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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
THE DISPOSAL OF 100% EQUITY INTEREST IN
TIANJIN CAPITAL ENVIRONMENTAL PROTECTION
(HONG KONG) LIMITED**

The Board is pleased to announce that on 17 December 2024, the Board considered and approved the resolution on the Equity Transfer Agreement to be entered into between the Company and TMICL in relation to the Target Equity. Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to sell, and TMICL conditionally agreed to acquire the Target Equity for a consideration of RMB29,973,500 (the “**Disposal**”).

Upon Completion, Hong Kong Company will be held as to 100% by TMICL. The Company will cease to hold any equity interest in Hong Kong Company and Hong Kong Company will cease to be a subsidiary of the Company. Accordingly, the results, assets and liabilities of Hong Kong Company will no longer be consolidated in the accounts of the Group.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, TMICL is the controlling shareholder of the Company, and therefore TMICL is regarded as a connected person of the Company under the Listing Rules. Under Chapter 14A of the Listing Rules, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratio(s) in respect of the transaction contemplated under the Equity Transfer Agreement exceed 0.1% but all are less than 5%, the transaction contemplated under the Equity Transfer Agreement is therefore only subject to the reporting and announcement requirements but is exempt 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 Disposal 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.

INTRODUCTION

The Board is pleased to announce that on 17 December 2024, the Board considered and approved the resolution on the Equity Transfer Agreement to be entered into between the Company and TMICL in relation to the Target Equity. Pursuant to the Equity Transfer Agreement, the Company agreed to sell, and TMICL agreed to acquire the Target Equity for a consideration of RMB29,973,500 (the “**Disposal**”).

THE DISPOSAL

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

- Parties**
- (a) the Company (as the transferor); and
 - (b) TMICL (as the transferee).

Subject of Transfer

The subject of transfer under the Equity Transfer Agreement is the 100% equity interest in Hong Kong Company held by the Company (the “**Target Equity**”). The Company agreed to sell, and TMICL agreed to acquire the Target Equity, both pursuant to the terms and conditions as agreed in the Equity Transfer Agreement. The Acquisition shall be conducted by way of non-public agreement transfer in accordance with the relevant laws and regulations governing transactions of state-owned enterprise assets.

Completion of the Transfer

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 transfer and registration changes required for the transfer of the Target Equity. The parties shall unconditionally submit all written materials required for the performance of the Equity Transfer Agreement.

Consideration

Pursuant to the Equity Transfer Agreement, the consideration for the transfer of the Target Equity shall be RMB29,973,500 (the “**Equity Transfer Price**”). The Equity Transfer Price shall be paid in the following manner:

1. RMB21,571,100 shall be paid by TMICL to the Company within 30 working days upon the signing of the Equity Transfer Agreement, by undertaking the outstanding balance of the other payables owed by the Company to Hong Kong Company in the amount of RMB21,571,100 as at the Valuation Benchmark Date. The Company, TMICL and Hong Kong Company will enter into a debt transfer agreement to indicate the treatment of the debt as part of the payment of the Equity Transfer Price;
2. the remaining consideration in the amount of RMB8,402,400 shall be paid in one lump sum to the Company by TMICL in cash.

Basis for Determining the Consideration

The Equity Transfer Price was determined based on the net asset value of Hong Kong Company as appraised and filed.

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, the Company entrusted Tianjin Huaxia Jinxin Assets Valuation Company Limited* (天津華夏金信資產評估有限公司) for the valuation of the Disposal.

According to the valuation report titled Huaxia Jinxin Ping Bao Zi No. [2024] 367 (the “**Asset Valuation Report**”) prepared by Tianjin Huaxia Jinxin Assets Valuation Company Limited* (天津華夏金信資產評估有限公司), taking 30 June 2024 as the valuation benchmark date (the “**Valuation Benchmark Date**”), book values of the total asset, total liability and total shareholders’ equity value of the Target Equity as appraised using the asset-based method were RMB30,179,600, RMB206,200 and RMB29,973,500, respectively, while the net asset appreciation and appreciation rate were RMB0 and 0%, respectively. Such valuation result has completed the valuation filing procedure, and the net asset value of the Target Equity as appraised and filed is RMB29,973,500.

Transition Period Arrangements

The transition period is the period from the Valuation Benchmark Date to the date of Completion. The profit and loss of Hong Kong Company during the transition period shall be borne by or attributed to TMICL.

Employee Diversion and Resettlement Plan

As Hong Kong Company does not have any employees, the Disposal does not involve the diversion and resettlement of the employees of Hong Kong Company.

Creditor’s Rights, Debts and Contingent Liability Settlement Plan

The Disposal does not change the legal entity of Hong Kong Company, and the creditor’s rights, debts and contingent liabilities of Hong Kong Company shall continue to be exercised or assumed by Hong Kong Company after the Completion. Any contingent liabilities and gains of Hong Kong Company arising or resulting from events prior to the Completion that are not reflected in the audited financial statements as of the Valuation Benchmark Date shall be borne by the Company.

Effectiveness 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 Disposal in accordance with their respective articles of association and management systems;
2. the Equity Transfer Agreement has been signed (or initialed) by the legal representatives of the Parties with company chop affixed; and

3. the Disposal has been approved by the competent state-owned assets regulatory authority in accordance with the requirements of the relevant laws and regulations.

INFORMATION OF HONG KONG COMPANY

Hong Kong Company

Prior to Completion, Hong Kong Company is a wholly-owned subsidiary of the Company owned as to 100% by the Company. Hong Kong Company is a limited liability company incorporated under the laws of Hong Kong with a registered capital of US\$7.84 million, its principal scope of business includes water resources and sewage treatment project operation services, construction of sewage treatment plant, development and construction of urban water treatment system, development and construction of seawater desalination system, and sales of sewage treatment equipment.

Financial Information of Hong Kong Company

Prior to Completion, the results, assets and liabilities of Hong Kong Company are consolidated in the accounts of the Group. Set out below is the audited financial information of Hong Kong Company for the two financial years ended 31 December 2022 and 31 December 2023 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2022	2023
	<i>HK\$</i>	<i>HK\$</i>
	(Audited)	(Audited)
Revenue	3,935	35,814
Net profit/(loss) before tax	(2,166,680)	(118,741)
Net profit/(loss) after tax	(2,166,680)	(118,741)

According to the Asset Valuation Report, the book value of the net assets of the Target Equity as of the Valuation Benchmark Date was HK\$32,841,200 (equivalent to RMB29,973,500).

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, Hong Kong Company will be held as to 100% by TMICL. The Company will cease to hold any equity interest in Hong Kong Company and Hong Kong Company will cease to be a subsidiary of the Company. Accordingly, the results, assets and liabilities of Hong Kong Company will no longer be consolidated in the accounts of the Group.

Given that the Equity Transfer Price is equal to the net asset value of the Target Equity and after taking into account the related costs and expenses of the transaction, the Company does not expect to record any significant gain or loss on the Disposal. The actual gain on the Disposal to be recorded by the Group will be determined upon Completion and is subject to audit. Any net proceeds from the Disposal will be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

As Hong Kong Company has failed to identify a clear business development path and carry out financing and actual business for years after its establishment, due to strategic considerations and with an aim to revitalize the Company's existing assets, the Company intends to transfer 100% of the equity interest of Hong Kong Company to TMICL, the controlling shareholder of the Company.

The Directors (including the independent non-executive Directors) consider that the Asset Transfer Agreement (including the consideration) is on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF 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.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, TMICL is the controlling shareholder of the Company, and therefore TMICL is regarded as a connected person of the Company under the Listing Rules. Under Chapter 14A of the Listing Rules, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

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

GENERAL

As at the date of this announcement, executive Directors Mr. Tang Fusheng and Mr. Pan Guangwen, and non-executive Directors Mr. Wang Yongwei and Mr. An Pindong, are connected with TMICL, and are considered unable to provide recommendations to the Board in their independent capacity, therefore they have abstained from voting on the board resolution approving the Equity Transfer Agreement and the transaction contemplated thereunder. Save as set out above, none of the Directors has a material interest in the Asset Transfer Agreement and the transaction contemplated thereunder or is required to abstain from voting on the relevant board resolutions.

Completion is subject to the fulfillment of certain conditions as set out in the Equity Transfer Agreement and the Disposal 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:

“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
“Completion”	completion of the Disposal pursuant to the Equity Transfer Agreement
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(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 the Company (as the transferor) and TMICL (as the transferee) in respect of the Disposal, pursuant to which, the Company conditionally agreed to sell and TMICL conditionally agreed to acquire the Target Equity for a consideration of RMB29,973,500
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Limited (天津創業環保(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to the Completion
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“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

“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
“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
“%”	per cent

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.

* *For identification purpose only*