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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 ACQUISITION OF ASSETS OF ZHANGGUIZHUANG WATER RECYCLING PLANT PROJECT

The Board is pleased to announce that on 17 December 2024, the Board considered and approved the resolution on the Assets Transfer Agreement to be entered into between Water Recycling Company (a wholly-owned subsidiary of the Company) and Tianjin Infrastructure Construction in relation to the Zhangguizhuang Water Recycling Plant Project. Pursuant to the Assets Transfer Agreement, the Company conditionally agreed to acquire, and Tianjin Infrastructure Construction conditionally agreed to sell the Transferred Assets at a consideration of RMB218,005,256 (the “**Acquisition**”).

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Tianjin Infrastructure Construction is the ultimate controlling company of the Company. Therefore, Tianjin Infrastructure Construction 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 Assets Transfer Agreement constitutes a connected transaction of the Company.

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

Completion of the Acquisition is subject to the fulfillment of certain conditions set out in the Assets Transfer Agreement. Accordingly, 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.

INTRODUCTION

The Board is pleased to announce that on 17 December 2024, the Board considered and approved the resolution on the Assets Transfer Agreement to be entered into between Water Recycling Company (a wholly-owned subsidiary of the Company) and Tianjin Infrastructure Construction in relation to the Zhangguizhuang Water Recycling Plant Project. Pursuant to the Assets Transfer Agreement, the Company conditionally agreed to acquire, and Tianjin Infrastructure Construction conditionally agreed to sell the Transferred Assets at a consideration of RMB218,005,256 (the “**Acquisition**”).

THE ACQUISITION

The principal terms of the Assets Transfer Agreement are set out below:

- Parties**
- (a) Tianjin Infrastructure Construction (as the transferor); and
 - (b) Water Recycling Company (as the transferee).

Subject Project

The project in relation to the Transferred Assets is the Zhangguizhuang water recycling plant and its supporting water pipe network project (the “**Zhangguizhuang Water Recycling Plant Project**”), which is located in Dongli District, Tianjin City, comprising a water recycling plant with a production capacity of 60,000 cubic meters/day and an external water pipeline with a length of approximately 15.3 kilometers, mainly serving the surrounding enterprise-level residential users, and is owned by Tianjin Infrastructure Construction.

The Zhangguizhuang Water Recycling Plant Project has been commissioned by Tianjin Infrastructure Construction to Water Recycling Company for operation (including engaging in the production and sales of recycled water) since 2017. In this regard, Water Recycling Company and Tianjin Infrastructure Construction entered into the contract operation agreement (as renewed from time to time), pursuant to which Water Recycling Company may collect recycled water fees from the recycled water users on its own during the operating term but is required to pay to Tianjin Infrastructure Construction on an annual basis a contracting fee, the amount of which is determined at 60% of the annual profit of the Zhangguizhuang Water Recycling Plant Project. The operating term is until 31 December 2024. In the event that Tianjin Infrastructure Construction transfers the assets of the Zhangguizhuang Water Recycling Plant Project, the contract operation agreement will be early terminated. For details of the terms of the contract operation agreement, please refer to the continuing connected transaction announcement of the Company dated 21 December 2022 in relation to the renewal of contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets.

Assets to be transferred

Pursuant to the Assets Transfer Agreement, the assets to be acquired by Water Recycling Company include structures and other auxiliary facilities, pipeline trenches, land use rights, other intangible assets, machinery and equipment, electronic equipment and inventories of Zhangguizhuang Water Recycling Plant Project (the “**Transferred Assets**”).

The scope of the Transferred Assets includes:

1. the assets listed in the asset list contained in the Asset Valuation Report;
2. all the information and data related to the Transferred Assets; and
3. all the rights and interests of Tianjin Infrastructure Construction in the Transferred Assets.

In particular, the Zhangguizhuang Water Recycling Plant Project's land use right area is 26,367.90 square meters, construction area is 4,724.10 square meters, and the nature of the land use right is allocated land (as stipulated in the real estate title certificate).

Upon the execution and coming into effect of the Assets Transfer Agreement, the parties shall appoint their respective internal members to form a transfer team. The transfer team shall carry out the stocktaking and handing over of assets, the preparation of the work report and other relevant works in accordance with the contents of the asset list.

Financial Information of the Transferred Assets

Based on the audit report in respect of the Zhangguizhuang Water Recycling Plant Project prepared in accordance with the China Accounting Standards for Business Enterprises, the key financial information of the Zhangguizhuang Water Recycling Plant Project for the two financial years ended 31 December 2022 and 31 December 2023 are set out below:

	For the year ended	
	December 31	
	2022	2023
	<i>RMB0'000</i>	<i>RMB0'000</i>
	(audited)	(audited)
Net profit before tax	951.83	723.72
Net profit after tax	713.87	542.79

According to the Asset Valuation Report, the book value of the Transferred Assets as at the Valuation Benchmark Date was RMB297,186,396.44.

Delivery of the Transferred Assets

Subject to all of the following conditions precedent being satisfied, the Transferred Assets shall be delivered by Tianjin Infrastructure Construction to Water Recycling Company on 31 December 2024 (or any later date as otherwise agreed between the parties) (the "**Transfer Date**"):

1. The Assets Transfer Agreement is duly executed and has become effective; and
2. The transfer team has completed its work report, which has been signed and confirmed by the parties.

On the Transfer Date, Tianjin Infrastructure Construction shall deliver all of the Transferred Assets to Water Recycling Company, and the Transferred Assets shall be delivered in their current state.

Following the Transfer Date, Water Recycling Company shall enjoy all rights and interests in the Transferred Assets, and all rights and interests of Tianjin Infrastructure Construction in the Transferred Assets shall immediately cease. Meanwhile, all costs, obligations and risks related to the operation and management, repair and maintenance, renewal and replacement, etc. of the Zhangguizhuang Water Recycling Plant Project shall be borne by Water Recycling Company from the Transfer Date.

Subsequent Matters

After the Transfer Date, the parties shall go through the procedures in relation to the transfer of the Transferred Assets (including the procedures for the transfer and registration of real property rights) in accordance with the applicable laws.

In the event that Water Recycling Company fails to obtain all of the interests in the Transferred Assets or the ownership certificates due to force majeure, Tianjin Infrastructure Construction shall, unless otherwise agreed by the parties, promptly return the Consideration to Water Recycling Company, and refund the corresponding fees and expenses borne by Water Recycling Company for, among others, the operation and maintenance of the Zhangguizhuang Water Recycling Plant Project after the Transfer Date and until the processing of the registration procedures.

Consideration

Pursuant to the Assets Transfer Agreement, the transfer price is RMB218,005,256 (the “**Consideration**”). The Consideration shall be payable by Water Recycling Company to Tianjin Infrastructure Construction in the following manner:

1. Water Recycling Company shall pay the down payment in respect of the Acquisition amounting to 50% of the Consideration (i.e. RMB109,002,628) to Tianjin Infrastructure Construction within 15 days after the entering into of the Assets Transfer Agreement between Tianjin Infrastructure Construction and Water Recycling Company.
2. Water Recycling Company shall make the second payment to Tianjin Infrastructure Construction in the amount of 40% of the Consideration (i.e. RMB87,202,102.40) within 15 days after the Transfer Date;
3. Within 60 days from the date on which the parties complete the transfer and registration of real property rights, Water Recycling Company shall pay to Tianjin Infrastructure Construction the remaining Consideration, which amounts to 10% of the Consideration (i.e. RMB21,800,525.60).

The Consideration was determined after arm’s length negotiations between Water Recycling Company and Tianjin Infrastructure Construction in accordance with the result referred to in the asset valuation report (the “**Asset Valuation Report**”) prepared by China Tong Cheng Assets Appraisal Co., Ltd.* (中通誠資產評估公司), an independent valuer, using the cost approach. In accordance with the Asset Valuation Report, the appraised value of the Transferred Assets was RMB218,005,256 as at 30 September 2024 (the “**Valuation Benchmark Date**”).

Funding

The Company currently expects that the Consideration will be funded by internal resources and bank borrowings.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSETS TRANSFER AGREEMENT

The Company currently has four water recycling plants in the central city of Tianjin, namely the Jingu Water Recycling Plant (with a capacity of approximately 70,000 cubic meters/day), the Dongjiao Water Recycling Plant (with a capacity of approximately 50,000 cubic meters/day), the Xianyang Road Water Recycling Plant (with a capacity of approximately 50,000 cubic meters/day) and the Beichen Water Recycling Plant (with a capacity of approximately 20,000 cubic meters/day), amounting to a total capacity of 190,000 cubic meters/day. Zhangguizhuang Water Recycling Plant (with a capacity of approximately 60,000 cubic meters/day) is the fifth water recycling plant in the central city of Tianjin, and which has entered the profit-making stage after nearly eight years of continuous operation.

The acquisition of the assets of the Zhangguizhuang Water Recycling Plant Project by the Company is conducive to the expansion of the existing reclaimed water supply business and realisation of specialised resource integration, industrial chain extension and strategic development planning. Meanwhile, the Acquisition will eliminate potential inter-industry competition and reduce transactions with connected persons, which will help the Company to prevent the risk of non-continuous operation and obtain stable profits on the basis of sustainable development, and enhance the Company's market competitiveness in the field of environmental protection.

The Directors (including the independent non-executive Directors) consider that the terms of the Assets Transfer Agreement (including the Consideration) are entered into on normal commercial terms in the ordinary course of business of the Group, and 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 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 Infrastructure Construction is the ultimate controlling 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 Infrastructure Construction 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 Infrastructure Construction is Tianjin SASAC.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Tianjin Infrastructure Construction is the ultimate controlling company of the Company. Therefore, Tianjin Infrastructure Construction 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 Assets Transfer Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Assets Transfer Agreement exceed 0.1% but all are less than 5%, the transaction contemplated under the Assets Transfer Agreement is therefore only subject to the reporting and announcement requirements and 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 each connected with Tianjin Infrastructure Construction and are considered unable to recommend to the Board in their independent capacity, and as such, they have abstained from voting on the board resolution approving the Assets Transfer Agreement and the transaction contemplated thereunder. Save as aforesaid, none of the Directors has a material interest in the Assets Transfer Agreement and the transaction contemplated thereunder or is required to abstain from voting on the relevant board resolution.

Completion of the Acquisition is subject to the fulfillment of certain conditions set out in the Assets Transfer Agreement. Accordingly, 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 the context otherwise requires, the following expressions shall have the following meanings:

“Assets Transfer Agreement”	the assets transfer agreement in relation to the Acquisition to be entered into between Water Recycling Company (as the transferee) and Tianjin Infrastructure Construction (as the transferor), pursuant to which the Company has conditionally agreed to acquire, and Tianjin Infrastructure Construction has conditionally agreed to sell the Transferred Assets at a consideration of RMB218,005,256
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“Board”	the board of Directors
“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)”	has the meaning ascribed to it under the Listing Rules
“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 Director(s))
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the same meaning 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
“Shares”	shares of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Infrastructure Construction”	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 controlling 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

“Water Recycling
Company”

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