

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SLUDGE DISPOSAL CONTRACT AND ENTRUSTED OPERATION AGREEMENT OF JINNAN SLUDGE DISPOSAL PLANT

The Board hereby announces that on 26 April 2021, the Company entered into the Sludge Disposal Contract with Tianjin Infrastructure Construction, pursuant to which, the Company entrusted Jinnan Sludge Disposal Plant held by Tianjin Infrastructure Construction to carry out sludge disposal during the Service Period. On the same day, Tianjin Infrastructure Construction, Caring Company (a non-wholly owned subsidiary of the Company) and the Company entered into the Entrusted Operation Agreement, pursuant to which, Caring Company agreed to operate and maintain all assets of Jinnan Sludge Disposal Plant for Tianjin Infrastructure Construction during the Service Period.

At the date of this announcement, Tianjin Infrastructure Construction is the ultimate controlling company of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Tianjin Infrastructure Construction is a connected person of the Company. According to Chapter 14A of the Listing Rules, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company.

As the continuing connected transactions under the Agreements are conducted between the Company and the same connected person of the Company, i.e., Tianjin Infrastructure Construction, and in similar nature, the continuing connected transactions contemplated under the Agreements shall be aggregated under Rule 14A.81 of the Listing Rules. As the applicable percentage ratios of the Agreements aggregated on an annual basis exceed 0.1% but are less than 5%, the Agreements are only subject to reporting and announcement requirements but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rule.

INTRODUCTION

The Board hereby announces that on 26 April 2021, the Company entered into the Sludge Disposal Contract with Tianjin Infrastructure Construction, pursuant to which, the Company entrusted Jinnan Sludge Disposal Plant held by Tianjin Infrastructure Construction to carry out sludge disposal during the Service Period. On the same day, Tianjin Infrastructure Construction, Caring Company (a non-wholly owned subsidiary of the Company) and the Company entered into the Entrusted Operation Agreement, pursuant to which, Caring Company agreed to operate and maintain all assets of Jinnan Sludge Disposal Plant for Tianjin Infrastructure Construction during the Service Period.

Set out below are the summary of the principal terms of the Agreements:

I. SLUDGE DISPOSAL CONTRACT

Date: 26 April 2021

Parties : (a) The Company, as sludge provider; and
(b) Tianjin Infrastructure Construction, as the owner of Jinnan Sludge Disposal Plant

(collectively, “**Parties to Sludge Disposal Contract**”)

Service Scope: Jinnan Sludge Disposal Plant held by Tianjin Infrastructure Construction receives and disposes of sludge from the Company.

Term: The Service Period is one year, from the date of signing of the Sludge Disposal Contract (i.e. 26 April 2021) to 25 April 2022 (both days inclusive).

The Sludge Disposal Contract shall be terminated automatically in advance, if there is asset disposal such as franchising and asset transfer during the Service Period, and the Parties to the Sludge Disposal Contract shall not be liable for each other’s breach of contract.

Service fees: The sludge disposal fee is RMB370 per tonne (the “**Sludge Disposal Fee**”).

The unit price of the Sludge Disposal Fee is determined with reference to (among other things) the following factors:

- (i) the Parties to the Sludge Disposal Contract make reference to the market price of sludge disposal in Tianjin; and
- (ii) the entrustment contracts signed by the Company to entrust other sludge disposal units, which are independent third parties, in the market (“**Independent Entrustment Contract**”). The terms in relation to rights and obligations of the parties under the Sludge Disposal Contract and the unit price of the Sludge Disposal Fee under the Sludge Disposal Contract are basically in line with those of the Independent Entrustment Contract.

The Company expects that the average daily sludge disposal volume during the Service Period will be approximately 720 tonnes. According to the actual operation of Jinnan Sludge Disposal Plant, under the Sludge Disposal Contract, the Company expects that the total amount of the Sludge Disposal Fee to be paid to Tianjin Infrastructure Construction during the Service Period will not exceed RMB97,236,000. The amount of sludge disposed of is subject to weight measured by the weighbridge.

Payment term: Parties to the Sludge Disposal Contract settle monthly based on the bill and the converted amount of the sludge flowmeter of the Jingu Sewage Treatment Plant. Parties to the Sludge Disposal Contract determine the Sludge Disposal Fee based on the sludge disposal statistics for the month.

Tianjin Infrastructure Construction issues value-added tax invoice to the Company, and the Company will pay the Sludge Disposal Fee within 5 business days after receiving the invoice.

II. ENTRUSTED OPERATION AGREEMENT

Date: 26 April 2021

Parties: (a) Tianjin Infrastructure Construction, as entrusting party;
(b) Caring Company, as operator; and
(c) the Company, as sludge provider and supervisor
(collectively, “**Parties to Entrusted Operation Agreement**”)

Service scope: The operation and maintenance of the assets of Jinnan Sludge Disposal Plant, including sludge disposal and transportation and disposal of treated sludge (“**Entrusted Operation Project**”).

Term: The Service Period is one year, from the date of signing of Entrusted Operation Agreement (i.e. 26 April 2021) to 25 April 2022 (both days inclusive).

The Entrusted Operation Agreement shall be terminated automatically in advance, if there is asset disposal by Tianjin Infrastructure Construction such as franchising and asset transfer during the Service Period, and the Parties to the Entrusted Operation Agreement shall not be liable for each other’s breach of contract.

Service fee: Based on the amount of sludge, the entrusted operation service fee is RMB249 per tonne (tax inclusive) (the “**Entrusted Operation Service Fee**”), which is payable by Tianjin Infrastructure Construction to Caring Company based on the actual amount of sludge treated.

During the implementation of the Entrusted Operation Agreement, if the annual cost of the operation and maintenance of the Entrusted Operation Project by Caring Company changes significantly (the change is more than 6%), the parties to the Entrusted Operation Agreement will initiate the price adjustment mechanism and sign a supplemental agreement separately.

The unit price of the Entrusted Operation Service Fee is determined with reference to (among other things) the following factors:

- (1) prior to the signing of the Entrusted Operation Agreement, the standard of the sludge disposal fee paid to Caring Company by the Company for entrusting Caring Company to dispose of sludge through Jinnan Sludge Disposal Plant is the same as that of the Entrusted Operation Service Fee under the Entrusted Operation Agreement; and
- (2) the standard of the service fee charged by Caring Company when providing the same or similar sludge disposal and operation and maintenance services to independent third parties.

The Company expects that the average daily volume of sludge disposed by Jinnan Sludge Disposal Plant for the Company will be approximately 720 tonnes during the Service Period. According to the actual operation of Jinnan Sludge Disposal Plant, under the Entrusted Operation Agreement, the Company expects that the total amount of the Entrusted Operation Service Fee to be paid to Caring Company by Tianjin Infrastructure Construction during the Service Period will not exceed RMB65,400,000.

Payment term: Tianjin Infrastructure Construction and the Company settle monthly based on the “Sludge Transfer Form of Tianjin Sewage Treatment Plant” (《天津市污水處理廠污泥轉移聯單》) confirmed with the sludge producer and the converted amount of the sludge flowmeter of Jingu Sewage Plant.

Service index:

- (1) The sludge quality of Jinnan Sludge Disposal Plant should meet the requirements of the standard of “Sludge Quality of Urban Sewage Treatment Plant” (《城鎮污水處理廠污泥泥質》) (GB24188-2009).
- (2) The treated sludge from the Jinnan Sludge Disposal Plant should meet the requirements of “Disposal of Sludge from Municipal Wastewater Treatment Plant – The Quality of Sludge Used in Gardens or Parks” (《城鎮污水處理廠污泥處置園林綠化用泥質》) (GB/T23486-2009) and “Disposal of Sludge from Municipal Wastewater Treatment Plant – Quality of Sludge Used in Land Improvement” (《城鎮污水處理廠污泥處置土地改良用泥質》)(GB/T 24600-2009).

Responsibilities and work scope of Caring Company and the Company: Caring Company is the specific responsible entity for the operation of the entrusted operation project, and its work scope includes but not limited to formulating operation plan, and adjusting and improving the overall process and operation condition to the best state and providing operation service which is in line with the current national and Tianjin industry standards and the industry practice as well as the requirement of the entrusted operation agreement for the entrusted operation project.

The Company is responsible for the sludge supply of the project and is fully entrusted by Tianjin Infrastructure Construction to be fully responsible for operation supervision and management.

ANNUAL CAPS

As the continuing connected transactions under the Agreements are conducted between the Company and the same connected person of the Company, i.e. Tianjin Infrastructure Construction, and in similar nature, the continuing connected transactions contemplated under the Agreements shall be aggregated under Rule 14A.81 of the Listing Rules.

Annual Cap for 2021

Based on (1) the Sludge Disposal Contract, it is estimated that the total amount of the Sludge Disposal Fee payable by the Company to Tianjin Infrastructure Construction will not exceed RMB64,824,000 for the financial year ending 31 December 2021; and (2) the Entrusted Operation Agreement, it is estimated that the total amount of the Entrusted Operation Service Fee payable by Tianjin Infrastructure Construction to Caring Company will not exceed RMB43,000,000 for the financial year ending 31 December 2021, the annual caps for the above two agreements for the financial year ending 31 December 2021 of the Company would not exceed RMB107,824,000 in aggregate.

Annual Cap for 2022

Based on (1) the Sludge Disposal Contract, it is estimated that the total amount of the Sludge Disposal Fee payable by the Company to Tianjin Infrastructure Construction will not exceed RMB32,412,000 for the financial year ending 31 December 2022; (2) the Entrusted Operation Agreement, it is estimated that the total amount of the Entrusted Operation Service Fee payable by Tianjin Infrastructure Construction to Caring Company will not exceed RMB22,400,000 for the financial year ending 31 December 2022, the annual caps for the above two agreements for the financial year ending 31 December 2022 of the Company would not exceed RMB54,812,000 in aggregate.

The annual cap under the Sludge Disposal Contract is determined with reference to (among other things) the following factor that: the Company expects that the average daily volume of sludge disposed by Jinnan Sludge Disposal Plant for the Company will be approximately 720 tonnes during the Service Period.

The annual cap under the Entrusted Operation Agreement is determined with reference to (among other things) the following factors:

- (1) historical data of relevant transactions, including the historical sludge disposal volume of Jinnan Sludge Disposal Plant to receive and dispose of the sludge of the Company; and
- (2) the Company expects that the average daily volume of sludge disposed by Jinnan Sludge Disposal Plant for the Company will be approximately 720 tonnes during the Service Period.

REASONS FOR AND BENEFIT OF THE AGREEMENTS

According to the requirements of the “Twelfth Five-Year Plan for the Construction of Urban Sewage Treatment and Recycling Facilities in Tianjin”(《天津市城鎮污水處理及再生利用設施建設“十二五”規劃》), the sludge produced by the sewage plants in the central city of Tianjin must be treated in a harmless manner. In this regard, Tianjin Infrastructure Construction, the indirect controlling shareholder of the Company, invested in the construction of Jinnan Sludge Disposal Plant with a capacity of 800 tonnes per day in accordance with the arrangement of the municipal government. Jinnan Sludge Disposal Plant mainly receives the sludge produced by Tianjin Dongjiao Sewage Treatment Plant, Xianyang Road Sewage Treatment Plant, Jingu Sewage Treatment Plant and Beichen Sewage Treatment Plant (“**Four Sewage Treatment Plants**”), in particular, the sludge produced by Jingu Sewage Treatment Plant.

Since Tianjin Infrastructure Construction does not have the qualification and ability to operate and maintain the Sludge Disposal Plant, and Caring Company, the controlled subsidiary of the Company, has extensive operating experience in sludge disposal field, Jinnan Sludge Disposal Plant has been operated by Caring Company. Therefore, since 2015, the Company has delivered the sludge to Caring Company for disposal through Jinnan Sludge Disposal Plant, for which, the Company pays operation fee to Caring Company without payment to Tianjin Infrastructure Construction.

Currently, the sludge disposal business is becoming increasingly market-based. Given that the Company has comprehensively considered the environment of sludge disposal market and the actual situations of the Company and Caring Company, and Tianjin Infrastructure Construction will not engage in the sludge disposal business to avoid horizontal competition with the Company, the Parties to the Sludge Disposal Contract intend to enter into the Sludge Disposal Contract after arm’s length negotiations between the Company and Tianjin Infrastructure Construction which would facilitate the treatment of the sludge produced by the Company.

In view of the above reasons, Tianjin Infrastructure Construction intends to entrust Caring Company to operate and maintain all assets of the Jinnan Sludge Disposal Plant. Taking into account the construction purpose of Jinnan Sludge Disposal Plant and the industry management requirements of government departments, on the one hand, the Company should provide Jinnan Sludge Disposal Plant with the amount of sludge that is operating at full capacity, and on the other hand, the Company needs to undertake operational safety supervision work. Therefore, the Company, as one of the parties, is involved in signing the Entrusted Operation Agreement.

The terms of the Agreements were determined after arm’s length negotiations between the parties thereto. The Directors, including the independent non-executive Directors, consider that the Agreements are on normal commercial terms and in the ordinary and usual course of business of the Company, and their terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY, CARING COMPANY AND TIANJIN INFRASTRUCTURE CONSTRUCTION

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; license 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.

Caring Company is a controlled subsidiary of the Company. It is mainly engaged in the process and technology research and development, engineering construction and operation of industrial wastewater, municipal wastewater, environmental microorganisms, sludge disposal, malodor treatment, comprehensive sewage treatment and other environmental protection fields.

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. It is principally engaged in investment in sea and 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 consultancy; market construction development services; leasing of self-owned buildings; leasing of infrastructures and development and operation of utilities; licensed operation of infrastructures and transfer of licensed operations with government authorization; production, development, operation of construction materials, decoration materials, electrical products (excluding cars); construction investment consultation.

IMPLICATIONS OF THE LISTING RULES

As stated above, at the date of this announcement, Tianjin Infrastructure Construction is the ultimate controlling company of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Tianjin Infrastructure Construction is a connected person of the Company. According to Chapter 14A of the Listing Rules, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios of the Agreements aggregated on an annual basis exceed 0.1% but are less than 5%, the Agreements are only subject to reporting and announcement requirements but shall be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rule.

Mr. Liu Yujun, an executive Director of the Company, and Mr. Gu Wenhui and Mr. Si Xiaolong, the non-executive Directors of the Company, are connected with Tianjin Infrastructure Construction or TMICL, and are deemed to be unable to provide recommendations to the Board in an independent capacity. Therefore, they have abstained from voting at the Board meeting on approving the Agreements.

DEFINITIONS

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

“Agreements”	Sludge Disposal Contract and Entrusted Operation Agreement
“Board”	the board of Directors of the Company
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司), a joint stock limited company incorporated in the PRC, quoted on the National Equities Exchange and Quotations System (stock code: 871226) and is a controlled subsidiary 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
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company, including independent non-executive directors
“Entrusted Operation Agreement”	entrusted operation agreement entered into between Tianjin Infrastructure Construction, Caring Company and the Company on 26 April 2021 in respect of the operation and maintenance of all assets of Jinnan Sludge Disposal Plant for Tianjin Infrastructure Construction by Caring Company during the Service Period
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinnan Sludge Disposal Plant”	Jinnan Sludge Disposal Plant, located in Jinnan, Tianjin
“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
“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
“Service Period”	the service period from the date of signing of Sludge Disposal Contract and Entrusted Operation Agreement (i.e. 26 April 2021) to 25 April 2022 (both days inclusive) under the Agreements, with a term of one year
“Sludge Disposal Contract”	the sludge disposal contract entered into between the Company and Tianjin Infrastructure Construction on 26 April 2021 in respect of the Company entrusting Jinnan Sludge Disposal Plant held by Tianjin Infrastructure Construction to carry out sludge disposal during the Service Period.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Infrastructure Construction”	Tianjin City 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 controlling company of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL

“TMICL”

Tianjin Municipal Investment Company Limited* (天津市政投資有限公司), the controlling shareholder of the Company, holding approximately 50.14% equity interest in the Company

“%”

percentage

By Order of the Board

Liu Yujun

Chairman

Tianjin, the PRC

26 April 2021

As at the date of this announcement, the Board comprises three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; two non-executive Directors: Mr. Gu Wenhui and Mr. Si Xiaolong; and three independent non-executive Directors: Mr. Di Xiaofeng, Mr. Guo Yongqing and Mr. Wang Xiangfei.

** For identification purpose only*