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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)

## REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 21 December 2022 (the “**Announcement**”) regarding the continuing connected transaction in relation to the contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets (the “**Agreement**”). Unless otherwise stated, the capitalized terms used herein shall have the same meanings as those defined in the Announcement.

### REVISION OF THE EXISTING ANNUAL CAPS

As disclosed in the Announcement, pursuant to the terms of the Agreement, the contracting fees payable by the Water Recycling Company to Tianjin Infrastructure Construction is equivalent to 60% of the annual profits (i.e. sales revenue from recycled water sales less expenses) of Zhangguizhuang Water Recycling Plant Project (the “**Project**”) determined based on the figures of the Project audited annually during the Operating Term (the “**Project Annual Profit**”).

Given that (i) the Project is operating better than expected with the actual volume of water sold higher than expected and the operating cost lower than expected for the period from 1 January 2023 to 31 December 2023 (the “**Year 2023**”), and pursuant to the Audit Report on Operation Income and Expenditure of Zhangguizhuang Water Recycling Plant Project issued by Peking Certified Public Accountants (Special General Partnership) (中勤萬信會計師事務所(特殊普通合夥)), an independent project auditor commissioned by Tianjin Infrastructure Construction, on 28 June 2024, the audited operating income, operating costs and profits payable to Tianjin Infrastructure Construction of the Project were RMB45,530,373.09, RMB18,710,900.56 and RMB16,091,683.52, respectively; and (ii) the Company anticipated the favourable operating conditions to continue till 31 December 2024, in particular, the Company expected the volume of water sold and operating revenue for the period from 1 January 2024 to 31 December 2024 (the “**Year 2024**”) would increase as compared to that of the Year 2023, the annual caps under the Agreement for the Year 2023 (not exceeding RMB12.51 million) (the “**2023 Annual Cap**”) and for the Year 2024 (not exceeding RMB12.51 million) (the “**2024 Annual Cap**”) set out in the Announcement are expected to be insufficient to meet the contracting fees payable by Water Recycling Company to Tianjin Infrastructure Construction for the Year 2023 and the Year 2024 pursuant to the Agreement.

As such, the Company will revise the annual caps for the Year 2023 and the Year 2024 from RMB12.51 million per year to RMB16.10 million and RMB20.00 million (the “**Revised Annual Caps**”), respectively. The contracting fees under the Agreement for the Year 2023 and the Year 2024 (not exceeding the Revised Annual Caps) will be paid by Water Recycling Company to Tianjin Infrastructure Construction in late 2024 and 2025, respectively. At the same time, all terms and conditions under the Agreement remain unchanged.

The Company further confirms that as of the date of this Announcement, Water Recycling Company has not paid any contracting fees to Tianjin Infrastructure Construction for the transactions under the Agreement, and has not exceeded the 2023 Annual Cap and the 2024 Annual Cap.

### **REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS**

As stated in the Announcement, Water Recycling Company is expected to be able to expand its sales in recycled water and pipeline connection business stemming from Zhangguizhuang Water Recycling Plant. Therefore, the Directors (including independent non-executive Directors) are of the view that the contract operation of Zhangguizhuang Water Recycling Plant will help Water Recycling Company to gain operating service revenue and develop new markets for its recycled water business in the future, which is in line with market principles. Since the operation of the Project is favourable and is expected to continue to achieve profit growth, the Revised Annual Caps can allow the Group to continue the transactions contemplated under the Agreement, which is beneficial to the continued development of the Group’s business operations. The Directors (including independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **INFORMATION ON THE COMPANY, WATER RECYCLING COMPANY AND TIANJIN INFRASTRUCTURE CONSTRUCTION**

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 holding 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 stated above, as at the date of this announcement, Tianjin Infrastructure Construction is the ultimate holding company of the Company. Therefore, Tianjin Infrastructure Construction is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Agreement constitutes a continuing connected transaction of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, as a result of the revision of annual caps, the Company shall re-comply with the applicable requirements set out under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios for the Revised Annual Caps will be more than 0.1% but lower than 5%, pursuant to Chapter 14A of the Listing Rules, the revision of the annual caps of the contracting fees payable by Water Recycling Company to Tianjin Infrastructure Construction for the Year 2023 and the Year 2024 under the Agreement is subject to reporting, announcement and annual review requirements, but is exempted from the independent Shareholders' approval requirement.

By order of the Board  
**Tang Fusheng**  
*Chairman*

Tianjin, the PRC  
2 August 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.*