as practicable.

By order of the Board  
**Tang Fusheng**  
*Chairman*

Tianjin, the PRC  
17 December 2024

*As at the date of this announcement, the Board comprises three executive Directors: Mr. Tang Fusheng, Mr. Pan Guangwen and Ms. Nie Yanhong; three non-executive Directors: Mr. Wang Yongwei, Mr. An Pindong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei.*