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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 A PPP PROJECT OF TAICHONG SEWAGE TREATMENT PLANT IN HEFEI

On 25 September 2018, the Board considered and approved the implement of the PPP Project of Taichong Sewage Treatment Plant in Hefei, pursuant to the which the Company proposes to initiate (i) the Concession Agreement with Hefei Construction to establish the Project Company and implement the PPP Project; (ii) the Asset Transfer Agreement with Hefei Construction Investment Holding and Chaohu Construction Investment to transfer the existing assets and the existing land use rights of Stage One of the Sewage Treatment Plant; and (iii) the Sewage Treatment Service Agreement with the Drainage Administration Office in relation to the PPP Project. The total investment amount for the PPP Project is expected to be approximately RMB585,895,000.

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

INTRODUCTION

Reference is made to the bid winning announcement of the Company dated 7 September 2018 in relation to the PPP Project.

On 25 September 2018, the Board considered and approved the implement of the PPP Project of Taochong Sewage Treatment Plant in Hefei, pursuant to the which the Company proposes to initiate (i) the Concession Agreement with Hefei Construction to establish the Project Company and implement the PPP Project; (ii) the Asset Transfer Agreement with Hefei Construction Investment Holding and Chaohu Construction Investment to transfer the existing assets and the existing land use rights of Stage One of the Sewage Treatment Plant; and (iii) the Sewage Treatment Service Agreement with the Drainage Administration Office (collectively referred to as “**Project Agreements**”).

According to the tender document, the Company shall establish the wholly-owned Project Company in Hefei after the successful bidding. Upon its establishment, the Project Company shall undertake all the rights and obligations under the Project Agreements initiated by the Company. The principal terms of the Project Agreements are summarized as bellow.

CONCESSION AGREEMENT

(1) Parties

- (a) Hefei Construction; and
- (b) the Company.

(2) Principal Terms

Under the Concession Agreement, Hefei Construction agreed to grant the concessions of the PPP Project to the Project Company, including the prospecting, design, investment and financing and construction of the transformation work of Stage One and the work of Stage Two of the PPP Project; the operation, management and maintenance of the facilities of the PPP Project, the provision of sewage treatment service in order to charge the sewage treatment service fee. The total investment amount of the PPP Project is expected to be approximately RMB585,895,000. The total registered capital of the Project Company is RMB205,956,800, which is intended to be contributed by the Company in cash.

The concession period of the PPP Project shall be 29 years (including the construction period of the PPP Project) commencing from the effective date of the Concession Agreement, and the construction period shall be 15 months (including three months of the commissioning period) commencing from the effective date of the Concession Agreement, whereas the Project Company shall ensure the completion of the transformation work for Stage One and the work for Stage Two before the end of December 2019 in order to start the commissioning operation. Upon the expiration of the concession period, the Project Company shall hand over the facilities of the PPP Project in good condition and the land use rights of land for the PPP project to Hefei Construction or its designated institution(s) at nil consideration.

(3) Letters of Guarantee

During the construction period, the amount of letter of guarantee shall be RMB40,000,000; from the commencement date of the first year commercial operation up to the date which is three years prior to expiry of the concession period, the amount of letter of guarantee shall be RMB30,000,000; from the date which is three years prior to expiry of the concession period up to the date which is twelve months after the transfer of the PPP Project by the Project Company, the amount of letter of guarantee shall be RMB40,000,000.

(4) Information of the PPP Project

Under the Concession Agreement, the PPP Project refers to the PPP Project of Taochong Sewage Treatment Plant in Hefei to be implemented by the Company and Hefei Construction under cooperation, including conducting the transformation work for Stage One and the work for Stage Two of the PPP Project by the Project Company through the model of “Renovate-Operate-Transfer (ROT)” and by adopting the model of “Build-Operate-Transfer (BOT).”

The PPP Project has a planned total capacity for sewage treatment of 150,000 m³/day which is comprised of 50,000 m³/day of the transformation work of Stage One, and 100,000 m³/day of the work of Stage Two. The PPP Project covers the transfer of work for Stage One, the transformation work for Stage One and work to be newly built for Stage Two.

ASSET TRANSFER AGREEMENT

(1) Parties

- (a) Hefei Construction Investment Holding;
- (b) Chaohu Construction Investment; and
- (c) the Company.

(2) Principal Terms

Under the Asset Transfer Agreement, the existing assets are buildings, structures, pipeline grooves, vehicles, machinery equipment, electronic equipment, etc. as well as other assets of Taochong Sewage Treatment Plant for Stage One, while the existing land use rights are the land use rights of the work of Stage One of Taochong Sewage Treatment Plant. The Project Company needs to (i) pay RMB81,829,400 to Hefei Construction Investment Holding or its designated institution(s) in relation to the existing land use rights; and (ii) pay RMB142,603,200 to Chaohu Construction Investment or its designated institution(s) in relation to the existing assets. The total consideration for the transfer shall be RMB224,432,600.

(3) Information of Valuation on the Existing Assets and the Existing Land Use Rights

According to the asset valuation report on the existing assets and the existing land use rights issued by Anhui Kai Jitong Asset Appraisal Firm* (安徽凱吉通資產評估事務所), an independent valuation firm in the PRC, on 30 January 2018, the valuation of such assets is RMB224,432,600.

According to Rule 14.58(7) under the Listing Rules, it is required to disclose the net profit before and after tax of the Existing Project (i.e. the existing assets and the existing land use rights) for the last two financial years in this announcement (the “**Required Financial Information**”). However, as the Existing Project is classified as public institution, its income and expense were included in the annual fiscal budget of Hefei Municipal Government. Hence, the Required Financial Information for the last two financial years had not been prepared.

SEWAGE TREATMENT SERVICE AGREEMENT

(1) Parties

- (a) the Drainage Administration Office; and
- (b) the Company.

(2) Principal Terms

According to the Sewage Treatment Service Agreement, the Drainage Administration Office shall supply sewage to the Project Company according to the incoming water quality standard as set out in the Sewage Treatment Service Agreement and the Project Company shall provide the sewage treatment service by operating the Taochong Sewage Treatment Plant Stage One and Stage Two according to the water output quality standard as set out in the Sewage Treatment Service Agreement and charge the sewage treatment service fee within the concession period.

INFORMATION OF THE COMPANY, HEFEI CONSTRUCTION , HEFEI CONSTRUCTION INVESTMENT HOLDING, CHAOHU CONSTRUCTION INVESTMENT AND THE DRAINAGE ADMINISTRATION OFFICE

The Company is principally engaged in 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.

Hefei Construction is a department of Hefei Municipal People's Government, which is mainly responsible for (including but not limited to) urban and rural planning in Hefei as well as urban development strategic plan, urban housing for low-income families, construction industry in the whole city, and investigation, design and consultancy industry management. It also undertakes the administration permission, administration approval and industry inspection responsibilities in the housing and urban and rural construction industries while being in charge of the completion acceptance and filing of construction projects and the real estate development in the whole city, etc.

Hefei Construction Investment Holding is mainly engaged in the construction, investment and financing of municipal infrastructures, major strategic investment in emerging industries, operating management of state-owned assets and capital operation as well as construction of engineering projects within the scope of authorization.

Chaohu Construction Investment is mainly engaged in investment, financing, commission and construction agency, operation and management of government projects, etc.

The Drainage Administration Office is the competent administrative department which is authorised by Hefei Municipal People's Government to enter into the Sewage Treatment Service Agreement with the Company and the Project Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Hefei Construction, Hefei Construction Investment Holding, Chaohu Construction Investment, the Drainage Administration Office and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR ENTERING INTO THE PROJECT AGREEMENTS

Winning the Project is in line with the development strategy of the Company. As Hefei City is the capital of Anhui Province, the entering into Hefei market offers a great advantage for extending our business to the whole Anhui region. Further, other projects currently operated by the Company in Anhui will also grow big and strong. This enhances the reputation and the market position of the Company in Anhui. Winning the bid for the Project will increase the revenue of the principal operation business of the Company in the future and expand our market share, which will have a positive impact on the future development of the Company.

The terms of all Project Agreements 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 Agreements are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

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 Agreements constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Asset Transfer Agreement”	the asset transfer agreement proposed to be entered into by the Company with Hefei Construction Investment Holding and Chaohu Construction Investment in relation to the transfer of the existing assets and the existing land use rights of Stage One of Taochong Sewage Treatment Plant
“Board”	the board of Directors
“Chaohu Construction Investment”	Chaohu Construction Investment Co.,Ltd.* (巢湖城市建設投資有限公司)
“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
“Concession Agreement”	the concession agreement proposed to be entered into by the Company with Hefei Construction in relation to the PPP Project, pursuant to which the parties agreed to implement the PPP Project, and Hefei Construction agreed to grant the concessions of the PPP Project to the Project Company
“Connected Person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hefei Construction”	Hefei Urban and Rural Construction Committee* (合肥市城鄉建設委員會)
“Hefei Construction Investment Holding”	Hefei Construction Investment Holding Co., Ltd.* (合肥市建設投資控股(集團)有限公司)

“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 as ascribed to it under the Listing Rules, as applicable to a transaction
“PPP Project” or “Project”	the PPP Project of Taochong Sewage Treatment Plant in Hefei to be implemented by the Company and Hefei Construction under cooperation, including the transfer of the work for Stage One, the transformation work of Stage One and the work of Stage Two, which shall be conducted by the Project Company through the model of “Renovate-Operate-Transfer (ROT)” and by adopting the model of “Build-Operate-Transfer (BOT)”
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Project Agreements”	the Company proposes to initiate (i) the Concession Agreement with Hefei Construction; (ii) the Asset Transfer Agreement with Hefei Construction Investment Holding and Chaohu Construction Investment; and (iii) the Sewage Treatment Service Agreement with the Drainage Administration Office
“Project Company”	a subsidiary to be established in Hefei City and wholly-owned by the Company, which is temporarily named as “Hefei Capital Water Company Limited * (合肥創業水務有限公司)”
“RMB”	Renminbi, the lawful currency of the PRC
“Sewage Treatment Service Agreement”	the sewage treatment service agreement to be entered into by the Company with the Drainage Administration Office in relation to the PPP Project
“Shareholder(s)”	registered holder(s) of the Shares
“Share(s)”	share(s) of the Company with nominal value of RMB1.00 each

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

the “Drainage
Administration
Office”

the Drainage Administration Office of Hefei

“%”

per cent

By Order of the Board
Liu Yujun
Chairman

Tianjin, the PRC

26 September 2018

As at the date of this announcement, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Tang Fusheng, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. Yu Zhongpeng and Mr. Han Wei; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.

** For identification purposes only*