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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)

DISCLOSEABLE TRANSACTION – KARAMAY NANJIAO SEWAGE TREATMENT PLANT FRANCHISING PROJECT

INTRODUCTION

The Board is pleased to announce that the government review as well as the signing and sealing procedures of the Project Contract, with effect from 27 March 2023, has been completed by the Company as at the date of this announcement. The Company and Karamay Municipal Housing and Construction Bureau have granted the Project Company the operating rights of payment of consideration for assets, design, investment, financing, construction, operation and maintenance and transfer of the existing and reconstruction and expansion projects under the Project during the Cooperation Period through the combined model of “Transfer-Operate-Transfer (TOT)” and “Reconstruction-Operate-Transfer (ROT)”, respectively. The total investment of the Project is approximately RMB569,366,200.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios are more than 5% but less than 25%, the transaction contemplated under the Project constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the overseas regulatory announcement of the Company dated 24 March 2023 in relation to the successful bidding for the franchising project of Karamay Nanjiao Sewage Treatment Plant and the establishment of the Project Company, pursuant to which, the Board considered and approved the establishment of the Project Company and the implementation of the franchising project of the construction of Karamay Nanjiao Sewage Treatment Plant (the “**Project**”).

The Board is pleased to announce that the government review as well as the signing and sealing procedures of the Project Contract, with effect from 27 March 2023, has been completed by the Company as at the date of this announcement. The Company and Karamay Municipal Housing and Construction Bureau have granted the Project Company the operating rights of payment of consideration for assets, design, investment, financing, construction, operation and maintenance and transfer of the existing and reconstruction and expansion projects under the Project during the Cooperation Period through the combined model of “Transfer-Operate-Transfer (TOT)” and “Reconstruction-Operate-Transfer (ROT)”, respectively. The total investment of the Project is approximately RMB569,366,200.

A summary of the principal terms of the Project Contract is set out below.

PROJECT CONTRACT

(1) Effective Date

27 March 2023

(2) Parties

- (a) Karamay Municipal Housing and Construction Bureau; and
- (b) The Company.

(3) The Project

According to the Project Contract, the Project refers to the franchising project for the construction of the Karamay Nanjiao Sewage Treatment Plant jointly implemented by the Company and Karamay Municipal Housing and Construction Bureau, including two sub-projects:

- (i) Nanjiao Sewage Treatment Plant and outlying pump stations, a stock asset project, which adopts the “Transfer-Operate-Transfer (TOT)” model (the “**Stock Project**”). The Project Company will pay the consideration for inventory assets to Karamay Municipal Housing and Construction Bureau and other designated institutions of the People’s Government of Karamay City, and, after obtaining the operation right of Nanjiao Sewage Treatment Plant, shall be responsible for the operation and maintenance of the project during the cooperation period. After the expiration of the cooperation period, the assets and facilities under the Project will be transferred to the designated institution of Karamay Municipal People’s Government at zero consideration; and
- (ii) Technical renovation for sludge treatment and drainage pipeline reconstruction and expansion project of Karamay Nanjiao Sewage Treatment Plant, a new project of the original sewage plant and the pipeline network, which adopts the “Reconstruction-Operate-Transfer (ROT)” model (the “**New Project**”). The Project Company shall be responsible for the design, investment, financing, construction, operation and maintenance during the cooperation period. After the expiration of the cooperation period, the assets and facilities under the Project will be transferred to the designated institution of Karamay Municipal People’s Government at zero consideration.

The total investment amount of the Project is expected to be approximately RMB569,366,200, including: (1) the estimated total amount for the New Projects is approximately RMB180,552,500 (RMB14,000,000 for the technical renovation project of sludge treatment, RMB66,241,300 for the drainage pipeline in Karamay District, and RMB100,311,200 for phase II of sewage collection system); (2) the consideration for transfer of the franchised operation of Nanjiao Sewage Treatment Plant and outlying facilities of the Stock Project of approximately RMB388,813,700 (the “**Consideration for the Stock Asset**”).

The total investment amount of the Project is determined with reference to (i) the circumstance of transaction of other projects; (ii) the appraised value of the Stock Project (the appraised value of approximately RMB388,813,657 as determined in accordance with the “Asset Appraisal Report of the Project on Physical Assets Involved in the Entrusted Operation of Karamay Nanjiao Sewage Treatment Plant by Karamay Municipal Drainage Management Office”); (iii) the scale of the Stock Project; and (iv) the requirements on the scale of sewage treatment and on the quality of effluent.

According to the Project Contract, the Project Company shall pay RMB110,000,000 of the Consideration for the Stock Asset to Karamay Municipal Housing and Construction Bureau or the entity designated by the municipal government within 15 working days after the incorporation of the Project Company, and the remaining amount of the Consideration for the Stock Asset shall be paid within 4 months after the incorporation of the Project Company.

(4) The Franchise

According to the Project Contract, Karamay Municipal Housing and Construction Bureau agreed to grant the franchise right of the Project to the Project Company, including investment and financing, construction, operation and maintenance and transfer of the Stock Project and the New Project, and to charge Karamay Municipal Housing and Construction Bureau sewage treatment service fee and pipeline network operation and maintenance service fee during the cooperation period.

The cooperation period of the Project is 30 years. After the establishment of the Project Company and the payment of the first installment of the Consideration for the Stock Asset, the Stock Project will enter the operation period upon the completion of the positive transfer, and the operation period would be 30 years; the New Project will have a construction period of not more than 2 years from the day on which the Chief Supervising Engineer issued the commencement order until the date on which the project is accepted as qualified upon completion or other dates confirmed by the Government in writing , and the operation period would be not less than 28 years. If the end of operation time of each sub-project do not conform with that of Nanjiao Sewage Treatment Plant, the end of operation of Nanjiao Sewage Treatment Plant shall be taken as the unified end time of all sub-projects of this project.

Upon expiry of the cooperation period, the Project Company shall transfer all assets of the Project to Karamay Municipal People’s Government or its designated institution at zero consideration in accordance with the Project Contract, and ensure that the Project is well maintained and in good operating condition.

(5) Establishment of the Project Company

Pursuant to the Project Contract, the Company shall establish the Project Company as a sole investor. The registered capital of the Project Company would be RMB113,873,200, representing approximately 20% of the estimated total investment of the Project, which will be contributed by the Company in cash.

Upon establishment of the Project Company and until the termination of the Project Agreement, the Project Company shall inherit and meet all rights and obligations under the Project Agreement that are originally borne by the Company.

(6) Letters of Guarantee

(a) Letter of guarantee for construction and performance

The Project Company shall provide a letter of guarantee for construction and performance in the amount of RMB30,000,000 issued by a bank to Karamay Municipal Housing and Construction Bureau within 30 working days after the commencement of the construction of the Project by the Project Company as a guarantee for the performance of its construction obligations and other liquidated damages obligations under the Project Contract. The letter of guarantee for construction and performance shall be released on the date following the completion and acceptance of the New Project and the submission of the letter of guarantee for operation and maintenance by the Project Company.

(b) Letter of guarantee for operation and maintenance

The Project Company shall provide a letter of guarantee for operation and maintenance in the amount of RMB20,000,000 issued by a bank to Karamay Municipal Housing and Construction Bureau prior to the completion and acceptance of the New Project as a guarantee for the performance of its operation and other liquidated damages obligations under the Project Contract. The letter of guarantee for operation and maintenance shall be released on the date after the last year of operation of the Project and the date of submission of the letter of guarantee for transfer and servicing by the Company.

(c) Letter of guarantee for transfer and servicing

The Company shall submit a letter of guarantee for transfer and servicing in the amount of RMB10,000,000 at the beginning of the last year of operation of the Project, as a guarantee for the performance of its handover obligations, quality assurance obligations and other liquidated damages obligations under the Project Contract. The letter of guarantee for transfer and servicing shall be returned by Karamay Municipal Housing and Construction Bureau within 5 working days after the completion of the transfer of the Project and the expiry of the quality guarantee period.

INFORMATION ON THE COMPANY AND KARAMAY MUNICIPAL HOUSING AND CONSTRUCTION BUREAU

The Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services of treatment facilities of sewage water, tap water and other types of water; design, construction, management, building and operation management of municipal infrastructures; licence operation, technical consultation and auxiliary services of Southeastern Half Ring Urban Road of the Middle Ring of Tianjin City; development and operation of environmental protection technology and products; leasing of self-owned properties, etc. Tianjin Infrastructure Construction is the ultimate controller of the Company and the sole shareholder of TMICL (the controlling shareholder of the Company), holding 100% equity interest in TMICL.

Karamay Municipal Housing and Construction Bureau is a government department of Karamay Municipal People's Government, which is responsible for the implementation of national and autonomous region laws and regulations on housing and urban-rural construction and urban management; promoting housing system reform and protecting the basic housing needs of urban low and middle-income families with housing difficulties and other people; supervising and managing the real estate market and regulating the order of the real estate market; supervising and managing the construction market and regulating the behavior of all parties in the market; supervising the quality and safety of construction projects; implementing the engineering construction standard system; formulating the pre-construction plan for urban municipal infrastructure; promoting and regulating the construction of village features; supervising and managing urban municipal utilities; promoting building energy conservation and modernization of the construction industry; comprehensive management of the earthquake disaster prevention for urban and rural construction; studying major matters of urban management; supervising the implementation of housing fund management regulations and policies in conjunction with relevant departments; and supervising the production safety within the scope of its responsibility (including housing, urban and rural construction and urban management, etc.). As Karamay Municipal Housing and Construction Bureau is a government department of the PRC government as defined in Rule 19A.04 of the Listing Rules, it will not be regarded as a connected person of the Company under Rule 14A.10 of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROJECT AGREEMENT

The Project meets the revenue requirements of the Company, and the construction period and operation period can increase the income and profit of the Company to some extent. The Project is in line with the Company's "14th Five-year Plan" development project and its principal business, and its implementation plays an important role in expanding the Company's environmental protection market in the Xinjiang region, increasing the Company's presence in the region and improving the scale of the Company's principal business.

The terms of the Project Contract were determined after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Project Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	board of Directors of the Company
“Company”	Tianjin Capital Environmental Protection Group Company Limited, a joint stock company established in the PRC with limited liability, 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
“Directors”	directors of the Company, including independent non-executive directors
“Group”	The Company and its subsidiaries
“Karamay Municipal Housing and Construction Bureau”	Karamay Municipal Housing and Urban-Rural Development Bureau* (克拉瑪依市住房和城鄉建設局)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio”	has the meaning ascribed to it under the Listing Rules, as 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 Contract”	The Karamay Nanjiao Sewage Treatment Plant Franchising Project Agreement entered into between the Company and Karamay Municipal Housing and Construction Bureau to establish a Project Company and implement the Project
“Project Company”	tentatively named Karamay Capital Water Co., Ltd., subject to the registration with the industrial and commercial authorities, which is a Project Company to be established solely by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder (s)”	Registered holder of Shares
“Shares”	Shares of the Company of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

Percentage

By Order of the Board
Chairman
Ji Guanglin

Tianjin, PRC
17 April 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 Mr. Tian Liang.

* *For identification purposes only*