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If you have sold or transferred all your shares in **Tianjin Capital Environmental Protection Group Company Limited**, you should at once hand this circular with the accompanying forms of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

(1) NON-PUBLIC ISSUANCE OF A SHARES **(2) AMENDMENTS TO THE ARTICLES OF ASSOCIATION** **AND** **(3) ADOPTION OF THE SHAREHOLDERS' RETURN PLAN**

A notice of EGM and a notice of the H Shareholders' Class Meeting to be convened and held at 2:00 p.m. and 3:00 p.m. (or immediately after the A Shareholders' Class Meeting) respectively on 10 November 2016 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC are set out on pages 70 to 82 of this circular. Whether or not you intend to attend the meetings, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon to the Company's principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meetings or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings or any adjournment thereof should you so wish.

19 October 2016

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“A Shareholder(s)”	holder(s) of the A Shares;
“A Shareholders’ Class Meeting”	the class meeting of A Shareholders to be convened and held at 2:30 p.m. on 10 November 2016 for the A Shareholders to consider and, if thought fit, approve, among other things, (1) the Non-public Issuance of A Shares, (2) the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares, (3) the Shareholders’ Return Plan, (4) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, and (5) the amendments to the Articles of Association;
“A Share(s)”	the ordinary share(s) issued by the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board”	the board of Directors of the Company;
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting;
“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”	has the same meaning as ascribed to it under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company, including the independent non-executive director(s);

DEFINITIONS

“EGM”	the 2016 second extraordinary general meeting of the Company to be convened and held at 2:00 p.m. on 10 November 2016 for the Shareholders to consider and, if thought fit, approve, among other things, (1) the Non-public Issuance of A Shares, (2) the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares, (3) the report on the status of the use of proceeds of the previous fund raising, (4) the Shareholders’ Return Plan, (5) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, (6) the undertakings of the controlling shareholder, the de facto controller, the Directors and the senior management of the Company in relation to realistic implementation of the measures to fill the diluted immediate returns, (7) the authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares, (8) the management principles on the use of proceeds, and (9) the amendments to the Articles of Association;
“H Shareholder(s)”	holder(s) of the H Shares;
“H Shareholders’ Class Meeting”	the class meeting of H Shareholders to be convened and held at 3:00 p.m. on 10 November 2016 for the H Shareholders to consider and, if thought fit, approve, among other things, (1) the Non-public Issuance of A Shares, (2) the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares, (3) the Shareholders’ Return Plan, (4) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, and (5) the amendments to the Articles of Association;
“H Share(s)”	the ordinary share(s) issued by the Company, with a par value of RMB1.00 each, which are listed on the Stock Exchange;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Price”	the issue price of not less than RMB7.33 per A Share under the Non-public Issuance of A Shares;
“Latest Practicable Date”	14 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange;
“Non-public Issuance of A Shares”	the proposed non-public issuance of not more than 250,698,499 new A Shares (inclusive) to the subscribers by the Company at the Issue Price;
“PRC”	The People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Price Determination Date”	9 September 2016;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shareholders’ Return Plan”	the shareholders’ return plan for the coming three financial years (2016-2018) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin SASAC”	the State-owned Assets Supervision and Administration Commission of Tianjin, the PRC;
“TMICL”	Tianjin Municipal Investment Company Limited* (天津市政投資有限公司), the controlling shareholder of the Company holding 50.14% equity interest in the Company as at the Latest Practicable Date;
“trading day”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Liu Yujun (*Chairman*)
Mr. Liu Wenbo
Ms. Fu Yana
Ms. Peng Yilin

Registered address:

No. 45
Guizhou Road
Heping District
Tianjin, the PRC
Postal Code: 300051

Non-executive Directors:

Mr. An Pindong
Ms. Chen Yinxing

Independent non-executive Directors:

Mr. Gao Zongze
Mr. Guo Yongqing
Mr. Wang Xiangfei

19 October 2016

To the Shareholders

(1) NON-PUBLIC ISSUANCE OF A SHARES
(2) AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(3) ADOPTION OF THE SHAREHOLDERS' RETURN PLAN

I. INTRODUCTION

Reference is made to the announcements of the Company dated 8 September 2016 and 22 September 2016, respectively. The purpose of this circular is to provide you with further information relating to (1) the Non-public Issuance of A Shares, (2) the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares, (3) the report on the status of the use of proceeds of the previous fund raising, (4) the Shareholders' Return Plan, (5) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, (6) the undertakings of the controlling shareholder, the de facto controller, the Directors and the senior management of the Company in relation to realistic implementation of the measures to fill the diluted immediate returns, (7) the authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares, (8) the management principles on the use of proceeds, and (9) the amendments to the Articles of Association, and to give you a notice of the EGM and a notice of the H Shareholders' Class Meeting to be convened to consider and, if thought fit, approve the above matters.

LETTER FROM THE BOARD

II. NON-PUBLIC ISSUANCE OF A SHARES

At the meeting of the Board held on 8 September 2016, the Board approved the proposed issuance of not more than 250,698,499 new A Shares (inclusive) at the Issue Price to the subscribers that meet the relevant requirements. It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,837,620,000 (inclusive).

(i) *STRUCTURE OF THE NON-PUBLIC ISSUANCE OF A SHARES*

Details of the Non-public Issuance of A shares are set out below:

Class of shares to be issued and the nominal value:	A Shares with a par value of RMB1.00 each.
Subscribers and method of subscription:	The new A Shares under the Non-public Issuance of A shares are proposed to be issued to not more than 10 investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust investment companies, finance companies, asset management companies, qualified foreign institutional investors and other institutional investors, as well as other legal entity(ies), natural person(s) or legal institution(s) that meet the requirements of the CSRC. A securities investment fund management company subscribing through over two products managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds. After the Non-public Issuance of A Shares is approved by the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate subscribers based on the relevant requirements of the CSRC and the price offered by the subscribers, following the price priority principle. All subscribers shall subscribe the new A Shares under the Non-public Issuance of A Shares in RMB cash. Connected persons of the Company will not participate in the subscription of new A Shares under the Non-public Issuance of A Shares.
Number of A Shares to be issued:	The number of A Shares to be issued under the Non-public Issuance of A Shares will be not more than 250,698,499 A Shares (inclusive).

LETTER FROM THE BOARD

Within the scope of issuance as aforesaid, after the approval in respect of the Non-public Issuance of A Shares is obtained from the CSRC, the Board and its authorized representative(s) shall determine the ultimate number of A Shares to be issued as authorized by the Shareholders at the EGM and in accordance with the relevant requirements of the CSRC and actual situations, after consultation with the sponsor (lead underwriter).

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in case that the gross proceeds to be raised thereunder have to be adjusted due to the change of regulatory policy or according to the requirements of issuance approval, etc.

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

Method and time of issuance:

To target subscribers by way of non-public offering. The Company will, within the validity period as prescribed by the CSRC after obtaining the approval of CSRC, issue the A Shares to not more than 10 target subscribers when appropriate.

Price Determination Date, Issue
Price and Pricing principle:

The Price Determination Date of the Non-public Issuance of A Shares is the date of the announcement of the Board resolutions passed at the sixteenth meeting of the seventh session of the Board (i.e. 9 September 2016). As at the last trading day before the Price Determination Date, the closing price per A Share as quoted on the Shanghai Stock Exchange is RMB8.17. As at the date of the sixteenth meeting of the seventh session of the Board, the closing price per H Share as quoted on the Stock Exchange is HK\$4.68.

LETTER FROM THE BOARD

The Issue Price under the Non-public Issuance of A Shares shall be not less than RMB7.33 per A share, which is not less than 90% of the average trading price of A Shares during the 20 trading days preceding the Price Determination Date (the average trading price of A Shares over the 20 trading days preceding the Price Determination Date = the total turnover of A Shares over the 20 trading days preceding the Price Determination Date/the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date) of RMB7.33 per A Share.

After obtaining the approval in respect of the Non-public Issuance of A Shares from the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate Issue Price based on the relevant requirements of the CSRC following the price priority principle.

The Issue Price under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

Rights attached to the new A Shares:

The new A Shares to be issued under the Non-public Issuance of A Shares will rank *pari passu* with the existing A Shares and H Shares in all respects, provided that the new A Shares to be issued under the Non-public Issuance of A Shares shall be subject to the lock-up period for 12 months from the date of their issuance.

Conditions for the Non-public Issuance of A Shares:

The Non-public Issuance of A Shares is subject to:

- (1) the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting; and
- (2) the approvals by the Tianjin SASAC and the CSRC.

Lock-up arrangement:

The new A Shares to be subscribed by the subscribers shall not be transferred within 12 months from the date of completion of the issuance of the new A Shares. If the laws and regulations of the PRC govern otherwise, the lock-up arrangement will be governed by such laws and regulations.

LETTER FROM THE BOARD

Validity period of the resolutions:	The resolutions with respect to the Non-public Issuance of A Shares shall be valid for 12 months from the date of approvals at the EGM and the Class Meetings. If the laws and regulations of the PRC have new requirements in relation to the non-public issuance of shares, the validity period will be governed by such new requirements.
Listing application:	The Company will make an application to the Shanghai Stock Exchange for the granting of the listing of all the new A Shares to be issued under the Non-public Issuance of A Shares. Upon expiry of the lock-up period, the new A Shares can be traded on the Shanghai Stock Exchange.
Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-public Issuance of A Shares:	All the existing and new Shareholders after the issuance of the new A Shares will be entitled to the accumulated but undistributed profits of the Company.

(ii) ***GROSS PROCEEDS AND THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES***

It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,837,620,000 (inclusive). After deducting the issuance costs, net proceeds from the Non-public Issuance of A Shares are proposed to be used in the following projects:

No.	Name of Project	Executor of the Project	Total	
			Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
1)	Sewage Water Treatment Projects			
1	Project of the expansion and upgrading of the Beicang Sewage Water Treatment Plant	The Company	46,288.00	37,288.00
2	Project of the expansion and upgrading of the Jingu Sewage Water Treatment Plant	The Company	83,558.63	67,255.00
	Sub-total		129,846.63	104,543.00

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No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
2)	Energy Station Projects			
3	No. 1 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	14,140.19	9,425.00
4	No. 2 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	9,900.12	6,749.00
5	Project of energy station in Binhai New District Cultural Centre (Phase I)	Tianjin Jiayuan Binchuang New Energy Technology Company Limited, a subsidiary of the Company	12,188.07	8,045.00
	Sub-total		36,228.38	24,219.00
6	Working capital replenishment and repayment of loans obtained from financial institutions		55,000.00	55,000.00
	Total		221,075.01	183,762.00

If the amount of the actual proceeds to be raised from the Non-public Issuance of A Shares is less than the amount of the proceeds to be utilized in the aforementioned projects, the Company will make up for the shortfall through its self-funded capital. Before receiving the proceeds from the Non-public Issuance of A Shares, the Company may, depending on the market conditions and the actual progress of the projects, finance these projects by its self-funded capital, which shall be replaced in accordance with the relevant laws, regulations and rules of securities regulatory authorities once the proceeds from the Non-public Issuance of A Shares have been received. Within the scope authorized by the Shareholders at the EGM and the scope of the abovementioned projects, based on the actual capital needs, time limit and priorities of the projects, the Board may adjust the priorities of and investment amount into the projects according to the relevant laws and regulations.

In relation to the analysis on the use of proceeds raised from the Non-public Issuance of A Shares, please refer to the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares as set out in Appendix IV to this circular. Such feasibility report is subject to the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

For the use of proceeds of the previous fund raising, the Company has prepared the report on the status of the use of proceeds of the previous fund raising, please refer to Appendix V to this circular. In addition, the Company has formulated the management principles on the use of proceeds, details of which are set out in Appendix VI to this circular. The abovementioned report and principles are subject to the approvals by the Shareholders at the EGM.

(iii) ***RISK ALERT ON THE DILUTIVE IMPACT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE IMMEDIATE RETURNS AND THE RELEVANT PRECAUTIONARY MEASURES***

According to the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No.17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No.110) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No.31), in order to protect the interests of small and medium investors, the Company has formulated the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, details of which are set out in Appendix III to this circular. Such risk alert and measures are subject to the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

(iv) ***UNDERTAKINGS MADE BY THE RELEVANT RESPONSIBLE PERSONS IN RELATION TO REALISTIC IMPLEMENTATION OF THE MEASURES TO FILL THE DILUTED IMMEDIATE RETURNS***

According to the requirements set out in the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No.17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No.110) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No.31), being the relevant responsible persons, the Directors, the senior management, the de facto controller and the controlling shareholder of the Company make the following undertakings in order to realistically implement the measures to fill the diluted immediate returns of the Non-public Issuance of A Shares.

LETTER FROM THE BOARD

In order to realistically implement the measures to fill the diluted immediate returns of the Non-public Issuance of A Shares, the Directors and the senior management of the Company make the following undertakings:

1. Never transfer interests to any other organizations or individuals for free or in an unfair way, and never damage the interests of the Company and its Shareholders by any other means;
2. Restrain the personal duty consumption behaviors;
3. Never use the assets of the Company for any investment or consumption activities which are irrelevant to the performance of their duties;
4. Link up the remuneration system established by the Board or the Remuneration and Assessment Committee with the implementation of measures by the Company to fill the diluted immediate returns; and
5. If any share incentive scheme is adopted by the Company in the future, link up the exercise rights under future share incentive scheme with the implementation of measures by the Company to fill the diluted immediate returns.

In order to realistically implement the measures to fill the diluted immediate returns of the Non-public Issuance of A Shares, the de facto controller and the controlling shareholder of the Company make an undertaking that they will never go beyond their authorities to intervene with the management activities of the Company or encroach the interests of the Company.

The undertakings made by the responsible persons in relation to the realistic implementation of the measures to fill the diluted immediate returns are subject to the approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

(v) ***EFFECTS OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY***

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Non-public Issuance of A Shares, assuming that 250,698,499 new A Shares will be issued under the Non-public Issuance of A Shares and there is no other change to the shareholding structure:

	As at the Latest Practicable Date		Immediately after the completion of the Non-public Issuance of A Shares	
	Number of shares	Percentage of the total issued shares (%)	Number of shares	Percentage of the total issued shares (%)
Shareholders				
A Shares				
— TMICL	715,565,186	50.14	715,565,186	42.65
— New A Shareholders under the Non-public Issuance of A Shares	—	—	250,698,499	14.94
— Other A Shareholders	371,663,244	26.04	371,663,244	22.15
H Shares				
Public H Shareholders	340,000,000	23.82	340,000,000	20.26
Total Issued Shares	<u>1,427,228,430</u>	<u>100.00</u>	<u>1,677,926,929</u>	<u>100.00</u>

(vi) ***REASONS FOR AND BENEFIT OF THE NON-PUBLIC ISSUANCE OF A SHARES***

With the increasing and continuous emphasis on environmental protection in the PRC, the water industry will face its historic development opportunity. As one of the leading enterprises in the water industry, the Company wishes to seize this opportunity and take advantage of its core technology and extensive management experience to actively expand its market share, increase the influence as well as to further expand its environmental business and to enhance its corporate value.

With the smooth implementation of the Non-public Issuance of A shares, the Company can further expand the scale of its existing water operation and its new energy cooling and heating supply business and can improve its operational efficiency and profit level of its inventory projects, so as to further strengthen the Company's operating capacity and profitability.

LETTER FROM THE BOARD

The Non-public Issuance of A Shares will further relieve the Company's fund demand pressure. Currently, with the continuous expansion of the Company's business scale, it is difficult to meet the needs of the Company's rapid development by only relying on the Company's own funds and bank loans. Raising funds from the Non-public Issuance of A Shares will effectively address the funding shortfall of the Company as a result of the Company's rapid development.

(vii) ***FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS***

The Company did not conduct any fund raising activities involving the issuance of equity securities in the 12 months preceding the Latest Practicable Date.

(viii) ***APPROVALS REQUIRED FOR THE NON-PUBLIC ISSUANCE OF A SHARES***

The Non-Public Issuance of A Shares is subject to the approvals from the Tianjin SASAC and the CSRC, and the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

(ix) ***AUTHORIZATION TO THE BOARD AND ITS AUTHORIZED REPRESENTATIVE(S) TO HANDLE ALL MATTERS RELATING TO THE NON-PUBLIC ISSUANCE OF A SHARES***

The Board proposes a resolution at the EGM to grant authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares, including but not limited to:

1. To formulate and implement the detailed proposal of the Non-public Issuance of A Shares according to the issuance proposal approved by the EGM and the actual circumstances, including the time of issuance, number of shares to be issued, issue period, issue price, method of issuance, choice of subscribers, specific methods of subscription, proportion of subscription and other matters related to the issuance;
2. To handle the tasks with respect to the filing, approval, etc for the projects funded by the proceeds raised from the Non-public Issuance of A Shares, and to sign major contracts in the operational process of the investment projects for the Non-public Issuance of A Shares;
3. To appoint the sponsor and other intermediary institutions and to handle the reporting matters in relation to the Non-public Issuance of A Shares, and to produce, amend and submit the relevant reporting materials in relation to the issuance and listing pursuant to the requirements of regulatory authorities;
4. To determine to sign, supplement, amend, submit, report and execute all agreements and documents arising in the process of the Non-public Issuance of A Shares, including but not limited to underwriting agreement, sponsor agreement, engagement letters with intermediary institutions, share subscription agreements and other legal documents;

LETTER FROM THE BOARD

5. To open a special bank account designated for the proceeds raised and to sign the relevant agreements in respect of the management and use of the proceeds raised;
6. To adjust the specific arrangements of the investment projects within the scope of the laws and regulations and the resolutions of the EGM and according to the requirements of the competent authorities and the actual market circumstances;
7. Upon the occurrence of force majeure or change of market conditions, or if there is new requirements of the laws and regulations or as required by the securities regulatory authorities in relation to the policy of non-public issuance of shares or the scale of proceeds to be raised from the Non-public Issuance of A Shares, to make adjustments to the detailed proposal of the Non-public Issuance of A Shares accordingly and continue to handle the issuance matters (other than the matters which are subject to the approval(s) at the shareholders' meeting according to the relevant laws, regulations and the Articles of Association);
8. To handle the registration, locking and listing matters with the Shanghai Branch of China Securities Depository and Clearing Company Limited and the Shanghai Stock Exchange upon completion of the Non-public Issuance of A Shares;
9. To handle the related matters including increasing the registered capital of the Company, amending the relevant articles in the Articles of Association and handling the registration in the industrial and commercial departments and the relevant filing procedures according to the actual issuance results of the Non-public Issuance of A Shares; and
10. To handle other matters related to the Non-public Issuance of A Shares within the scope permitted by the laws, regulations and the Articles of Association.

This authorization shall be valid for 12 months from the date of approval at the EGM. If the Non-public Issuance of A Shares is approved by the CSRC and completed within the above validity period, the authorization to handle the registration, locking and listing matters with the Shanghai Branch of China Securities Depository and Clearing Company Limited and the Shanghai Stock Exchange, the registration in the industrial and commercial departments and the relevant filing procedures shall be valid from the date of approval at the EGM to the date of completion of the procedures of the relevant matters.

The Board proposes to the EGM to approve the Board to authorize the chairman, general manager, secretary to the Board and the chief accountant of the Company to act as the authorized representatives in relation to the Non-public Issuance of A Shares, and to handle the relevant issues and sign the relevant legal documents relating to the Non-public Issuance of A Shares. The above authorized representatives are entitled to, for and on behalf of the Company, deal with the abovementioned matters relating to the Non-public Issuance of A Shares in the process and pursuant to the scope of the resolutions determined by the EGM and the authorization of the Board.

LETTER FROM THE BOARD

III. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the issuance of the new A Shares under the Non-public Issuance of A Shares, the shareholding structure of the Company will change and therefore the Articles of Association will be required to be amended to reflect the relevant changes. The Board proposes to seek the approval of the Shareholders at the EGM to authorize the Board or its authorised representative(s) to make consequential amendments to the relevant provisions in the Articles of Association based on the results of the Non-public Issuance of A Shares.

In addition, in order to comply with the Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No.37) and the Regulatory Guidance No.3 of Listed Companies — Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) (Zheng Jian Hui Gong Gao [2013] No.43) issued by the CSRC, the Board proposes to make amendments to the article in relation to profit distribution in the Articles of Association, details of which are set out in Appendix I to this circular. The proposed amendments to the Articles of Association in respect of the article of profit distribution are subject to the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

IV. ADOPTION OF THE SHAREHOLDERS' RETURN PLAN

Pursuant to the Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No.37) and the Regulatory Guidance No. 3 of Listed Companies — Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) (Zheng Jian Hui Gong Gao [2013] No.43) both issued by the CSRC as well as the Guideline on Cash Dividend of Listed Companies (《上市公司現金分紅指引》) and the Working Memorandum No. 7 for the Regular Report of Listed Companies — Matters to be Noticed in Relation to Annual Report and Cash Dividend (《上市公司定期報告工作備忘錄第七號—關於年報工作中與現金分紅相關的注意事項》) promulgated by the Shanghai Stock Exchange and the relevant requirements of Articles of Association, the Board has formulated and proposed to adopt the Shareholders' Return Plan, details of which are set out in Appendix II to this circular. The proposed adoption of the Shareholders' Return Plan will be subject to the approvals by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

V. THE EGM AND THE CLASS MEETINGS

The EGM will be held at 2:00 p.m. on 10 November 2016 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC. The notice of the EGM is set out on pages 70 to 76 to this circular. At the EGM, voting of the Shareholders will be conducted by way of poll.

LETTER FROM THE BOARD

The H Shareholders' Class Meeting will be held at 3:00 p.m. (or immediately after the A Shareholders' Class Meeting) on 10 November 2016 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC. The notice of the H Shareholders' Class Meeting is set out on pages 77 to 82 to this circular. At the H Shareholders' Class Meeting, voting of the H Shareholders will be conducted by way of poll.

Proxy forms for use at the EGM and the H Shareholders' Class Meeting are also enclosed. Whether or not you intend to attend the meetings in person, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return the same to the Company's principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meetings or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the meetings or any adjournment thereof should you so wish. The Company will make an announcement after the meetings to inform the Shareholders of the results thereof.

VI. RECOMMENDATIONS

The Directors consider that (1) the Non-public Issuance of A Shares, (2) the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares, (3) the report on the status of the use of proceeds of the previous fund raising, (4) the Shareholders' Return Plan, (5) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, (6) the undertakings of the controlling shareholder, the de facto controller, the Directors and the senior management of the Company in relation to realistic implementation of the measures to fill the diluted immediate returns, (7) the authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares, (8) the management principles on the use of proceeds, and (9) the amendments to the Articles of Association, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the H Shareholders' Class Meeting.

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

By order of the Board of
**TIANJIN CAPITAL ENVIRONMENTAL PROTECTION
GROUP COMPANY LIMITED**

Liu Yujun
Chairman

The Board proposes to amend the relevant article of the Articles of Association as follows:

Existing Article 195:

“I. Basic principles for profit distribution of the Company:

- (1) The Company shall take full account of the return to investors. The Company shall, after making up for the losses of previous years and contributing to the statutory reserve and discretionary reserve, distribute dividend to the shareholders per annum in proportion to distributable profit realized for the year concerned attributable to the parent company, which shall be determined by resolutions at the general meetings.
- (2) The Company’s profit distribution policy shall maintain continuously and stably, for the long term interest of the Company, in the interest of all shareholders as a whole, and for sustainable development of the Company.
- (3) The Company shall give priority to dividend distribution in cash.

II. Dividend distribution policies of the Company:

- (1) Dividend shall be distributed in the following manner: the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. In general, the Company shall distribute dividend annually, but subject to conditions, interim profit distribution may be made by the Company.
- (2) Specific conditions for and proportions of cash dividend distribution of the Company: provided that the Company’s profit and aggregate undistributed profit realized for the year are positive, and the accounting firm issues standard unqualified audit report on the Company’s financial report for that year, and cash dividend distribution has no effect on the Company’s sustained operations, the Company may distribute dividend in cash. Subject to the above conditions, the profit to be distributed in cash per annum will not be less than 20% of the distributable profit realized for that year attributable to the parent company, and the Company’s aggregated profit distributed by way of cash for three consecutive years will not be less than 30% of the distributable profit attributable to the parent company realized within 3 years.
- (3) Conditions for distributing dividends in shares by the Company: where the Company’s business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares.
- (4) In case any shareholder occupies the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount occupied.

III. Procedures for consideration and approval of the Company's profit distribution plans:

- (1) The Company's profit distribution plan for each year shall be proposed by the Company's management after taking into account factors such as the Company's Articles of Association, production and operation position, cash flows and future business development plan, and shall be submitted to the Board and the supervisory committee for consideration. If the supervisory committee has no objection to the profit distribution plan, the Board shall thoroughly discuss its rationality, taking into account the opinions from the Independent Directors, and form a special proposal for the consideration by the shareholders at the general meeting. Opinions and requests from medium and small shareholders shall be fully heard through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms). When considering the profit distribution plan, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders.
- (2) Where the Company has decided not to distribute cash dividends for the reason of failure to meet the conditions for cash dividend distribution as stated in II(2) above, the Board shall explain the specific reasons for not distributing cash dividends, and the exact purposes for the retained profits, and submit such to the general meeting for consideration after the Independent Directors express their opinions thereon, and disclose the same to the designated media of the Company. When considering such proposal, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders.
- (3) In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, or new policies on profit distribution published by competent authorities, the Company may adjust its profit distribution policy. The Board shall thoroughly discuss the rationality of the adjustment to the profit distribution policy, and form a special proposal after the consideration by the Independent Directors and submit the same for the consideration by the shareholders at the general meeting. The supervisory committee shall issue its review opinions on the adjustment to the profit distribution policy. When the general meeting considers the changes to the profit distribution policy, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders."

Amended Article 195:**"I. Basic principles for profit distribution of the Company:**

- (1) The Company shall take full account of the return to investors. The Company shall, after making up for the losses of previous years and contributing to the statutory reserve and discretionary reserve, distribute dividend to the shareholders per annum in proportion to distributable profit realized for the year concerned attributable to the parent company, which shall be determined by resolutions at the general meetings.

(2) The Company's profit distribution policy shall maintain continuously and stably, for the long term interest of the Company, in the interest of all shareholders as a whole, and for sustainable development of the Company.

(3) The Company shall give priority to dividend distribution in cash.

II. Dividend distribution policies of the Company:

(1) Dividend shall be distributed in the following manner: the Company may distribute profits in cash, in shares or in a combination of both cash and shares or otherwise permitted by laws and regulations. If the conditions of cash dividends are met, priority shall be given to dividend in cash over dividend in shares.

(2) Interval of profit distribution: Provided that the Company makes a profit and the distributable profit is a positive figure for the year, the Company shall distribute profit once a year. To the extent that the scale of profit and the capital position are appropriate for the relevant period, the Company may distribute interim dividend in cash.

(3) Conditions of cash dividend distribution of the Company:

1. the Company's profit and aggregate undistributed profit realized for the year are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's sustained operations;
2. the accounting firm issues a standard unqualified audit report on the Company's financial report for that year;
3. the Company has no events such as material investment plan or significant cash expenditure, excluding investments projects using proceeds raised.

Material investment plans or significant cash expenditures refer to the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with an accumulated expenditures amounting to or exceeding 30% of the latest audited net assets of the Company.

(4) Proportion of cash dividends:

Subject to the satisfaction of the above conditions, the profit to be distributed in cash per annum will not be less than 20% of the distributable profit realized for that year attributable to the parent company, and the Company's aggregated profit distributable by way of cash for three consecutive years will not be less than 30% of the distributable profit attributable to the parent company realized within such three years. The specific dividend proportion of each year shall be determined by the Board according to the profit for the relevant year and utilization plan for future capital.

The Board shall take into full account of various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward differentiated cash dividend policy in accordance with the procedures as required by this Articles of Association:

1. If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
2. If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;
3. If the Company is at the growing stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the stage of development of the Company and the Company has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

- (5) Conditions for distributing dividends in shares by the Company: where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares. Distributing profit by way of dividend in shares shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.
- (6) Profit distribution of the Company shall not exceed the cumulative distributable profit or damage the Company's sustainable operation ability.
- (7) In case any shareholder misappropriates the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount misappropriated.

III. Decision making procedures and mechanism of the Company's profit distribution:

(1) Formulation of profit distribution policy

The Company shall scientifically formulate the profit distribution policy of the Company after comprehensively taking into account factors such as the actual conditions of the Company's operating development, the needs and requests of the Shareholders, social capital costs and external financing environment etc.

The profit distribution policy of the Company shall be considered and approved by more than two-thirds of voting shares held by the shareholders (including their proxies) present at the general meeting. The Board, the Supervisory Committee and shareholders individually or jointly holding 3% or more of the Company's shares, have the right to propose resolution(s) in respect of profit distribution policy to the Company.

The Board shall specifically study and discuss matters relating to the returns for shareholders, set out a specific and clear plan on the returns for shareholders and explain the reasons for the formulation of the plan in details. Opinions of shareholders (especially minority shareholders) and the independent Directors and Supervisors shall be fully heard and considered during the meeting of the Directors, the meeting the supervisors of the Company and the general meeting in respect of the study, discussion and decision-making process of the profit distribution policy of the Company.

The Board, independent Directors and shareholders complying with certain conditions can collect the voting rights at general meeting from the shareholders of the Company.

(2) Formulation of specific proposal of profit distribution

The Company's profit distribution plan for each year shall be proposed by the Company's management after taking into account factors such as the requirements in the Company's Articles of Association, production and operation position, cash flows and future business development plan, and shall be submitted to the Board and the supervisory committee of the Company for consideration. If the supervisory committee has no objection to the profit distribution plan, the Board shall thoroughly discuss its rationality, taking into account the opinions from the independent Directors, and form a special proposal as well as an independent view expressed by independent Directors on profit distribution proposal for the consideration and approval by the shareholders at the general meeting.

The Board shall fully consider the capital needs of normal production and operation of the Company, arrangement of investment, actual profit status, cash flows and scale of share capital of the Company and the sustainability of development when formulating the specific proposal of cash dividend, and carefully study and discuss the timing, conditions and minimum proportion of cash dividend of the Company, conditions for adjustment and requirements for decision-making procedures. Independent Directors shall express specific views.

Independent Directors can collect views from minority shareholders to propose profit distribution proposal and directly propose to the Board for consideration.

Prior to consideration of the specific proposal of cash dividend at the general meeting, the Company shall actively communicate and exchange ideas with shareholders (especially minority shareholders) through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms), fully listen to the opinions and requests from medium and small shareholders and reply in a timely manner the questions from minority shareholders. When considering the profit distribution plan, the Company shall make internet voting accessible to the shareholders.

- (3) If the Company makes a profit for the year, but the Board does not propose the profit distribution proposal by the way of cash, the Company shall explain the reason and the usage and plan of utilization for the capital which is not utilized as cash dividends and reserved in the Company, and independent Directors shall express independent views thereupon and timely disclose; it shall propose to the general meeting for consideration after consideration and approval by the Board. Meanwhile, the Company shall make internet voting for medium and small shareholders to vote at the general meeting.

IV. Adjustment to profit distribution policy:

The Company shall strictly implement the profit distribution policy stipulated in this Articles of Association and the specific proposal of profit distribution considered and approved at the general meeting.

In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in a material impact on its production and operation, or relatively significant changes to the Company's operational position, or new policies on profit distribution published by competent authorities, in which cases the profit distribution policy stipulated by this Articles of Association, in particular the cash dividend policy, is required to be adjusted, the Company may adjust its profit distribution policy. The Board shall thoroughly discuss the rationality of the adjustment to the profit distribution policy, and form a special proposal after an independent view is expressed by the independent Directors and submit the same for the consideration by the shareholders at the general meeting. The proposal shall be considered and approved by more than two-thirds of voting rights held by the shareholders (including their proxies) present at the general meeting.

The supervisory committee shall issue its review opinions on the adjustment to the profit distribution policy.

The adjusted profit distribution policy shall not contravene with the relevant requirements of the CSRC and the stock exchange on which shares of the Company are listed.

When the general meeting considers the adjustment to the profit distribution policy, the Company shall make internet voting accessible to the shareholders or collect voting rights of the shareholders.

V. Disclosures in regular reports:

The Company shall disclose in details the formulation and implementation of cash dividend policy in its annual reports, and specifically explain whether it is in compliance with the provisions of this Articles of Association or requirements of the resolutions of the general meeting, whether the criteria and proportion of dividend distribution is specific and clear, whether the relevant decision-making procedures and mechanism are complete, whether independent Directors duly perform their duties and play their due roles, whether medium and small shareholders have opportunities to fully express their opinions and requests and whether the legitimate interests and interests of medium and small shareholders are fully protected.

Where the Company adjusts or changes its cash dividend distribution policy, it shall explain in details as to whether the conditions and procedures of such adjustments or changes are in compliance with regulations and transparent.

If the Company is unable to determine the profit distribution proposal for the year according to the established cash dividend policy or the minimum cash dividend proportion under extraordinary circumstances, the Board shall explain in details the reason for not proposing cash profit distribution according to this Articles of Association, and the usage and plan of utilization for the capital which is not utilized as cash dividends and reserved in the Company, and independent Directors shall express independent views thereupon and timely disclose.

VI. Supervision on profit distribution by the supervisory committee:

The supervisory committee shall supervise the Board and the management in respect of the formulation and implementation of the profit distribution policy and the status of returns for shareholders and the relevant decision-making procedures.

The supervisory committee shall give specific opinions and monitor the prompt rectification of the Board in the event of any of the following circumstances:

- (1) the cash dividend policy and the plan on returns for shareholders are not strictly implemented;
- (2) the relevant decision-making procedures in respect of the cash dividend distribution are not strictly implemented;
- (3) the disclosure and implementation of the cash dividend policy are not true, accurate or complete.

The English version of the above article is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

With a view to further enhancing the transparency of the Company's cash dividend distribution, improving and fully implementing the dividend distribution policy, the Company has formulated this Shareholders' Return Plan for the next three years (2016 - 2018) (the "Plan") pursuant to the relevant requirements of "Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies (Zheng Jian Fa [2012] No. 37)" (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) and "Listed Companies Regulatory Guidance No. 3 — Cash Dividend Distribution of Listed Companies (Zheng Jian Hui Gong Gao [2013] No. 43)" (《上市公司監管指引第3號—上市公司現金分紅》(證監會公告[2013]43號)) issued by the CSRC, "Guideline on Cash Dividend of Listed Companies" (《上市公司現金分紅指引》) and "Working Memorandum No.7 for the Regular Report of Listed Companies — Matters to be Noticed in Relation to Annual Report and Cash Dividend" (《上市公司定期報告工作備忘錄第七號—關於年報工作中與現金分紅相關的注意事項》) issued by Shanghai Stock Exchange, and the Articles of Association of the Company.

I. Factors taken into consideration in formulating the Plan by the Company

With a vision on long-term and sustainable development, the Company has taken into consideration various factors, such as the Company's strategic development plans, industrial development trends, the Company's actual situation and development objective, requests and wishes of shareholders, social capital costs and external financing environment, particularly, after fully considering and listening to the requests and wishes of Shareholders (especially the medium and small Shareholders), to establish a sustainable, stable and scientific plan and mechanism on investors' return, so as to ensure the continuity and stability of the dividend distribution policy.

II. Principles for formulating the Plan

The Company will actively implement the continuous, stable profit distribution policy, and emphasize on the reasonable investment return to investors, while maintaining the Company's sustainable development. For the next three years (2016-2018), subject to the satisfaction of conditions of cash dividend distribution, the Company will adhere to adopting with priority the distribution of cash dividends for distributing profit, to further improve the system of cash dividends, enhance the transparency of cash dividends and maintain the continuity, reasonability and stability of the cash dividend distribution policy.

III. The Procedures for formulating and reviewing the Plan

The Board shall formulate a plan of Shareholders' return at least once every three years in accordance with the profit distribution policy stipulated in the Articles of Association, the opinions of Shareholders (in particular, the public investors) and the opinion of the independent Directors. The plan of Shareholders' return of the Company should be formulated by the Board and submitted to the Company's shareholders' meeting for consideration after being considered and approved by the Board.

IV. The Shareholders' Return Plan for the next three years (2016-2018)

(1) Means of profit distribution

The Company may distribute profits in cash, in shares or a combination of both cash and shares or as otherwise permitted by the laws and regulations. Subject to the satisfaction of conditions of cash dividend distribution, cash dividend distribution shall take priority over the share dividends.

(2) The interval of profit distribution

Provided that the Company makes a profit and the distributable profit is a positive figure for the year, the Company shall distribute profit once a year. To the extent that the scale of profit and the capital position are appropriate for the relevant period, the Company may distribute interim dividend in cash.

(3) Conditions of cash dividend distribution of the Company

The Company's profit for the year and aggregate undistributed profit realized are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's sustained operations; the accounting firm issues a standard unqualified audit report on the Company's financial report for that year. The Company has no events such as a material investment plan or significant cash expenditure (referring to the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenditures amounting to or exceeding 30% of the latest audited net assets of the Company), excluding projects using proceeds raised. The Company can distribute dividend by cash.

(4) Proportion of cash dividends

Subject to the satisfaction of the above conditions, the profit to be distributed in cash per annum will not be less than 20% of the distributable profit realized for that year attributable to the parent company, and the Company's aggregated profit distributable by way of cash for three consecutive years will not be less than 30% of the distributable profit attributable to the parent company realized within such three years. The specific dividend proportion of each year shall be determined by the Board according to the profit for the relevant year and utilization plan for future capital.

The Board shall take into full account various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward differentiated cash dividend policy in accordance with the procedures as required by this Articles of Association:

1. If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
2. If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;
3. If the Company is at the growing stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the stage of development of the Company and the Company has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

(5) Conditions for distributing dividends in shares by the Company

Where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares. Distributing profit by way of dividends in shares shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.

(6) Profit distribution of the Company shall not exceed the cumulative distributable profit or damage the Company's sustainable operation ability.

(7) In case any shareholder misappropriates the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount misappropriated.

V. Decision Making Procedures and mechanism of profit distribution

The Company's profit distribution plan for each year shall be proposed by the Company's management after taking into account factors such as the Company's Articles of Association, production and operation position, cash flows and future business development plan, and shall be submitted to the Board and the supervisory committee of the Company for consideration. If the supervisory committee has no objection to the profit distribution plan, the Board shall thoroughly discuss its rationality, taking into account the opinions from the independent Directors, and form a special proposal as well as an independent view expressed by independent Directors on profit distribution proposal for the consideration and approval by the shareholders at the general meeting of the Company. The Company shall fully listen to opinions and requests from medium and small shareholders through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms). The Company shall make internet voting for shareholders or collect voting rights of shareholders when considering the profit distribution proposal.

VI. Shareholders, independent Directors and the supervisory committee of the Company shall supervise the profit distribution policy and shareholders' return plan implemented by the Board.

VII. The matters which have not been specified herein shall be implemented according to the requirements of relevant laws, regulations, normative documents and the Articles of Association. This Plan shall be explained by the Board and will be effective from the date of consideration and approval at the general meeting of the Company.

APPENDIX III RISK ALERT ON THE DILUTIVE IMPACT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE IMMEDIATE RETURNS AND THE RELEVANT PRECAUTIONARY MEASURES

According to the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No.17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No.110) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No.31), in order to protect the interests of small and medium investors, the Company diligently analyzed the major financial indicators of the Non-public Issuance of A Shares, in respect of the dilutive impact of the Non-public Issuance of A Shares on the immediate returns, the Company wishes to adopt the following measures:

I. The Impacts of the Non-public Issuance of A Shares on the earnings per share of the Company

Upon completion of the Non-public Issuance of A Shares, the net assets scale of the Company will increase. In the short-term, while the utility of the proceeds raised cannot yet be fully reflected, financial indicators of the Company such as the earnings per share, return on equity etc. will, to a certain extent, be affected. However, from a medium to long-term perspective, the proceeds raised from the Non-public Issuance of A Shares would augment the capital of the Company and effectively support the expansion of the business scale and enhance the business scale and profitability of the Company. The Company will actively adopt various measures to increase its net assets and enhance the capital utilization rate in order to achieve better earnings per share and return on equity.

(I) Assumptions that will affect the analysis

The following assumptions are only forecasts of the impacts of Non-public Issuance of A Shares on the earnings per share of the Company, and do not represent the judgement of the Company on its operating performance and trends in 2016, neither do they constitute a profit forecast. Investors should not make investment decisions on these grounds, and the Company will not be held liable for any loss of investors thus incurred. The relevant assumptions are as follows:

1. It is assumed that no material adverse changes in the domestic and international macroeconomic environment and the industry in which the Company operates have taken place or will take place in the foreseeable future;
2. In 2015, the consolidated statements of the Company recorded a net profit attributable to owners of the parent company of RMB330,537,000 and a net profit attributable to owners of the parent company after deduction of non-recurring gains and losses of RMB297,237,000; on this basis, the net profit attributable to owners of the parent company for 2016 will be forecasted according to the performance increment of -10%, 0%, 10% respectively.

APPENDIX III RISK ALERT ON THE DILUTIVE IMPACT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE IMMEDIATE RETURNS AND THE RELEVANT PRECAUTIONARY MEASURES

3. Net assets per share attributable to ordinary shareholders, basic earnings per share, diluted earnings per share and weighted average return on net assets are all forecasted according to net profit attributable to owners of the parent company after deduction of non-recurring gains and losses.
4. Assuming that the proceeds raised from the Non-public Issuance of A Shares amounts to RMB1,837,620,000 without considering the cost of issuance, the number of shares of this issuance will be 250,698,499 shares calculated according to the issue price of RMB7.33 / share.
5. It is expected that the Non-public Issuance of A Shares will be completed in December 2016.
6. The number of shares to be issued and the completion time of the Non-public Issuance of A Shares are only estimates. The final number of shares to be issued and the actual completion time of the issuance shall be subject to the approval of the CSRC.
7. In forecasting the net assets of the Company after the issuance, the impacts of factors other than proceeds raised and the cash dividends of 2016 on net assets are not taken into account.
8. The impact of the fundraising by the Non-public Issuance of A Shares on the production and operation and financial status of the Company are not taken into account.

(II) Effects on the major financial indicators of the Company

Based on the aforesaid assumptions, the Company has estimated the effects of the Non-public Issuance of A Shares on the major financial indicators of the Company as follows:

Item	2015	2016	
		Before this Issuance	After this Issuance
Assumption 1: It is assumed that the net profit attributable to ordinary shareholders of the listed company after deduction of non-recurring gains and losses recorded by the Company in 2016 will be the same as in 2015.			
Number of ordinary shares (10 thousand shares)	142,722.84	142,722.84	167,792.69
Net profit attributable to the ordinary shareholders of the listed company (after deduction of non-recurring gains and losses) recorded in current year	297,237,000	297,237,000	297,237,000

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Item	2015	2016	
		Before this Issuance	After this Issuance
Basic earnings per share (after deduction of non-recurring gains and losses)	0.21	0.21	0.21
Diluted earnings per share (after deduction of non-recurring gains and losses)	0.21	0.21	0.21
Weighted average return on net assets (after deduction of non-recurring gains and losses)	6.95%	6.62%	6.39%
Assumption 2: It is assumed that the net profit attributable to ordinary shareholders of the listed company after deduction of non-recurring gains and losses recorded by the Company in 2016 decreased by 10% as compared to 2015.			
Number of ordinary shares (10 thousand shares)	142,722.84	142,722.84	167,792.69
Net profit attributable to the ordinary shareholders of the listed company (after deduction of non-recurring gains and losses) recorded in current year	297,237,000	267,513,300	267,513,300
Basic earnings per share (after deduction of non-recurring gains and losses)	0.21	0.19	0.18
Diluted earnings per share (after deduction of non-recurring gains and losses)	0.21	0.19	0.18
Weighted average return on net assets (after deduction of non-recurring gains and losses)	6.95%	5.98%	5.77%
Assumption 3: It is assumed that the net profit attributable to ordinary shareholders of the listed company after deduction of non-recurring gains and losses recorded by the Company in 2016 increased by 10% as compared to 2015.			
Number of ordinary shares (10 thousand shares)	142,722.84	142,722.84	167,792.69
Net profit attributable to the ordinary shareholders of the listed company (after deduction of non-recurring gains and losses) recorded in current year	297,237,000	326,960,700	326,960,700
Basic earnings per share (after deduction of non-recurring gains and losses)	0.21	0.23	0.23

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Item	2015	2016	
		Before this Issuance	After this Issuance
Diluted earnings per share (after deduction of non-recurring gains and losses)	0.21	0.23	0.23
Weighted average return on net assets (after deduction of non-recurring gains and losses)	6.95%	7.26%	7.00%

II. Special risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate return

After the proceeds of funds raised by the Non-public Issuance of A Shares are duly received, the total share capital and net assets of the Company will increase significantly. Since the investment projects require a certain construction cycle and the projects require some time to generate benefits, under the circumstances of increases in both total share capital and net assets of the Company, if the net profit of the Company is unable to realize the corresponding extent of growth during the construction period of the investment projects, the indicators such as the basic earnings per share of the Company (after deduction of non-recurring gains and losses) and the weighted average return on net assets will decline to a certain extent.

Hence, the Company would like to remind investors to pay attention to the risk of possible dilutive impact on the immediate returns due to the Non-public Issuance of A Shares. Public investors are reminded to note investment risk.

III. Analysis on the necessity and reasonableness of proceeds raised by the Non-public Issuance of A Shares and the relativity with the existing business of the Company

The proceeds raised and investment projects conducted by the Non-public Issuance of A Shares is consistent with the relevant industrial policy of the State and the development strategy, which generates relatively good economic benefits and is conducive to further enhancement of the integrated capabilities, the market competitiveness and risk resistance ability of the Company.

(I) The necessity and reasonableness of the Non-public Issuance of A Shares

1. Facilitate the Company to capture opportunities in the industry and further drive the development of the Company's principal businesses

Since the “12th Five-Year Plan (十二五)”, the State promulgated a series of policies to drive the development of the environmental service industry, the new environmental protection law was implemented in 2015 and the “Ten Water Measures (水十条)” were formally launched. On one hand, the overall scale of the environmental protection industry was further expanded, while on the other hand, industrial segments, particularly the sewage water treatment industry, also encountered

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historical rapid development opportunities. In addition, to realize the objective of developing a circular economy, low-carbon economy and green economy, the State proposed and called for “strong efforts to develop low-carbon technology, promotion of highly efficient energy-saving technology, active development of new energy and renewable energy”. With the characteristics of energy-saving, low-carbon, investment-saving and environmental friendly, the regional energy system will have wide development prospects.

With the enhancement in environmental protection standards and increased regulatory efforts, professional features were further highlighted in environmental protection services, higher requirements of technical level and integrated environmental service abilities were demanded for environmental protection enterprises. The Company, being a leading enterprise in the water industry and energy station construction and operation sector, will capture this opportunity by leveraging on its own technological innovation advantages and operational management experience to actively proceed with the development of the principal businesses of sewage water treatment for satisfying the demand for high standard environmental services in the entire community and for further expanding its market share and influence to enhance core competitiveness rapidly. While the principal businesses are enlarged and strengthened, a solid foundation has been paved for the Company to achieve the strategic objective of becoming an integrated environmental service provider. The investment projects are consistent with the relevant industrial policy of the State and the overall strategic development direction of the Company and will generate good economic benefits. Upon fulfillment of the output level of the projects, the integrated capabilities and market position of the Company will be enhanced effectively, market competitiveness and risk resistant ability will be increased remarkably.

2. Consistent with the development strategies of the Company and conducive to the realization of the Company’s operating targets

Based on the strategic positioning of an “environmental integrated solution provider”, the Company will focus on driving the upgrading of integrated capabilities and realizing the upgrading of integrated environmental service providers including upgrading in capital operation ability, low-cost financing ability, agreement maintenance ability, cost control ability, market development ability, integrated environmental service ability, resources consolidation ability, strategy implementation ability as well as risk prevention and control abilities. Meanwhile, the Company will focus on building a development model of “three-point linked movement” including (1) integrated environmental services supported by the entire industrial chain; (2) environmental scientific research products and services; and (3) direct financing and capital operation.

Therefore, in addition to proceeding actively with the existing sewage water treatment, water supply and new energy projects of the Company and developing new business opportunities, the Company is extremely in need of capturing the prime development opportunities available in the environmental protection industry by leveraging on capital power and technical advancement power to support the expansion of business scale and the improvement in market share. The proceeds raised from the Non-public Issuance of A Shares will be mainly invested in sewage water treatment and new

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energy cooling and heating supply business. The Non-public Issuance of A Shares will provide funding assurance for the implementation of the aforesaid investment projects, ensure the smooth performance of the investment projects, and will, in turn, facilitate the realization of the development strategy of the Company.

3. *Conducive to improve the financial position and optimize the capital structure of the Company*

As at 30 June 2016, the Company's consolidated gearing ratio was 53.88%, which was higher than the industry average level. Upon receipt of the proceeds from the Non-public Issuance of A Shares, the Company's size of net assets will increase further, the gearing ratio will decrease accordingly, thus the capital structure of the Company will be optimized, the financial position of the Company will be improved and the sustainable operating ability of the Company in the future will be enhanced. Meanwhile, the finance costs of the Company will also decrease further, which will be advantageous to enhance the profitability of the Company.

Based on the above, the Non-public Issuance of A Shares is the strategic need to diversify the business layout of the Company, and is conducive to enhance the funding capability of the Company, the use of proceeds raised is reasonable and feasible and is in the interests of the Company and its shareholders as a whole.

(II) Relationship between the investment projects and the existing business of the Company, and the Company's reserves of human resources, technology and markets, etc.

1. *Relationship between the investment projects and the existing business of the Company*

The principal businesses of the Company include sewage water treatment, research and development of related technologies and fruition conversion business, production and sales of recycled water, and pipeline connection business, tap water supply business and new energy cooling and heating supply business, of which sewage water treatment is the most important principal source of income of the Company, while new energy cooling and heating supply business is also one of the key sources of income of the Company. After sufficient and prudent discussion and verification, the proceeds raised from the issuance by the Company will be used mainly in sewage water treatment and new energy cooling and heating supply business. The investment projects are closely related to the existing business of the Company and will help to enhance the operating results of the principal businesses of the Company. The principal businesses and major products of the Company will remain unchanged after the completion of the Non-public Issuance of A Shares.

2. *The Company's reserves of human resources, technology and markets, etc. for the implementation of the investment projects*

(1) *Reserves of human resources*

The management team of the Company has been engaging in the construction and operational management in the areas of water environmental protection for a long time, with

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an in-depth and unique understanding of the water environmental protection market in China. After operation and implementation over the years, the Company has accumulated extensive management experience in the operation of water and new energy cooling and heating supply projects, has nurtured a large number of professional technical talents and project management talents with solid professional knowledge and extensive practical experience, who are capable of protecting the smooth formation as well as the safe and stable operation of the offering projects effectively.

(2) *Reserves of technology*

The Company emphasizes on technological innovations and has established a market-oriented research and development system. Through continuous environmental scientific research and development, the research and development fruits of proprietary intellectual property rights have been formed to support the extension of the enterprise to high valued-added segments of the industrial chain and to develop new types of business areas to create exporting abilities of environmental services based on unique environmental protection technologies and products. As at the current date, the Company owns 38 proprietary scientific research patents in the areas of sewage water, sludge, deodorization, biological bacterial preparation, sludge, etc. and has powerful reserves of technologies in the relevant areas.

(3) *Reserves of markets*

On 16 April 2015, the State Council promulgated the “Action Plan for the Prevention and Control of Water Pollution (水污染防治行動計劃)” (i.e. “Ten Water Measures (水十條)”) involving the areas of, among other things, integrated control of water bodies with heavy pollution, treatment of drinking water containing a trace of poisonous substance, joint prevention and control of earth surface and underground water pollution, and water ecology target management. By increasing pollution control and investment efforts, the “Ten Water Measures” have significantly enhanced the measures for pollution control technologies, research and development of environmental protection equipment and the standard of industrialization to promote the expansion of sewage water treatment market capacity, are favourable to sewage water treatment and operation companies, particularly for the innovative PPP model, funding sources, convenient and easy availability will be provided to the relevant enterprises. As such, the sewage water treatment industry faces a broad development space and rare development opportunities.

The Company’s sewage water treatment business areas are based in Tianjin region and distributed in 11 cities located in the northern, central, south-western, eastern and north-western regions of the PRC. The new energy cooling and heating supply business mainly covers the Tianjin region. The integrated control of water environment and integrated utilization of energies in the aforesaid regions have enormous market size which is able to assure the return on investment in the investment projects.

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IV. Specific measures adopted by the Company to fill the return

In order to ensure the effective use of proceeds raised from the Non-public Issuance of A Shares, prevent effectively the risk of diluting return of shareholders for the current period and enhance the sustainable ability to generate return in future, after the completion of the Non-public Issuance of A Shares, the Company will accelerate the investment progress of the investment projects, increase market expansion efforts, strive to increase sales revenue, improve management standards, enhance the operational efficiency of the Company and enrich future gains to reduce the dilutive impact on the immediate returns due to the Non-public Issuance of A Shares. The specific measures proposed to be adopted by the Company are as follows:

(I) Enhance the governance standards of the Company, improve the incentive mechanism for employees

The Company will strictly adhere to the requirements of the laws, regulations and regulatory documents including the Company Law (公司法), Securities Law (證券法) and Governance Standards of Listed Companies (上市公司治理準則) in the PRC, and will improve the corporate governance structure continuously, to ensure that the shareholders (in particular medium and small shareholders), directors (in particular independent directors) and supervisors will be able to sufficiently exercise their respective rights to provide systematic protection for the sustainable development of the Company. Moreover, the Company will further strengthen its management and control over operations, continue to promote rationalization of operating costs, manage cost control and optimize financing costs to enhance the enterprise efficiency and realize efficiency in management.

(II) Accelerate the investment progress of investment projects, realize the expected gains from the projects as soon as possible

The Company's proceeds raised from the Non-public Issuance of A Shares will be used mainly in sewage water treatment and new energy cooling and heating supply business, which are in line with the industrial policy of the State and the development strategy of the Company, with good market prospects and economic benefits. After the projects have gradually entered the payback period, the profitability and operating results of the Company will improve, which will compensate for the dilution of shareholders' immediate returns due to the Non-public issuance of A Shares. Before receipt of the proceeds raised from the Non-public Issuance of A Shares, in order to realize gains from the investment projects as soon as possible, the Company will actively deploy resources to carry out the relevant work of the investment projects in advance. After receipt of the proceeds raised from the Non-public Issuance of A Shares, the Company will accelerate the construction of the investment projects and strive to fulfill the planned output level as early as possible to realize the expected gains, enhance the shareholders' return in subsequent years and reduce the risk of dilution of shareholders' immediate returns due to the Non-public Issuance of A Shares.

(III) Strengthen the management of proceeds raised, enhance the utilization rate of funds

The Company has formulated the "Provisions for the Management of Proceeds Raised (募集資金管理規定)" according to the relevant requirements of the China Securities Regulatory

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Commission (CSRC) and The Shanghai Stock Exchange (SSE). The Company's proceeds raised from the Non-public Issuance of A Shares will be deposited in the special account for the proceeds designated by the Board of Directors and a tripartite supervision system will be established among the sponsor, the commercial bank where the proceeds will be deposited and the Company to jointly supervise the proceeds to be used for the purposes and in the amounts as committed. Meanwhile, after receipt of the proceeds raised from the Non-public Issuance of A Shares, the Company will ensure that the proceeds will be used for the purposes committed pursuant to the relevant provisions of the "Provisions for the Management of Proceeds Raised" and will conduct internal inspections on the proceeds on a regular basis, and will cooperate with the sponsor and the commercial bank acting as the deposit bank of the proceeds to conduct examination and supervision on the use of proceeds.

The Company will optimize its capital structure by effectively utilizing the proceeds raised from the Non-public Issuance of A Shares, and will accelerate the implementation of investment projects and the release of the project benefits when conditions are ripe to enrich the future gains of the Company and enhance its sustainable development capabilities so as to reduce the dilutive impact on the immediate returns.

(IV) Strictly implement the dividend distribution policy, protect the interest and return of shareholders

Pursuant to the requirements of the "Notice on the Further Implementation of Matters Relating to the Distribution of Cash Dividends of Listed Companies (關於進一步落實上市公司現金分紅有關事項的通知)" and the "Regulatory Guidelines for Listed Companies No.3 — Distribution of Cash Dividends by Listed Companies (上市公司監管指引第3號 — 上市公司現金分紅)", the Company has further improved and refined the profit distribution policy. On the basis of considering sufficiently the investment return for shareholders as well as the growth and development of the Company, and by combining with the Company's own practical circumstances, a shareholders' return plan for the next three years (2016 - 2018) has been formulated. The comprehensive formulation of the above system has further clarified the decision-making procedures and mechanism for distribution of dividends and the specific proportion of dividends to be distributed by the Company, which will provide effective protection on the reasonable investment return for the shareholders, in particular the medium and small shareholders.

In order to further enlarge and strengthen the Company's principal water business, speed up the Company's development of the new energy cooling and heating supply business, enhance the Company's overall competitiveness and level of profitability, improve the Company's own capital structure, maintain the Company's sustainable development, consolidate and enhance the position in the industry and provide investors with a better return on investment, the Company intends to invest in sewage water treatment projects, energy station projects and to replenish working capital and repay loans from financial institutions with proceeds from non-public offering.

I. Plan of Use of Proceeds from the Non-public Issuance of A Shares

It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,837,620,000. After deducting the issuance costs, net proceeds from the Non-public Issuance of A Shares are proposed to be used in the following projects:

No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
I. Sewage Water Treatment Projects				
1	Project of the expansion and upgrading of the Beicang Sewage Water Treatment Plant	The Company	46,288.00	37,288.00
2	Project of the expansion and upgrading of the Jingu Sewage Water Treatment Plant	The Company	83,558.63	67,255.00
Sub-total			<u>129,846.63</u>	<u>104,543.00</u>
II. Energy Station Projects				
3	No. 1 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited	14,140.19	9,425.00
4	No. 2 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited	9,900.12	6,749.00

APPENDIX IV**FEASIBILITY REPORT ON THE USE OF PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
5	Project of energy station in Binhai New District Cultural Centre (Phase I)	Tianjin Jiayuan Binchuang New Energy Technology Company Limited	12,188.07	8,045.00
	Sub-total		<u>36,228.38</u>	<u>24,219.00</u>
6	Working capital replenishment and repayment of loans obtained from financial institutions		55,000.00	55,000.00
	Total		<u>221,075.01</u>	<u>183,762.00</u>

If the amount of the actual proceeds to be raised from the Non-public Issuance of A Shares is less than the amount of the proceeds to be utilized in the aforementioned projects, the Company will make up for the shortfall through its self-funded capital. Before receiving the proceeds from the Non-public Issuance of A Shares, the Company may, depending on the market conditions and the actual progress of the projects, finance these projects by its self-funded capital, which shall be replaced in accordance with the relevant laws, regulations and rules of securities regulatory authorities once the proceeds from the Non-public Issuance of A Shares have been received. Within the scope authorized by the Shareholders at the EGM and the scope of the abovementioned projects, based on the actual capital needs, time limit and priorities of the projects, the Board may adjust the priorities of and investment amount into the projects according to the relevant laws and regulations.

II. Feasibility Analysis**(1) Project of the expansion and upgrading of Beicang Sewage Water Treatment Plant****1. Basic Information of the Project**

On 25 September 2015, Tianjin Environmental Protection Bureau (天津市環境保護局) and Tianjin Market and Quality Supervision and Administration Commission (天津市市場和質量監督管理委員會) jointly issued the “Emission Standards of Urban Sewage Water Treatment Plant Pollutants (DB12/599-2015) (《城鎮污水處理廠污染物排放標準》(DB12/599-2015))” (hereinafter referred to as the “New Emission Standards”) as the local standards in Tianjin. The New Emission Standards came into effect from 1 January 2018 for urban sewage water treatment plants in operation

(enterprises and facilities). According to the New Emission Standards, all of the Company's Dongjiao Sewage Water Treatment Plant, Xianyanglu Sewage Water Treatment Plant, Jingu Sewage Water Treatment Plant and Beicang Sewage Water Treatment Plant in Tianjin are required to be upgraded and renovated. Upon completion of the upgrade and renovation, quality of the treated water will meet grade A standard in the New Emission Standards.

The Company intends to construct the project of the expansion and upgrading of Beicang Sewage Water Treatment Plant. The location of the construction of the project is inside Beicang Sewage Water Treatment Plant in Tianjin. The project will expand and upgrade the existing sewage treatment plant with a treatment capacity of 100,000 m³/d by an additional treatment capacity of 50,000 m³/d.

The executor of the project is the Company. The Company and Tianjin Water Bureau (天津市水務局) and Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會) (originally known as the "Tianjin Urban and Rural Construction Transportation Commission (天津市城鄉建設和交通委員會)") have already jointly signed the Licensed Operation Agreement and its supplemental agreement.

The investment amount of the project of the upgrading and renovation of Beicang Sewage Water Treatment Plant is RMB462,880,000. The Company intends to allocate RMB372,880,000 from the proceeds.

2. *Project Development Prospects*

As a result of the implementation of the expansion and upgrading, the treatment capacity of Beicang Sewage Water Treatment Plant will reach 150,000 m³/d, which can satisfy the demand for urban sewage water treatment, further improve the water environment in Tianjin, further implement water pollution control and energy saving and emission reduction, further improve original pollution control project construction and operation management, and better construct the modern ecological city of Tianjin.

3. *Project Construction Contents*

The project of the expansion and upgrading of Beicang Sewage Water Treatment Plant in Tianjin comprises two parts of contents:

- (1) Based on the increase in water amount and status of the planning, the treatment capacity of Beicang Sewage Water Treatment Plant will increase by 50,000 m³/d and the quality of the treated water shall meet the Grade A standard in the "Emission Standards of Urban Sewage Water Treatment Plant Pollutants" (DB12/599-2015).
- (2) To upgrade and renovate the existing sewage water treatment plant with a treatment capacity of 100,000 m³/d so that the quality of the treated water will improve from

the Grade 1B standard in the current “Emission Standards of Urban Sewage Water Treatment Plant Pollutants” (GB18918-2002) to the A standard in the Tianjin local standard “Emission Standards of Urban Sewage Water Treatment Plant Pollutants” (DB12/599-2015).

4. Project Investment Plan

Number	Project	Total Investment Amount in the Projects (RMB0'000)	Allocated Amount in the Projects (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)	Capitalized
1	Construction investment	40,499.00	—	37,288.00	Yes
1.1	Building works	11,541.00	—	11,541.00	Yes
1.2	Equipment purchase	18,216.00	—	18,216.00	Yes
1.3	Installation works	6,466.00	—	6,466.00	Yes
1.4	Other project construction expenses	4,276.00	—	1,065.00	Yes
2	Reserve funds	4,050.00	—	—	No
3	Interests during the construction period	1,547.00	—	—	No
4	Initial working capital	192.00	—	—	No
Total		<u>46,288.00</u>	<u>—</u>	<u>37,288.00</u>	—

5. Project Examination and Approval

This Project has obtained the approval of the “Circular on Approving the Filing of the Project of the Expansion and Upgrading of Beicang Sewage Water Treatment Plant in Tianjin of Tianjin Capital Environmental Protection Group Company Limited (Jin Fa Gai Xu Ke[2016]No.101) (《關於同意天津創業環保集團股份有限公司天津市北倉污水處理廠擴建及提標工程項目備案的通知》(津發改許可[2016]101號))” from Tianjin Development and Reform Commission (天津市發展和改革委員會).

The environmental assessment procedure of this project is in progress.

This project will be constructed on the existing land and the land use right certificate no. is “Fang Di Zheng Jin Zi No.113011503861”.

6. Economic Benefit Analysis

After estimation, the financial internal rate of return of this project is 7.94%.

(2) Project of the expansion and upgrading of Jingu Sewage Water Treatment Plant***1. Basic Information of the Project***

On 25 September 2015, Tianjin Environmental Protection Bureau (天津市環境保護局) and Tianjin Market and Quality Supervision and Administration Commission (天津市市場和質量監督管理委員會) jointly issued the “Emission Standards of Urban Sewage Water Treatment Plant Pollutants (DB12/599-2015) (《城鎮污水處理廠污染物排放標準》(DB12/599-2015))” as the local standards in Tianjin. The New Emission Standards will come into effect from 1 January 2018 for urban sewage water treatment plants in operation (enterprises and facilities). According to the New Emission Standards, all of the Company’s Dongjiao Sewage Water Treatment Plant, Xianyanglu Sewage Water Treatment Plant, Jingu Sewage Water Treatment Plant and Beicang Sewage Water Treatment Plant in Tianjin are required to be upgraded and renovated. Upon completion of the upgrade and renovation, quality of the treated water will meet grade A standard in the New Emission Standards.

The Company intends to construct the project of the expansion and upgrading of Jingu Sewage Water Treatment Plant. The location for the construction of the project is inside Jingu Sewage Water Treatment Plant in Tianjin. The project will expand and upgrade the existing sewage treatment plant with a treatment capacity of 550,000 m³/d by an additional treatment capacity of 100,000 m³/d.

The executor of the project is the Company. The Company and Tianjin Water Bureau (天津市水務局) and Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會) have already jointly signed the Licensed Operation Agreement and its supplemental agreement.

The investment amount of the project of the upgrading and renovation of Jingu Sewage Water Treatment Plant is RMB835,586,300. The Company intends to allocate RMB672,550,000 from the proceeds.

2. Project Development Prospects

The construction of the project is of great significance to enhancing the protection of water resources in the urban area of Tianjin, controlling pollution in the Haihe River system and Bohai Bay, promoting ecological agriculture, preventing soil erosion and desertification, and strengthening urban sewage water treatment capacity.

3. Project Construction Content

The project of the expansion and upgrading of Jingu Sewage Water Treatment Plant in Tianjin comprises two parts of contents:

- (1) Based on the increase in water amount and status of planning, the treatment capacity of Jingu Sewage Water Treatment Plant will increase by 100,000 m³/d and the quality of the treated water shall meet the Grade A standard in the “Emission Standards of Urban Sewage Water Treatment Plant Pollutants” (DB12/599-2015).

- (2) To upgrade and renovate the existing sewage water treatment plant with a treatment capacity of 550,000 m³/d so that the quality of the treated water will improve from the Grade 1B standard in the current “Emission Standards of Urban Sewage Water Treatment Plant Pollutants” (GB18918-2002) to the Grade A standard in the Tianjin local standard “Emission Standards of Urban Sewage Water Treatment Plant Pollutants” (DB12/599-2015).

4. Project Investment Plan

Number	Project	Total Investment Amount in the Projects (RMB0'000)	Allocated Amount in the Projects (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)	Capitalized
1	Construction investment	72,309.66	—	67,255.00	Yes
1.1	Building works	25,691.62	—	25,691.00	Yes
1.2	Equipment purchase	31,713.65	—	31,713.00	Yes
1.3	Installation works	7,446.93	—	7,446.00	Yes
1.4	Other project construction expenses	7,457.46	—	2,405.00	Yes
2	Reserve funds	7,230.97	—	—	No
3	Interests during the construction period	2,940.00	—	—	No
4	Initial working capital	1,078.00	—	—	No
Total		<u>83,558.63</u>	<u>—</u>	<u>67,255.00</u>	—

5. Project Examination and Approval

This Project has obtained the approval of the “Circular on Approving the Filing of the Project of the Expansion and Upgrading of Jingu Sewage Water Treatment Plant in Tianjin of Tianjin Capital Environmental Protection Group Company Limited (Jin Fa Gai Xu Ke[2016]No.100) (《關於同意天津創業環保集團股份有限公司天津市津沽污水處理廠擴建及提標工程項目備案的通知》(津發改許可[2016]100號))” from Tianjin Development and Reform Commission (天津市發展和改革委員會).

The obtaining of the environmental assessment approval of this project is in progress.

This project will be constructed on the existing land and the land use right certificate no. is “Fang Di Zheng Jin Zi No. 112051200407”.

6. Economic Benefit Analysis

After estimation, the financial internal rate of return of this project is 7.36%.

(3) No. 1 Energy Station Project in Heiniucheng Road***1. Basic Information of the Project***

To speed up the construction of the ecological city of Tianjin, promote the application of renewable energy in construction and the development and utilization of shallow geothermal energy, and ensure the heating and cooling demand of buildings in the areas on both sides of Heiniucheng Road, the Company intends to construct and invest in the No. 1 Energy Station Project in Heiniucheng Road. The No. 1 Energy Station Project in Heiniucheng Road is located in the underground space of No. 2 Li, New Eight Major Neighbourhood Planning Zone, Heiniucheng Road, Tianjin and does not involve the occupation of land. The gross floor area is 2,500 sq.m. and the total service area is 285,600 sq.m. The service content is to provide heating and cooling supply services to office, large commercial buildings and cultural buildings on commercial and financial land parcels along both sides of Heiniucheng Road in the surrounding Nos. 2, 3 and 7 Li.

The executor of the project is Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a wholly-owned subsidiary of the Company. Tianjin Jiayuan Tianchuang New Energy Technology Company Limited has already signed a franchised operation agreement with Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會).

The total investment amount of the No. 1 Energy Station Project in Heiniucheng Road is RMB141,401,900. The Company intends to allocate RMB94,250,000 from the proceeds.

2. Project Development Prospects

This project, which uses the ground source heat pump system that utilizes renewable energy, is a low carbon and emission reduction and environmental protection urban infrastructure project that benefits the whole society and delivers significant social benefits, which is specifically reflected in: the use of renewable energy to conform to the global energy development direction, being in line with the state's advocacy of energy policy, having an exemplary effect; having significantly reduced pollutant emission, reducing air pollution, playing a symbolic role in improving the urban environment.

3. Project Construction Contents

The project works include: 2091 vertical buried pipes works, outdoor pipeline works; procurement and installations works of station heat pump units, vacuum gas boilers, water pumps, plate heat exchangers, cooling towers, ice storage devices, sub-catchment, water treatment systems and other ancillary facilities; procurement and installations works of station piping, valves and meters; procurement and installations works of station power transformation and distribution systems, control systems and geothermal data collection systems; station fire prevention works.

**APPENDIX IV FEASIBILITY REPORT ON THE USE OF PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

4. *Project Investment Plan*

Number	Project	Total	Allocated	Amount of	Capitalized
		Investment Amount in the Projects (RMB0'000)		Proceeds to be Used (RMB0'000)	
1	Construction investment	12,580.73	952.27	9,425.00	Yes
1.1	Equipment purchase	7,958.90	—	7,958.00	Yes
1.2	Installation works	662.50	—	662.00	Yes
1.3	Other project construction expenses	3,959.33	952.27	805.00	Yes
2	Reserve funds	1,006.46	—	—	No
3	Interests during the construction period	453.00	—	—	No
4	Initial working capital	100.00	—	—	No
Total		<u>14,140.19</u>	<u>952.27</u>	<u>9,425.00</u>	—

5. *Project Examination and Approval*

This Project has obtained the approval of the “Official Reply of the Municipal Construction Commission on the Initiation of the No. 1 Energy Station Project in Heiniucheng Road (Jin Jian Ji Shen[2015]No.252) (《市建委關於黑牛城道1#能源站工程立項的批復》(津建計審[2015]252號))” from Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會).

This Project has obtained the approval of the “Official Reply on the Opinions of Examination and Approval concerning the Environmental Impact Registration Form of the No. 1 Energy Station Project in Heiniucheng Road (Jin Xi Shen Pi Tou[2015]No.126) (《關於黑牛城道1#能源站工程項目環境影響登記表審批意見的批復》(津西審批投[2015]126號))” from the Tianjin Hexi District Administrative Examination and Approval Bureau (天津市河西區行政審批局).

This Project has obtained the approval of the “Reply of the Municipal Administration of State Land, Resources and Housing on the Issue of Preliminary Examination of Land Used for the Construction of the No. 1 Energy Station Project in Heiniucheng Road (Jin Guo Tu Fang Zi Han[2015]No.903) (市國土房管局關於黑牛城道1#能源站工程建設用地預審問題的復函》(津國土房資函字[2015]903號))” from Tianjin Municipal Administration of Land, Resources and Housing (天津市國土資源和房屋管理局). The project does not involve the occupation of land and is not required to go through the examination and approval procedure of the preliminary examination of land use.

This Project has obtained the approval of the “Official Reply of the Municipal Water Bureau on Well Drilling of the Vertical Buried Pipe Type Ground Source Heat Pump Project of No. 1 Energy Station in Heiniucheng Road (Jin Shui Shen Pi[2015]No.167) (《市水務局關於黑牛城道1#能源站豎直地埋管式地源熱泵項目鑿井的批復》(津水審批[2015]167號))” from Tianjin Water Bureau (天津市水務局).

6. *Economic Benefit Analysis*

After estimation, the financial internal rate of return of this project is 11.03%.

(4) No. 2 Energy Station Project in Heiniucheng Road

1. *Basic Information of the Project*

To speed up the construction of the ecological city of Tianjin, promote the application of renewable energy in construction and the development and utilization of shallow geothermal energy, and ensure the heating and cooling demand of buildings in the areas on both sides of Heiniucheng Road, the Company intends to construct and invest in the No. 2 Energy Station Project in Heiniucheng Road. The No. 2 Energy Station Project in Heiniucheng Road, Tianjin is located in the underground space of No.4 Li, New Eight Major Neighbourhood Planning Zone, Heiniucheng Road, Tianjin and does not involve the occupation of land. The gross floor area is 2,000 sq.m. and the total service area is 190,900 sq.m. The service content is to provide heating and cooling supply services to office, large commercial buildings and cultural buildings on commercial and financial land parcels along both sides of Heiniucheng Road in the surrounding Nos. 4 and 5 Li.

The executor of the project is Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a wholly-owned subsidiary of the Company. Tianjin Jiayuan Tianchuang New Energy Technology Company Limited has already signed a franchised operation agreement with Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會).

The total investment amount of the No.2 Energy Station Project in Heiniucheng Road is RMB99,001,200. The Company intends to allocate RMB67,490,000 from the proceeds.

2. *Project Development Prospects*

The project, which uses the ground source heat pump system that utilizes renewable energy, is a low carbon and emission reduction and environmental protection urban infrastructure project that benefits the whole society and delivers significant social benefits, which is specifically reflected in: the use of renewable energy to conform to the global energy development direction, being in line with the state’s advocacy of energy policy, having an exemplary effect; having significantly reduced pollutant emission, reducing air pollution, playing a symbolic role in improving the urban environment.

3. Project Construction Contents

The project construction content includes: 1529 vertical buried pipes and outdoor pipeline works; procurement and installations works of station heat pump units, vacuum gas boilers, water pumps, plate heat exchangers, cooling towers, box-type energy storage devices, sub-catchment, water treatment systems and other ancillary facilities; procurement and installations works of station piping and valves; procurement and installations works of station power transformation and distribution systems, control systems and geothermal data collection systems; station fire prevention works.

4. Project Investment Plan

Number	Project	Total	Allocated	Amount of	Capitalized
		Investment Amount in the Projects (RMB0'000)			
			Amount in the Projects (RMB0'000)	Proceeds to be Used (RMB0'000)	
1	Construction investment	8,780.67	666.73	6,749.00	Yes
1.1	Equipment purchase	5,318.15	—	5,318.00	Yes
1.2	Installation works	500.00	—	500.00	Yes
1.3	Other project construction expenses	2,962.52	666.73	931.00	Yes
2	Reserve funds	702.45	—	0	No
3	Interests during the construction period	317.00	—	0	No
4	Initial working capital	100.00	—	0	No
Total		<u>9,900.12</u>	<u>666.73</u>	<u>6,749.00</u>	—

5. Project Examination and Approval

This Project has obtained the approval of the “Official Reply of the Municipal Construction Commission on the Initiation of the No. 2 Energy Station Project in Heiniucheng Road (Jin Jian Ji Shen[2015]No.253) (《市建委關於黑牛城道2#能源站工程立項的批復》(津建計審[2015]253號))” from Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會).

This Project has obtained the approval of the “Official Reply on the Opinions of Examination and Approval concerning the Environmental Impact Registration Form of the No. 2 Energy Station Project in Heiniucheng Road (Jin Xi Shen Pi Tou[2015]No.127) (《關於黑牛城道2#能源站工程項目環境影響登記表審批意見的批復》(津西審批投[2015]127號))” from the Tianjin Hexi District Administrative Examination and Approval Bureau (天津市河西區行政審批局).

This Project has obtained the approval of the “Reply of the Municipal Administration of State Land, Resources and Housing on the Issue of Preliminary Examination of Land Used for the Construction of the No. 2 Energy Station Project in Heiniucheng Road (Jin Guo Tu Fang Zi

Han[2015]No.904) (市國土房管局關於黑牛城道2#能源站工程建設用地預審問題的復函)(津國土房資函字[2015]904號))” from Tianjin Municipal Administration of Land, Resources and Housing (天津市國土資源和房屋管理局). The project does not involve the occupation of land and is not required to go through the examination and approval procedure of the preliminary examination of land use.

This Project has obtained the approval of the “Official Reply of the Municipal Water Bureau on Well Drilling of the Vertical Buried Pipe Type Ground Source Heat Pump Project of No. 2 Energy Station in Heiniucheng Road (Jin Shui Shen Pi[2015]No.168) (《市水務局關於黑牛城道2#能源站豎直地埋管式地源熱泵項目鑿井的批復》(津水審批[2015]168號))” from Tianjin Water Bureau (天津市水務局).

6. *Economic Benefit Analysis*

After estimation, the financial internal rate of return of this project is 11.06%.

(5) Project of Energy Station in Binhai New District Cultural Centre (Phase I)

1. *Basic Information of the Project*

The Project is located on the green land on the northeast side of the Binhai New District Cultural Centre (Phase I), which is in close proximity to the coastal modern city and the industrial exploratorium, with a land area of 6,050 sq.m.

The Project provides heating and cooling supply services to buildings of “five museums and one gallery (五館一廊)” such as coastal modern city and industrial exploratorium, coastal modern art gallery, coastal library, coastal oriental performing arts centre, coastal civic centre, cultural promenade of the project of the Binhai New District Cultural Centre (Phase I). The Project supplies energy to buildings on the ground level of “five museums and one gallery” and the total energy supply area is 194,900 sq.m.

The executor of the project is Tianjin Jiayuan Binchuang New Energy Technology Company Limited, a wholly-owned subsidiary of the Company. The Company has already signed the “Investment and Construction Agreement on Energy Station in Binhai New District Cultural Centre (Phase I)” with Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會). Pursuant to the agreement, the Company will establish a project company to undertake construction in accordance with the bidding document of the project of energy station in Binhai New District Cultural Centre (Phase I). The parties have reached a consensus on the terms of the franchised operation agreement of the project. Upon approval by the Tianjin Municipal Government, Tianjin Jiayuan Binchuang New Energy Technology Company Limited and Tianjin Urban and Rural Construction Commission (天津市城鄉建設委員會) will officially sign the franchised operation agreement.

The total investment amount of the project of energy station in Binhai New District Cultural Centre (Phase I) is RMB121,880,700. The Company intends to allocate RMB80,450,000 from the proceeds.

2. *Project Development Prospects*

The project of the Binhai New District Cultural Centre is located in the Tianjian area of the central business district, Binhai New District and spans to Central Boulevard in the east, Yujiapu Intercity Station on Xingang No.2 Road in the south, Xusheng Road in the west and Dalian Road in the north, with significant regional advantages. The Tianjin Municipal Government has attached great importance to the application of renewable energy in buildings. For instance, to promote the application of shallow geothermal energy in buildings on a city-wide basis, the Ministry of Land and Resources and the Tianjin Municipal Government jointly carried out the pilot work in respect of the investigation, evaluation, development and utilization of shallow geothermal energy in Tianjin. The evaluation was completed in October 2010, which identified the distribution characteristics and existence conditions of shallow geothermal energy in Tianjin and estimated the amount of resources available. On this basis, the plan for the development and utilization of shallow geothermal energy in Tianjin was prepared and completed; the zones suitable for development were demarcated; the lots suitable for different development methods (underground water, buried pipe) were demarcated; and a reasonable development and utilization scale was proposed.

This project, which uses the ground source heat pump system that utilizes renewable energy, is a low carbon and emission reduction and environmental protection urban infrastructure project that benefits the whole society and delivers significant social benefits, which is specifically reflected in: the use of renewable energy to conform to the global energy development direction, being in line with the State's advocacy of energy policy, having an exemplary effect; having significantly reduced pollutant emission, reducing air pollution, playing a symbolic role in improving the urban environment.

3. *Project Construction Contents*

This energy station project uses a compound three-condition ground source heat pump and ice storage system with cold and hot peak shaving, with a total cooling capacity of 20.9MW and a total heating capacity of 14.18 MW. The project constructs one full underground energy station with a total gross floor area of 3,800 sq.m. Civil works, fire prevention works and 1,993 outdoor buried pipe heat exchangers will be constructed in the energy station. Facilities such as process units, pipelines, valves and meters will be installed; power transformation and distribution system, control system and geothermal data collection system will be installed in the station; and functional single-unit heat exchange station and equipment will be constructed.

4. Project Investment Plan

Number	Project	Total Investment Amount in the Projects (RMB0'000)	Allocated Amount in the Projects (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)	Capitalized
1	Equipment purchase	11,018.27	56.00	8,045.00	Yes
1.1	Installation works	9,122.61	—	8,045.00	Yes
1.2	Other project construction expenses	195.00	—	—	Yes
1.3	Reserve funds	1,700.66	56.00	—	Yes
2	Interests during the construction period	771.28	—	—	No
3	Initial working capital	107.52	—	—	No
4	Equipment purchase	291.00	—	—	No
Total		<u>12,188.07</u>	<u>56.00</u>	<u>8,045.00</u>	—

5. Project Examination and Approval

This Project has obtained the approval of the “Official Reply concerning the Proposal of the Project of Energy Station in Binhai New District Cultural Centre (Phase I) (Jin Bin Shen Pi Tou Zhun[2016]No.267) (《關於天津市濱海新區文化中心 (一期) 能源站工程項目建議書的批復》(津濱審批投准[2016]267號))” from the Tianjin Binhai New District Administrative Examination and Approval Bureau (天津市濱海新區行政審批局).

This Project has obtained the approval of the “Official Reply concerning the Statement on Environmental Impact of the Project of Energy Station in Binhai New District Cultural Centre (Phase I), Tianjin (Jin Bin Shen Pi Huan Zhun[2016]No.217) (《關於天津市濱海新區文化中心 (一期) 能源站工程環境影響報告表的批復》(津濱審批環准[2016]217號))” from the Tianjin Binhai New District Administrative Examination and Approval Bureau (天津市濱海新區行政審批局).

This Project has obtained the approval of the “Letter concerning the Approval of the Land Allocation Procedure of the Project of Energy Station in Binhai New District Cultural Centre (Phase I), Tianjin (Jin Bin Gui Guo Yong[2016]No.89) (關於批准天津市濱海新區文化中心 (一期) 能源站工程項目土地劃撥手續的函》(津濱規國用[2016]89號))” and the corresponding “Approval Letter on Land Used for Construction” and “Decision on the Allocation of State-owned Land Used for Construction” from the Tianjin Binhai New District Planning and Land Resources Administration (天津市濱海新區規劃和國土資源管理局).

This Project has obtained the approval of the “Official Reply on Well Drilling of the Vertical Buried Pipe Type Ground Source Heat Pump Project of the Binhai New District Cultural Centre (Phase I) (Jin Shui Shen Pi[2016]No.92) (《關於濱海新區文化中心 (一期) 豎直地埋管式地源熱泵項目鑿井的批復》 (津水審批[2016]92號))” from Tianjin Water Bureau (天津市水務局).

6. *Economic Benefit Analysis*

After estimation, the financial internal rate of return of this project is 7.95%.

(6) Replenishment of working capital and repayment of loans from financial institutions

It is intended that not more than RMB550.00 million out of the fund raised from the Non-public Issuance of A Shares be applied to replenishment of working capital and repayment of loans from financial institutions by the Company.

The necessity for the proceeds raised from the Non-public Issuance of A Shares be applied to replenishment of working capital and repayment of loans from financial institutions by the Company is as follows:

1. *Lowering of gearing ratio, optimization of capital structure and increase of vigilance against risks*

The gearing ratio of the Company has become higher as it has been expanding the scale of business of the Company in recent years. The gearing ratio as stated in the consolidated statements as of 30 June 2016 was 53.88%, representing a higher gearing ratio of the Company compared with that of those comparable listed companies of the peer industry. Liabilities of the Company will be lowered with an optimized capital structure and an enhanced vigilance against financial risks when the proceeds raised from the Non-public Issuance of A Shares is in place.

2. *Relief of pressure on demand for working capital of the Company in the usual course of business*

With the vigorous support from the State in environmental protection, the Company intends to expand its scale of business by leveraging on the opportunity of upgrading and renovating of sewage water treatment plants and construction of power stations. The proportion of fund for projects has been increasing given the current prevalence of the BOT and PPP models for projects, resulting in increasing demand for working capital, which in turn has led to limited replenishment for working capital with the own fund of the Company and hence, tight working capital in recent years. The application, in part, of the proceeds raised for working capital replenishment of the Company is advantageous in relieving the working capital pressure of the Company while assuring its normal operation and development.

In conclusion, there is an objective need for the usual operation of the Company to replenish the working capital of the Company and repay bank loans by applying part of the proceeds raised from Non-public Issuance of A Shares, which can lower the gearing ratio, optimize the financial structure, reduce finance costs, increase the profitability of the Company and the vigilance against risks, and are of sufficient necessity and feasibility.

III. Effect on Operation and Management and Financial Condition of the Company of the Non-public Issuance of A Shares

The purposes of the Non-public Issuance of A Shares are to facilitate the business development, to ensure the realization of strategic objectives, to further improve the capital structure and financial condition, to enhance the vigilance against risks, to strengthen the consistent profitability and core competitiveness, of the Company.

(I) Effect on Operation and Management of the Company of the Non-public Issuance of A Shares

The capital capacity and operation capacity are further enhanced and strengthened following the Non-public Issuance of A Shares. Implementation of this fund-raising activity will contribute to strengthening the scale of core business and market competitiveness of the Company, increasing market share and enhancing its industrial position and to accelerate the enhancement of integrated competitiveness of the Company, in order to improve the Company's performance and realize the long-term sustainable development.

(II) Effect on Financial Condition of the Company of Non-public Issuance of A Shares

1. Optimization of the structure of assets and liabilities and enhancement of vigilance against risks

The gearing ratio of the Company is 53.88%, which is higher than the industrial average based on the data from the consolidated financial statements as at 30 June 2016 of the Company. Following repayment of loans from financial institutions with the proceeds raised, the structure of assets and liabilities of the Company will be further optimized with vigilance against risks enhanced.

2. Optimization of income structure and lowering of finance costs

It will stimulate a positive effect on lowering finance costs and enhancing profit level of the Company when the proceeds raised from the Non-public Issuance of A Shares is in place.

In conclusion, the application of the proceeds raised from the Non-public Issuance of A Shares of the Company is in line with the State's industrial policy and the needs of the Company's development; the investments are more profitable with better development prospects, and the application of proceeds raised will contribute high investment yields together with handsome returns for the shareholders.

APPENDIX V

**REPORT ON THE STATUS OF THE USE OF
PROCEEDS OF THE PREVIOUS FUND RAISING**

Pursuant to the stipulations of Regulations of Reports on the Status of the Use of Proceeds of the Previous Fund Raising (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字〔2007〕500號)) of the China Securities Regulatory Commission, Tianjin Capital Environmental Protection Group Company Limited (the “Company”) hereby reports on the Status of the Use of Proceeds of the Previous Fund Raising as of 30 June 2016 as follows:

I. THE AMOUNT, TIME OF RECEIPT AND STATUS OF DEPOSIT IN THE SPECIAL ACCOUNTS OF THE PROCEEDS OF THE PREVIOUS FUND RAISING

(1) The amount and time of receipt of the proceeds of the previous fund raising

According to the 2001 Annual General Meeting held by the Company on 16 April 2002 and with the approval given in the document Zheng Jian Fa Xing Zi [2004] No. 100 (證監發行字[2004]100號文) of the China Securities Regulatory Commission, the Company issued a total of 12 million convertible corporate bonds at a price of RMB100 each on 1 July 2004. The proceeds from the issuance of convertible corporate bonds amounted to RMB1,200 million and the actual total proceeds after deducting the issuance expenses amounted to RMB1,162,810,558. Such proceeds were received on 7 July 2004 and were verified by the Verification Report (Wu Zhou Hui Zi (2004) 1-0508 (五洲會字(2004) 1-0508號《驗證報告》) issued by Tianjin Wuzhou Certified Public Accountants (天津五洲聯合會計師事務所) on 7 July 2004.

(2) Status of deposit in the special accounts of the proceeds of the previous fund raising

In accordance with the provisions of the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Company has set up special accounts for deposit of such proceeds in the following banks and implemented strict examination and approval for the application of the proceeds to ensure specific funds for specific uses. As of 30 June 2016, the status of deposit of the previously raised proceeds in the bank accounts was set forth as follows:

Unit: RMB

Banks in which the proceeds are deposited	Bank account no.	Initial amount deposited	Balance as of the cut-off dates	Remarks
Hebei Branch of China Construction Bank (Tianjin Division)	2269 0026 1032 581	762,810,558.42	0	Closed
Industrial and Commercial Bank of China	0302 0608 1930 0150 962	400,000,000.00	0	Closed
Total		1,162,810,558.42	0	

APPENDIX V

REPORT ON THE STATUS OF THE USE OF PROCEEDS OF THE PREVIOUS FUND RAISING

II. STATUS OF THE USE OF PROCEEDS OF THE PREVIOUS FUND RAISING

(1) Comparison of the status of the use of proceeds of the previous fund raising

Table of comparison of the status of the use of proceeds of the previous fund raising

Unit: RMB0'000

Total amount of proceeds : 116,281										
Total amount of proceeds with changes in application: 0						Total amount of proceeds already used in the following years: 116,281				
Proportion of total amount of proceeds with changes in application: 0						2004: 28,462.97				
						2005: 29,701.86				
						2006: 25,075.89				
						2007: 33,040.28				
Investment project			Total investment amounts using the proceeds			Aggregate investment amount using the proceeds as at the cut-off date				Date on which the project achieved the condition for intended use (or completion status of the project as at the cut-off date)
No.	Investment project undertaken	Actual investment project	Investment amount undertaken before the fund raising	Investment amount undertaken after the fundraising	Actual investment amount	Investment amount undertaken before the fund raising	Investment amount undertaken after the fund raising	Actual investment amount	Difference between the actual investment amount and the investment amount undertaken after the fund raising	
1	Xianyanglu Sewage Water Treatment Plant	Xianyanglu Sewage Water Treatment Plant project	62,000	62,000	62,000	62,000	62,000	62,000	0	December 2006
2	Jizhuangzi Sewage Water Treatment Plant (Expansion) (including the Dongnan Jiao Sewage Engineering Project)	Jizhuangzi Sewage Water Treatment Plant (Expansion) (including Dongnan Jiao Sewage Engineering Project)	32,100	32,100	32,100	32,100	32,100	32,100	0	December 2006
3	Beicang Sewage Treatment Plant	Beicang Sewage Treatment Plant	14,900	14,900	14,900	14,900	14,900	14,900	0	December 2006
4	Repayment of bank loans	Repayment of bank loans	6,654	7,281	7,281	6,654	7,281	7,281	0	
Total			115,654	116,281	116,281	115,654	116,281	116,281	0	

(2) Change in investment projects using the proceeds of previous fund raising

There is no change in the investment projects using the proceeds of previous fund raising.

(3) Difference between the actual investment amounts and the undertaken amounts of the proceeds of previous fund raising and the explanation thereof

According to the prospectus, the Company has raised a total of RMB1,200 million in the previous issuance. After deducting the issuance expenses of RMB43.46 million and the total funds of RMB1,090 million needed for the above mentioned three projects under construction, the remaining amounts of RMB66.54 million have all been used to repay the bank loans from the China Development Bank. The actual amount received by the Company is RMB1,162.81 million.

(4) External transfer or replacement of investment projects using the proceeds of previous fund raising

There is no external transfer or replacement of investment projects using the proceeds of previous fund raising.

(5) Idle proceeds

All of the proceeds of previous fund raising have been used and no proceeds are left idle.

APPENDIX V

REPORT ON THE STATUS OF THE USE OF PROCEEDS OF THE PREVIOUS FUND RAISING

III. BENEFITS OF INVESTMENT PROJECTS REALISED BY THE PROCEEDS OF THE PREVIOUS FUND RAISING

(1) Table of comparison of the benefits of the investment projects realised by the proceeds of the previous fund raising

Table of comparison of the benefits of the investment projects realised by the previously raised proceeds of the previous fund raising

Unit: RMB0'000

Actual investment project		Accumulated capacity utilization rate of the investment project as of the cut-off date (Note 1)	Undertaken benefits	Actual benefits in the last three years			Accumulated benefits realised as of the cut-off date	Whether or not the expected benefits have been achieved
No.	Name of investment project			2013	2014	2015		
1	Xianyanglu Sewage Water Treatment Plant	67%	—	8,823.12	10,765.31	9,436.32	111,788.03	—
2	Jizhuangzi Sewage Water Treatment Plant (Expansion) (including Dongnan Jiao Sewage Engineering Project)	82%	—	13,563.81	16,461.78	18,471.80	153,266.40	—
3	Beicang Sewage Water Treatment Plant (Note 2)	70%	—	298.38	-26.90	-267.56	9,926.43	—
4	Repayment of bank loans	—	—	—	—	—	—	—
Total				22,685.31	27,200.18	27,640.56	274,980.85	

Note 1: Accumulated capacity utilization rate of the investment project as of the cut-off date = Accumulated daily average sewage water treatment volume starting from the date of commencement of operation/designed sewage treatment capacity of the sewage water treatment plant

Note 2: In February 2014, the Company entered into the Agreement for Licensed Operation Right of the Four Sewage Water Treatment Plants in Tianjin Including Jizhuangzi Sewage Water Treatment Plant (《天津市紀莊子等四座污水處理廠特許經營協議》) (the “Agreement”) with Tianjin Water Bureau (天津市水務局), Tianjin Urban and Rural Construction Commission (天津市城鄉建設) and Tianjin Construction and Communication Administration Committee (天津市建設交通管理委員會). Pursuant to the Agreement, the unit price of sewage water treatment was based on the weighted average unit price of the four sewage water treatment plants of RMB1.77 per cubic meter from January 2014, and on RMB1.76 per cubic meter in 2015. As the unit price of sewage water treatment of Beicang Sewage Water Treatment Plant, as composition of calculation of agreed unit price, is much higher than the agreed unit price, the income of Beicang Sewage Water Treatment Plant calculated at the agreed unit price is lower than the cost, which resulted in a negative actual benefits in 2014 and 2015, but the overall operation of the Company’s four sewage water treatment plants is in good condition.

(2) Explanation on why the benefits cannot be calculated separately from the investment projects using the proceeds of the previous fund raising

Profits of the investment projects using the proceeds of the previous fund raising can be calculated separately.

(3) Explanation on why the accumulated profits of the investment project realised is lower than 20% (20% inclusive) of the undertaken profit

No undertaking has been made for the profits of investment projects using the proceeds of the previous fund raising.

**IV. OPERATION OF CAPITAL OF PROCEEDS OF THE PREVIOUS FUND RAISING
USED FOR SHARE SUBSCRIPTION**

No proceeds of the previous fund raising have been used for share subscription.

V. OTHER DISCREPANCY

Regarding the Jizhuangzi Sewage Water Treatment Plant (Expansion) (including Dongnan Jiao Sewage Engineering Project), in 2012, the People's Government of Tianjin City decided to implement relocation of Jizhuangzi Sewage Water Treatment Plant (紀莊子污水處理廠) and Jizhuangzi Water Recycling Plant (紀莊子再生水廠) owned by the Company and Tianjin Water Recycling Company Limited (天津中水有限公司), a wholly-owned subsidiary of the Company according to the overall planning of Tianjin City. The People's Government of Tianjin City authorized Tianjin Urban and Rural Construction Commission (天津市城鄉建設) and Tianjin Construction and Communication Administration Committee (天津市建設交通管理委員會) to proceed with the relocation of Jizhuangzi Sewage Water Treatment Plant (紀莊子污水處理廠) and Jizhuangzi Water Recycling Plant (紀莊子再生水廠). Details of the relocation have been disclosed in the announcement of the Company dated 24 May 2012 in relation to the Relocation of the Company's Tianjin Jizhuangzi Sewage Water Treatment Plant and Water Recycling Plant.

VI. CONCLUSIONS

The Board of the Company considered that the Company has utilized the proceeds of the previous fund raising pursuant to regulatory requirements, and the Company has duly performed its obligation of disclosure regarding the application, investment, change and progress of the previously raised proceeds.

The Company's Report on the Status of the Use of the Proceeds of the Previous Fund Raising is prepared in accordance with the Regulations of Reports on the Application of Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) of the China Securities Regulatory Commission. All the Directors of the Company undertake that this report does not contain any false and misleading statement or material omission, and assume legal responsibilities jointly and severally for the truthfulness, accuracy and completeness of this report.

Tianjin Capital Environmental Protection Group Company Limited
Management Principles on the Use of Proceeds

Chapter 1 General Provisions

Article 1 In order to regulate the management and use of the proceeds raised by Tianjin Capital Environmental Protection Group Company Limited (hereinafter referred to as the “Company”) and maximize the protection of interest of investors, these Principles are formulated in accordance with the PRC Company Law, the Securities Law of the PRC, the Administrative Measures on Initial Public Offerings and Listing of Shares (《首次公開發行股票並上市管理辦法》), the Administrative Measures on Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Rules Governing the Utilization Report on the Proceeds from the Previous Fund Raising Activity (《關於前次募集資金使用情況報告的規定》), the relevant securities or stock listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “stock exchanges on which the Company is listed”), the Administrative Measures of the Shanghai Stock Exchange for the Capital Raised by Listed Companies (《上海證券交易所上市公司募集資金管理辦法》), the Guideline No. 2 on Supervision and Administration of Listed Companies — Regulatory Requirements on Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), and other relevant laws and regulations of the state and the requirements of the Articles of Association of Tianjin Capital Environmental Protection Group Company Limited (hereinafter referred to as the “Articles of Association”).

Article 2 For the purpose of these Principles, the term “proceeds” refers to the proceeds raised by the Company through public offering of securities (including the initial public offering, rights issue, follow-on offering, issue of convertible corporate bonds, issue of detachable convertible corporate bonds, corporate bonds and warrants etc.) and private placement to investors, excluding any proceeds raised by the Company through share incentive scheme.

Chapter 2 Principles on the Use of Proceeds

Article 3 The Board of Directors of the Company shall establish an internal control system for the deposit, use and management of proceeds and shall have clear requirements on the deposit, use, change, supervision and accountability of proceeds.

The Company shall file the internal control system for the deposit, use and management of proceeds with the Shanghai Stock Exchange for record in a timely manner and disclose it on the websites of the stock exchanges on which the Company is listed.

- Article 4** The Directors, Supervisors and senior management of the Company should perform due diligence, supervise the regular use of proceeds raised and take the initiative to maintain the security of the proceeds raised, and shall not participate in, provide assistance to or connive the Company to change the use of proceeds without authorization or covertly.
- Article 5** The purpose of the use of proceeds raised shall be limited to investment projects using the proceeds raised as published (hereinafter referred to as the “Investment Projects”) and shall not be changed without a resolution duly passed at the general meetings of the Company. Utilization of the proceeds raised shall be regulated, open and transparent.
- Article 6** The controlling shareholder(s) and de facto controller(s) of the Company shall neither, directly or indirectly, occupy or encroach the proceeds raised of the Company, nor utilize the proceeds and make use of the Investment Projects for inappropriate gains.
- Article 7** Subject to specific situations, penalties shall be imposed on any person who is responsible for any loss to the Company due to his violation of these Principles, and, if necessary, such person shall be liable to corresponding civil liabilities.
- Article 8** Timely disclosure of the use of proceeds raised by the Board of Directors shall be made in accordance with the relevant laws, administrative rules, regulatory documents and the Articles of Associations of the Company.
- Article 9** The sponsor(s) shall perform its duties in respect of the management and the utilization of the proceeds raised of the Company in accordance with the Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities (《證券發行上市保薦業務管理辦法》) and the requirements of other relevant laws, regulations and regulatory documents and shall conduct ongoing supervision.

Chapter 3 Deposit of Proceeds

- Article 10** The Company implements the rule of designated account for proceeds.
- The Company shall exercise caution in choosing commercial bank(s) and open a designated account for proceeds (hereinafter referred to as the “Designated Account for Proceeds”). The proceeds raised, including unutilized proceeds, proceeds temporarily idled but planned to be utilized in batches and remaining proceeds from projects, shall be placed and administered in such Designated Account for Proceeds maintained upon approval of the Board of Directors to ensure the centralized administration and security of the proceeds raised.
- The Designated Account for Proceeds shall not be used for deposit of funds other than the proceeds or for other purposes.

Article 11 Upon receipt of the proceeds, the Company should conduct verification procedures in a timely manner. After a capital verification report issued by an accounting firm, the total proceeds shall be deposited into the Designated Account for Proceeds in a timely and complete manner.

Article 12 A tripartite custodian agreement (hereinafter referred to as the “Agreement”) shall be entered into among the Company, the sponsor(s) and the commercial bank(s) (hereinafter referred to as the “Commercial Bank”) with which the proceeds are deposited within one month upon receipt of the proceeds. The Agreement shall set out at least the following:

- (I) The Company shall deposit the proceeds into the Designated Account for Proceeds in a centralized way;
- (II) The account number of the Designated Account for Proceeds, the Investment Projects involved and the deposit amount at such account;
- (III) The Commercial Bank shall provide the Company with bank statements of the Designated Account for Proceeds on a monthly basis and send copies to the sponsor(s);
- (IV) If the Company withdraws an amount exceeding RMB50 million from the Designated Account for Proceeds once or at multiple times within 12 months and the amount reaches 20% of the total amount of proceeds net of issuance costs (hereinafter referred to as the “Net Proceeds”), the Company and the Commercial Bank shall notify the sponsor(s) promptly;
- (V) The sponsor(s) may make inquiries to the Commercial Bank on the Designated Account for Proceeds at any time;
- (VI) The rights, obligations and liability for breach of the Agreement by the Company, the Commercial Bank and the sponsor(s).
- (VII) The Company may terminate the Agreement and cancel the Designated Account for Proceeds where the Commercial Bank has failed to produce bank statements in a timely manner or inform on the substantial withdrawal of the Designated Account for Proceeds to the sponsor(s) for three times, and where the Commercial Bank has showed noncooperation with the sponsor(s) in respect of the sponsor(s)’ inquiries and investigations made on the Designated Account for Proceeds.

The aforesaid Agreement shall, within two trading days after it has been entered into, be filed with the Shanghai Stock Exchange and an announcement thereof shall be published on the websites of the stock exchanges on which the Company is listed.

If the above Agreement is early terminated before its expiration date, the Company shall, within two weeks upon the termination of the Agreement, enter into a new Agreement with relevant parties, and shall file it with the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after entering into of such new Agreement.

Chapter 4 Use of Proceeds

Article 13 The use of proceeds by the Company shall comply with the following requirements:

- (I) The Company shall have precise requirements on the application, approval authority at different levels, decision procedures, risks control measures and information disclosure procedures in respect of the use of proceeds;
- (II) The Company shall use the proceeds in accordance with the investment plan for proceeds as committed in the offering application documents;
- (III) Any material impact on normal progress of the utilization plan for proceeds shall be filed with the Shanghai Stock Exchange and an announcement thereof shall be published on the websites of the stock exchanges on which the Company is listed in a timely manner;
- (IV) The Company shall re-discuss the feasibility and estimated earnings of the Investment Projects and decide whether to implement the project, and disclose the progress of the project, reasons for any abnormality and the adjusted investment plan (if any) for the proceeds in the latest periodic report in case of any of following circumstances:
 - 1. Any material change in the market environment in which the Investment Projects are involved;
 - 2. Suspension of the Investment Projects exceeding 1 year;
 - 3. Failure to meet the deadline specified in the plan for the Investment Projects and less than 50% of the proposed investment amount has been made;
 - 4. Other abnormalities of the Investment Projects.

- Article 14** Proceeds raised by the Company shall, in principle, be utilized in principal businesses. The Company shall not perform the followings except otherwise stated in the laws, regulations and regulatory documents of the State:
- (I) except for financial enterprises, Investment Projects refer to holding financial assets for trading and financial assets available for sale, and financial investments lent to individuals and for entrusted wealth management, as well as direct or indirect investment in the companies that engage in dealing of securities as their principal business;
 - (II) change the use of proceeds in disguised form by way of pledges, entrusted loans or otherwise;
 - (III) make available the proceeds, whether directly or indirectly, to connected parties such as the controlling shareholder(s) and de facto controller(s), or provide convenience to connected parties for inappropriate gains from the Investment Projects;
 - (IV) other acts that violate these Principles.
- Article 15** The Company shall strictly follow the application and approval procedures when utilizing the proceeds. The project department of the Company shall, based on the feasibility report of the Investment Projects, prepare an annual proposal for the use of proceeds, as an integral part of the Company's annual budget, which shall be implemented upon consideration by the Board of Directors and approval at the general meeting. Department (unit) using the proceeds shall execute the relevant application procedures under the policy on the management of funds.
- Article 16** Implementation of the Investment Projects shall be in strict compliance with the annual proposal as approved by the Board of Directors, and the department executing the proposal shall breakdown the specific progress of the plan to ensure that each of the tasks is completed as scheduled. Upon failure of completion of the projects due definitely to objective factors unforeseen, the actual situations must be reported promptly to the general manager and the Board of Directors with explanations, and the Company shall disclose publicly the actual situations with explanations in accordance with the laws, regulations and the requirements of the relevant regulatory authorities.
- Article 17** In the case that the Company has made investment with self-funded capital into the Investment Projects prior to receiving the proceeds, the Company's self-funded capital shall be replaced by the proceeds within six months from the receipt thereof in accordance with the laws, regulations and the requirements of relevant regulatory authorities.

Such replacement shall be considered and approved by the Board of Directors with a verification report issued by an accountant firm and the explicit consents from independent directors, the Supervisory Committee and the sponsor(s). The Company shall file a report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors.

If the Company has disclosed in its application document for issuance its intention of replacement of pre-contributed self-funded capital with the proceeds raised, with a pre-determined amount, it shall make an announcement prior to such replacement.

Article 18

The proceeds which are temporarily idle may be arranged for cash management, and the products invested must meet the following conditions:

- (I) high security, meeting the requirements of principal guarantee and the issuer of the products having made an undertaking on the principal guarantee;
- (II) adequate liquidity without affecting the smooth progress of the investment plan of the proceeds.

The investment products shall not be pledged, and the special product settlement account (if applicable) shall not be used for the deposit of funds other than the proceeds or for any other purposes. In case of opening or canceling a special product settlement account, the Company shall file with the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days.

Article 19

The investment of idle proceeds in products shall be subject to the consideration and approval by the Board of Directors, with explicit consents from independent directors, the Supervisory Committee and the sponsor(s). The Company shall make the relevant announcement within two trading days after the meeting of the Board of Directors on:

- (I) the basic information of the proceeds, including, among others, the time of raising, the amount and net amount of the proceeds raised and the investment plan;
- (II) the information of the use of the proceeds;
- (III) the limit and duration of the idle proceeds for investing in products, whether there is any act of changing the purposes of the proceeds in disguised form and the measures for ensuring the smooth progress of the Investment Projects;
- (IV) the income distribution manner, investment scope and security of the investment products;

(V) opinions issued by independent directors, the Supervisory Committee and the sponsor(s);

(VI) other requirements of the stock exchanges on which the Company is listed.

Article 20

Where the Company uses temporarily the idle proceeds to replenish working capital, such replenishment shall meet the following conditions:

(I) It shall not change the purpose of proceeds in disguised form;

(II) It shall not affect the normal progress of the investment plan of the proceeds;

(III) It shall be only used for production and operation related to the principal businesses, and shall not be directly or indirectly used for participation in or subscription for placing and subscription of new shares, or investment in stocks and any derivative instruments or convertible corporate bonds, etc.;

(IV) The duration of any individual replenishment of the working capital shall not exceed 12 months;

(V) Any proceeds previously used for temporary replenishment of working capital falling due have been returned (if applicable).

(VI) It has not make any high-risk investments in the past twelve months and will not make any high-risk investments when utilizing the proceeds to replenish the working capital temporarily.

Article 21

The temporary use of idle proceeds to replenish working capital by the Company shall be subject to the consideration and approval by the Board of Directors of the Company, with explicit consents given by independent directors, the Supervisory Committee and the sponsor(s). The Company shall report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors on:

(I) the basic information of the proceeds, including, among others, the time of raising, the amount and net amount of the proceeds raised and investment plan;

(II) the information of the use of the proceeds;

(III) the amount and duration of the idle proceeds for replenishing the working capital;

- (IV) the expected amount of finance costs to be saved by the idle funds for replenishing the working capital, reasons for the shortage of working capital, whether there is any act of changing the purposes of the proceeds in disguised form and the measures for ensuring the smooth progress of the Investment Projects;
- (V) opinions issued by independent directors, the Supervisory Committee and the sponsor(s);
- (VI) other requirements of the stock exchanges on which the Company is listed.

Before the expiration date of replenishment of the working capital, the Company shall return such proceeds to the Designated Account for Proceeds, and report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the full payback of the proceeds.

Article 22

The excess of the proceeds raised which exceeds the amount of the proceeds planned to raise (the “Additional Proceeds”) may be used to permanently replenish the working capital and repay bank loans, but the cumulative amount in every 12 months shall not exceed 30% of the total amount of the Additional Proceeds, and the Company shall undertake that it will not make any high-risk investments or provide financial assistance to others within 12 months after replenishing the working capital.

Article 23

The use of the Additional Proceeds for the purpose of permanently replenishing the working capital or repayment of bank loans is subject to the consideration and approval by the Board of Directors and shareholders of the Company, with the manner of online voting provided for shareholders, and explicit consents must be given by independent directors, the Supervisory Committee and the sponsor(s). The Company shall report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors on:

- (I) the basic information of the proceeds, including, among others, the time of raising, the amount and net amount of the proceeds raised and investment plan;
- (II) the information of the use of the proceeds;
- (III) the necessity of and detailed plan for the Additional Proceeds used for permanently replenishing the working capital or repaying bank loans;
- (IV) the undertaking of not making any high-risk investments or not providing financial assistance to others within 12 months after replenishing the working capital;

- (V) the impact on the Company of the use of the Additional Proceeds for permanently replenishing the working capital or repaying bank loans;
- (VI) opinions issued by independent directors, the Supervisory Committee and the sponsor(s).

Article 24 When the Company invests the Additional Proceeds in projects under construction and new projects (including acquisition of assets), the investment shall be limited to its principal businesses. The Company shall apply the relevant requirements herein to conduct the feasibility analysis of the investment projects in a scientific and diligent manner, and shall, based on the progress of the projects under construction and the new projects, carry out the obligation of disclosure in a timely manner. For application of the Additional Proceeds in capital increment of the subsidiaries, it shall be made in accordance with the relevant requirement on the Additional Proceeds for replenishing the working capital or repaying bank loans.

Article 25 Where a single Investment Project is completed and the Company uses the remaining proceeds of such project (including interest income) for other Investment Projects, it shall obtain an approval from the Board of Directors and explicit consents from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors.

If the remaining proceeds (including the interest income) is less than RMB1 million or less than 5% of the committed invested proceeds of such Investment Project, the Company may be exempted from the preceding procedures, provided that the use shall be disclosed in its annual report.

If the remaining proceeds (including the interest income) of a single Investment Project is used for projects other than the Investment Projects (including replenishing the working capital), it shall follow the relevant procedures and disclosure obligations by reference to the same for changes of Investment Projects.

Article 26 Upon completion of all the Investment Projects, if the remaining proceeds (including the interest income) is 10% or more of the Net Proceeds, the use of such remaining proceeds is subject to approvals by the Board of Directors and general meeting and explicit consents from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors.

For the remaining proceeds (including the interest income) below 10% of the Net Proceeds, the use of such balance is subject to approval by the Board of Directors and explicit consents from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the Shanghai Stock Exchange and make an announcement on the websites of the stock exchanges on which the Company is listed within two trading days after the meeting of the Board of Directors.

For the remaining proceeds (including the interest income) below RMB5 million or 5% of the Net Proceeds, the use of such remaining proceeds is exempted from the above procedures but shall be disclosed in the latest periodic report.

Chapter 5 Changes in the Purpose of Proceeds

Article 27 The Company shall apply the proceeds for the purposes as stated in the application document for issuance without change in principle. If changes in the purpose of proceeds is necessary, such changes are subject to approvals by the Board of Directors and general meeting and explicit consents from the independent directors, the sponsor(s) and the Supervisory Committee.

In case that the Company merely changes the location for implementation of the Investment Projects, such changes may be exempted from the procedures of the preceding clause but shall be subject to the consideration and approval by the Board of Directors. A report shall be filed with the Shanghai Stock Exchange, and the reasons for the changes, impact on the implementation of the Investment Projects and the opinion of the sponsor(s) shall be announced on the websites of the stock exchanges on which the Company is listed within two trading days.

Article 28 The purposes of the proceeds after change shall, in principle, remain as an investment in the principal businesses. The Company shall scientifically and prudently carry out the feasibility analysis of the new Investment Projects to ensure such projects have sound market prospect and profitability, can effectively prevent investment risks and improve the efficiency of the use of the proceeds.

Article 29 The Company shall be deemed to have made changes to the Investment Projects upon:

- (1) Cancellation of the original Investment Projects and implementation of a new project;
- (2) Change in the executor of the Investment Projects;
- (3) Change in the way of implementation of the Investment Projects;
- (4) The difference between the actual investment amount and the planned investment amount exceeds 30% of the planned amount;
- (5) Other situations considered by the stock exchanges on which the Company is listed as a change in the use of proceeds.

Article 30 Where the Company proposes to change the Investment Projects, it shall report to the Shanghai Stock Exchange and announce the followings on the websites of the stock exchanges on which the Company is listed within two business days after submitting the proposal to the Board of Directors for consideration:

- (1) Basic information of the original Investment Projects and specific reasons for the change;
- (2) Basic information, feasibility analysis and risk alert in relation to the new Investment Projects;
- (3) Investment plan for the new Investment Projects;
- (4) Explanation on the approval obtained or to be obtained from the relevant authorities (if applicable) in respect of the new Investment Projects;
- (5) Opinions of independent Directors, the supervisory committee and the sponsor(s) on the change of the Investment Projects;
- (6) Explanation on changing the Investment Projects being subject to the consideration by the shareholders at a general meeting;
- (7) Other information as required by the stock exchanges on which the Company is listed.

When any new Investment Project involves connected transactions, asset acquisitions or external investments, disclosures shall be made in accordance with the requirements of relevant rules.

Article 31 When the Company proposes to change the operation of the Investment Projects to operation through joint venture, it shall prudently consider the necessity of a joint venture based on a thorough understanding of the basic information of the joint partners, and the Company shall be the controlling shareholder of the joint venture to ensure an effective control over the Investment Projects.

Article 32 If the Company adjusts the Investment Projects for acquiring assets (including interests) of its controlling shareholder or de facto controller, it shall ensure effective avoidance of horizontal competition and reduction of connected transactions after the acquisition.

The Company shall disclose the reasons for conducting transactions with its controlling shareholder or de facto controller, the pricing policy and the pricing basis for connected transactions, the impact of connected transactions on the Company and the solutions for the relevant issues.

Article 33 If the Company plans to transfer the Investment Projects to any external party or replace them (unless such Investment Projects has been fully transferred or replaced in a significant assets restructuring of the Company), it shall report to the Shanghai Stock Exchange and announce the followings on the websites of the stock exchanges on which the Company is listed within two trading days after submitting the proposal to the Board of Directors for consideration:

- (1) Specific reason for the external transfer or replacement of the Investment Projects;
- (2) Amount of proceeds raised already invested in the projects;
- (3) Progress of and benefits realized from the projects;
- (4) Basic information, feasibility analysis and risk alert (if applicable) in relation to the replacement project;
- (5) Basis of pricing for the transfer or replacement and relevant gains;
- (6) Opinions of independent directors, the supervisory committee and sponsor(s) on the transfer or replacement of the Investment Projects;
- (7) Explanation of the transfer or replacement of the Investment Projects being subject to the consideration by the shareholders at a general meeting; and
- (8) Other information as required by the stock exchanges on which the Company is listed.

The Company shall pay close attention to the receipt and use of the transfer proceeds, change in ownership of new assets from replacement and the operational continuity of such new assets and fulfill necessary disclosure obligations.

Chapter 6 Administration and Supervision on Use of Proceeds

Article 34 The Company shall disclose the actual use of proceeds truthfully, accurately and completely.

Article 35 The Board of Directors of the Company shall comprehensively review progress of the Investment Projects semi-annually, and issue a Special Report on the Deposit and the Actual Use of Proceeds of the Company (“Special Report on Proceeds”).

Where the actual progress of Investment Projects differs from the investment plan, the Company shall explain specific reasons in the Special Report on Proceeds. When idle proceeds are used in investment products in the current period, the Company shall disclose returns for the reporting period and investment share, counterparties, product names, term and other information as the end of the period in the Special Report on Proceeds.

The Special Report on Proceeds shall be considered and approved by the Board of Directors and the Supervisory Committee, and be reported to the Shanghai Stock Exchange with an announcement thereon released on the websites of the stock exchanges on which the Company is listed within two trading days upon submission to the Board of Directors for consideration.

In an annual audit, the Company shall engage certified public accountants to issue an verification report on the deposit and use of proceeds of the Company, which shall be announced when the Company publishes its annual report.

Article 36 Independent directors, the Audit Committee of the Board of Directors and the Supervisory Committee shall pay continuous attention to whether there is any significant difference between the actual administration and use of proceeds and the information disclosure of the Company. Certified public accountants may be engaged by half or more of the independent directors, the Audit Committee of the Board of Directors or the Supervisory Committee to issue an verification report on the deposit and the use of proceeds. The Company shall make its best endeavors to cooperate at its cost where necessary.

The Board of Directors shall report to the Shanghai Stock Exchange and release an announcement on websites of the stock exchanges on which the Company is listed within two trading days upon receipt of the verification report mentioned in the preceding paragraph. If the verification report identifies any non-compliance in administration and use of proceeds by the Listed Company, the Board of Directors shall also announce the non-compliance, its consequences that have occurred or may occur and the actions that have taken or are to be taken.

Article 37 The sponsor(s) shall conduct at least one on-site survey for the deposit and use of the proceeds of the Company semi-annually.

After the end of every financial year, the sponsor(s) shall issue a special examination report on the deposit and use of proceeds of the Company for the year, which shall be announced when the Company publishes its annual report. In the event that the sponsor(s) identifies any non-compliance in a survey, the sponsor(s) shall report to the stock exchanges on which the Company is listed in a timely manner.

Article 38 After the end of every financial year, the Board of Directors of the Company shall disclose in the Special Report on Proceeds the conclusive opinions contained in the special examination report issued by the sponsor(s) and the verification report issued by the certified public accountants.

Chapter 7 Supplementary Provisions

Article 39 Unless otherwise specified, the terms “or more” herein are all inclusive terms whereas “exceed” or “less than” are exclusive terms.

Article 40 These Principles shall be construed and interpreted and amended by the Board of Directors of the Company.

Article 41 In the event that the Investment Projects are implemented through subsidiaries of the Company or other enterprises controlled by the Company, these Principles shall apply.

Article 42 Matters which are not covered by these Principles shall be executed in accordance with the provisions under relevant laws, regulations, regulatory documents and the Articles of Association. In the event that these Principles contradict or are inconsistent with the relevant laws, regulations, regulatory documents and the Articles of Association, the provisions under the relevant laws, regulations, regulatory documents and the Articles of Association shall be executed.

Article 43 These Principles shall be implemented on the date of consideration and approval at the general meeting of the Company and the same also applies when an amendment is made.

NOTICE OF EGM



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)

NOTICE OF 2016 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 second extraordinary general meeting of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) will be held at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the People's Republic of China (the “**PRC**”) on 10 November 2016 at 2:00 p.m. for the purpose of considering the resolutions as listed below:

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 8 September 2016.

AS SPECIAL RESOLUTIONS:

1. To consider and approve the proposal of the Non-public Issuance of A Shares by the Company, the main contents of which are as follows (the following are to be considered and approved as special resolutions item by item):

- 1.1 Class of shares to be issued and the nominal value

A Shares with a par value of RMB1.00 each.

- 1.2 Method and time of issuance

To target subscribers by way of non-public offering. The Company will, within the valid period as prescribed by the CSRC after obtaining the approval of CSRC, issue the A Shares to not more than 10 target subscribers when appropriate.

- 1.3 Subscribers and method of subscription

The new A Shares under the Non-public Issuance of A shares are proposed to be issued to not more than 10 investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust investment companies, finance companies, asset management companies, qualified foreign institutional investors and other institutional investors, as well as other legal entity(ies), natural person(s) or legal institution(s) that meet the requirements of the CSRC.

NOTICE OF EGM

A securities investment fund management company subscribing through over two products managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds. After the Non-public Issuance of A Shares is approved by the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate subscribers based on the relevant requirements of the CSRC and the price offered by the subscribers, following the price priority principle. All subscribers shall subscribe the new A Shares under the Non-public Issuance of A Shares in RMB cash.

1.4 Number of shares to be issued

The number of A Shares to be issued under the Non-public Issuance of A Shares will be not more than 250,698,499 A Shares (inclusive).

Within the scope of issuance as aforesaid, after the approval in respect of the Non-public Issuance of A Shares is obtained from the CSRC, the Board and its authorized representative(s) shall determine the ultimate number of A Shares to be issued as authorized by the Shareholders at the EGM and in accordance with the relevant requirements of the CSRC and actual situations, after consultation with the sponsor (lead underwriter).

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in case that the gross proceeds to be raised thereunder have to be adjusted due to the change of regulatory policy or according to the requirements of issuance approval, etc.

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

1.5 Issue Price and pricing principle

The Price Determination Date of the Non-public Issuance of A Shares is the date of the announcement of the Board resolutions passed at the sixteenth meeting of the seventh session of the Board (i.e. 9 September 2016).

The Issue Price under the Non-public Issuance of A Shares shall be not less than RMB7.33 per A share, which is not less than 90% of the average trading price of A Shares during the 20 trading days preceding the Price Determination Date (the average trading price of A Shares over the 20 trading days preceding the Price Determination Date = the total turnover of A Shares over the 20 trading days preceding the Price Determination Date / the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date) of RMB7.33 per A Share.

NOTICE OF EGM

After obtaining the approval in respect of the Non-public Issuance of A Shares from the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate Issue Price based on the relevant requirements of the CSRC following the price priority principle.

The Issue Price under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

1.6 Lock-up arrangement

The new A Shares to be subscribed by the subscribers shall not be transferred within 12 months from the date of completion of the issuance of the new A Shares. If the laws and regulations of the PRC govern otherwise, the lock-up arrangement will be governed by such laws and regulations.

1.7 Gross proceeds and use of proceeds

It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,837,620,000 (inclusive). After deducting the issuance costs, net proceeds from the Non-public Issuance of A Shares are proposed to be used in the following projects:

No.	Name of Project	Executor of the Project	Total	Amount of
			Investment	Proceeds to
			Amount in	be Used
			the Project	
			(RMB0'000)	(RMB0'000)
1)	Sewage Water Treatment Projects			
1	Project of the expansion and upgrading of the Beicang Sewage Water Treatment Plant	The Company	46,288.00	37,288.00
2	Project of the expansion and upgrading of the Jingu Sewage Water Treatment Plant	The Company	83,558.63	67,255.00
	Sub-total		129,846.63	104,543.00

NOTICE OF EGM

No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
2) Energy Station Projects				
3	No. 1 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	14,140.19	9,425.00
4	No. 2 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	9,900.12	6,749.00
5	Project of energy station in Binhai New District Cultural Centre (Phase I)	Tianjin Jiayuan Binchuang New Energy Technology Company Limited, a subsidiary of the Company	12,188.07	8,045.00
	Sub-total		36,228.38	24,219.00
6	Working capital replenishment and repayment of loans obtained from financial institutions		55,000.00	55,000.00
	Total		221,075.01	183,762.00

If the amount of the actual proceeds to be raised from the Non-public Issuance of A Shares is less than the amount of the proceeds to be utilized in the aforementioned projects, the Company will make up for the shortfall through its self-funded capital. Before receiving the proceeds from the Non-public Issuance of A Shares, the Company may, depending on the market conditions and the actual progress of the projects, finance these projects by its self-funded capital, which shall be replaced in accordance with the relevant laws, regulations and rules of securities regulatory authorities once the proceeds from the Non-public Issuance of A Shares have been received. Within the scope authorized by the Shareholders at the EGM and the scope of the abovementioned projects, based on the actual capital needs, time limit and priorities of the projects, the Board may adjust the priorities of and investment amount into the projects according to the relevant laws and regulations.

1.8 Listing application

The Company will make an application to the Shanghai Stock Exchange for the granting of the listing of all the new A Shares to be issued under the Non-public Issuance of A Shares. Upon expiry of the lock-up period, the new A Shares can be traded on the Shanghai Stock Exchange.

NOTICE OF EGM

1.9 Arrangement relating to the accumulated undistributed profits of the Company

All the existing and new Shareholders after the issuance of the new A Shares will be entitled to the accumulated but undistributed profits of the Company.

1.10 Validity period of the resolutions

The resolutions with respect to the Non-public Issuance of A Shares shall be valid for 12 months from the date of approvals at the EGM and the Class Meetings. If the laws and regulations of the PRC have new requirements in relation to non-public issuance of shares, the validity period will be governed by such new requirements.

2. To consider and approve the plan of the Non-Public Issuance of A Shares by the Company.
3. To consider and approve the feasibility report on the use of proceeds raised from the Non-Public Issuance of A Shares by the Company.
4. To consider and approve the shareholders' return plan for the coming three years (2016 - 2018) of the Company.
5. To consider and approve the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures.
6. To consider and approve the amendments to the Articles of Association.

AS ORDINARY RESOLUTIONS:

1. To consider and approve the compliance with the conditions of the Non-public Issuance of A Shares by the Company.
2. To consider and approve the report on the status of the use of proceeds of the previous fund raising by the Company.
3. To consider and approve the undertakings made by the controlling shareholder, the de facto controller, the Directors and the senior management of the Company in relation to realistic implementation of the measures to fill the diluted immediate returns.
4. To consider and approve the authorization to the Board and its authorized representative(s) at the shareholders' meeting to handle all matters relating to the Non-public Issuance of A Shares.
5. To consider and approve the management principles on the use of proceeds of the Company.

NOTICE OF EGM

(For details of the above resolutions (other than the ordinary resolution No. 3), please refer to the related announcements of the Company dated 8 September 2016 and a circular of the Company which is expected to be despatched to the shareholders of the Company on or before 25 October 2016 (the “Circular”). For details of the ordinary resolution No. 3, please refer to the related announcement of the Company dated 22 September 2016 and the Circular.)

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
23 September 2016

As at the date of this notice, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.

Notes:

- (1) The holders of shares (the “Shareholders”) whose names appear on the register of members on 8 October 2016 will be entitled to attend the general meeting. The holders of H shares of the Company (“H Shares”) are reminded that the register of members of the Company’s H Shares will be closed from 8 October 2016 to 10 November 2016, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s H Shares registrar and transfer office, Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:00p.m. on 7 October 2016. The holder of H Shares and whose name appears on the register of members of the Company’s H Shares on 8 October 2016 or his/her proxy may attend the general meeting by bringing his/her own identity card or passport.
- (2) Each Shareholder having the rights to attend and vote at the general meeting is entitled to appoint in written form one or more than one proxies (whether a Shareholder or not) as his proxy to attend and vote on his behalf at the general meeting. If more than one proxy is appointed by a Shareholder, such proxy shall only exercise his voting rights on a poll.
- (3) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the enclosed form of proxy). The form of proxy can be signed by the principal or its authorized person. In order to be valid, the form of proxy and, if such form of proxy is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company’s principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC as soon as possible but in any event not less than 24 hours before the time scheduled for the holding of the general meeting.
- (4) Shareholders or their proxies who intend to attend the general meeting should complete and return the completed and signed reply slip for attendance to the office of the Board at the Company’s principal office address on or before 20 October 2016 by hand, by post or by facsimile. Please use the enclosed reply slip or its copy for the purpose of confirmation.

NOTICE OF EGM

- (5) Shareholders or their proxies shall present proofs of their identities upon attending the general meeting. Should a proxy be appointed, the proxy shall also present the form of proxy.
- (6) The general meeting is expected to last for about half a day. The Shareholders and their proxies attending the general meeting shall be responsible for their own travelling and accommodation expenses.

Principal office address of the Company: TCEP Building, 76 Weijin South Road,
Nankai District,
Tianjin, the PRC

Postal Code: 300381

Telephone: 86-22-23930128

Facsimile: 86-22-23930126

NOTICE OF H SHAREHOLDERS' CLASS MEETING



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)

NOTICE OF 2016 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2016 first H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") will be held at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the People's Republic of China (the "**PRC**") on 10 November 2016 at 3:00 p.m. (or immediately after the 2016 first A shareholders' class meeting of the Company to be held on the same date and at the same place) for the purpose of considering the resolutions as listed below:

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 8 September 2016.

AS SPECIAL RESOLUTIONS:

1. To consider and approve the proposal of the Non-public Issuance of A Shares by the Company, the main contents of which are as follows (the following are to be considered and approved as special resolutions item by item):

- 1.1 Class of shares to be issued and the nominal value

A Shares with a par value of RMB1.00 each.

- 1.2 Method and time of issuance

To target subscribers by way of non-public offering. The Company will, within the valid period as prescribed by the CSRC after obtaining the approval of CSRC, issue the A Shares to not more than 10 target subscribers when appropriate.

- 1.3 Subscribers and method of subscription

The new A Shares under the Non-public Issuance of A shares are proposed to be issued to not more than 10 investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust investment companies, finance companies, asset management companies, qualified foreign institutional investors and other institutional investors, as well as other legal entity(ies), natural person(s) or legal institution(s) that meet the requirements of the CSRC.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

A securities investment fund management company subscribing through over two products managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds. After the Non-public Issuance of A Shares is approved by the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate subscribers based on the relevant requirements of the CSRC and the price offered by the subscribers, following the price priority principle. All subscribers shall subscribe the new A Shares under the Non-public Issuance of A Shares in RMB cash.

1.4 Number of shares to be issued

The number of A Shares to be issued under the Non-public Issuance of A Shares will be not more than 250,698,499 A Shares (inclusive).

Within the scope of issuance as aforesaid, after the approval in respect of the Non-public Issuance of A Shares is obtained from the CSRC, the Board and its authorized representative(s) shall determine the ultimate number of A Shares to be issued as authorized by the Shareholders at the EGM and in accordance with the relevant requirements of the CSRC and actual situations, after consultation with the sponsor (lead underwriter).

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in case that the gross proceeds to be raised thereunder have to be adjusted due to the change of regulatory policy or according to the requirements of issuance approval, etc.

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

1.5 Issue Price and pricing principle

The Price Determination Date of the Non-public Issuance of A Shares is the date of the announcement of the Board resolutions passed at the sixteenth meeting of the seventh session of the Board (i.e. 9 September 2016).

The Issue Price under the Non-public Issuance of A Shares shall be not less than RMB7.33 per A share, which is not less than 90% of the average trading price of A Shares during the 20 trading days preceding the Price Determination Date (the average trading price of A Shares over the 20 trading days preceding the Price Determination Date = the total turnover of A Shares over the 20 trading days preceding the Price Determination Date / the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date) of RMB7.33 per A Share.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

After obtaining the approval in respect of the Non-public Issuance of A Shares from the CSRC, the Board and its authorized representative(s) will, in accordance with the authorization granted by the Shareholders at the EGM, together with the sponsor (lead underwriter) decide the ultimate Issue Price based on the relevant requirements of the CSRC following the price priority principle.

The Issue Price under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as distribution of dividend and bonus shares, and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance.

1.6 Lock-up arrangement

The new A Shares to be subscribed by the subscribers shall not be transferred within 12 months from the date of completion of the issuance of the new A Shares. If the laws and regulations of the PRC govern otherwise, the lock-up arrangement will be governed by such laws and regulations.

1.7 Gross proceeds and use of proceeds

It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,837,620,000 (inclusive). After deducting the issuance costs, net proceeds from the Non-public Issuance of A Shares are proposed to be used in the following projects:

No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
1)	Sewage Water Treatment Projects			
1	Project of the expansion and upgrading of the Beicang Sewage Water Treatment Plant	The Company	46,288.00	37,288.00
2	Project of the expansion and upgrading of the Jingu Sewage Water Treatment Plant	The Company	83,558.63	67,255.00
	Sub-total		129,846.63	104,543.00

NOTICE OF H SHAREHOLDERS' CLASS MEETING

No.	Name of Project	Executor of the Project	Total Investment Amount in the Project (RMB0'000)	Amount of Proceeds to be Used (RMB0'000)
2)	Energy Station Projects			
3	No. 1 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	14,140.19	9,425.00
4	No. 2 energy station project in Heiniucheng Road	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited, a subsidiary of the Company	9,900.12	6,749.00
5	Project of energy station in Binhai New District Cultural Centre (Phase I)	Tianjin Jiayuan Binchuang New Energy Technology Company Limited, a subsidiary of the Company	12,188.07	8,045.00
	Sub-total		36,228.38	24,219.00
6	Working capital replenishment and repayment of loans obtained from financial institutions		55,000.00	55,000.00
	Total		221,075.01	183,762.00

If the amount of the actual proceeds to be raised from the Non-public Issuance of A Shares is less than the amount of the proceeds to be utilized in the aforementioned projects, the Company will make up for the shortfall through its self-funded capital. Before receiving the proceeds from the Non-public Issuance of A Shares, the Company may, depending on the market conditions and the actual progress of the projects, finance these projects by its self-funded capital, which shall be replaced in accordance with the relevant laws, regulations and rules of securities regulatory authorities once the proceeds from the Non-public Issuance of A Shares have been received. Within the scope authorized by the Shareholders at the EGM and the scope of the abovementioned projects, based on the actual capital needs, time limit and priorities of the projects, the Board may adjust the priorities of and investment amount into the projects according to the relevant laws and regulations.

1.8 Listing application

The Company will make an application to the Shanghai Stock Exchange for the granting of the listing of all the new A Shares to be issued under the Non-public Issuance of A Shares. Upon expiry of the lock-up period, the new A Shares can be traded on the Shanghai Stock Exchange.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

1.9 Arrangement relating to the accumulated undistributed profits of the Company

All the existing and new Shareholders after the issuance of the new A Shares will be entitled to the accumulated but undistributed profits of the Company.

1.10 Validity period of the resolution

The resolutions with respect to the Non-public Issuance of A Shares shall be valid for 12 months from the date of approvals at the EGM and the Class Meetings. If the laws and regulations of the PRC have new requirements in relation to non-public issuance of shares, the validity period will be governed by such new requirements.

2. To consider and approve the plan of the Non-Public Issuance of A Shares by the Company.
3. To consider and approve the feasibility report on the use of proceeds raised from the Non-Public Issuance of A Shares by the Company.
4. To consider and approve the shareholders' return plan for the coming three years (2016 - 2018) of the Company.
5. To consider and approve the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures.
6. To consider and approve the amendments to the Articles of Association.

(For details of the above resolutions, please refer to the related announcements of the Company dated 8 September 2016 and a circular of the Company which is expected to be despatched to the shareholders of the Company on or before 25 October 2016.)

By order of the Board

Liu Yujun

Chairman

Tianjin, the PRC

23 September 2016

As at the date of this notice, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

- (1) The holders of H Shares (the “**H Shareholders**”) whose names appear on the register of members on 8 October 2016 will be entitled to attend the H Shareholders’ Class Meeting. The H Shareholders are reminded that the register of members of the Company’s H Shares will be closed from 8 October 2016 to 10 November 2016, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s H Shares registrar and transfer office, Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 7 October 2016. The H Shareholders and whose name appears on the register of members of the Company’s H Shares on 8 October 2016 or his/her proxy may attend the H Shareholders’ Class Meeting by bringing his/her own identity card or passport.
- (2) Each H Shareholder having the rights to attend and vote at the H Shareholders’ Class Meeting is entitled to appoint in written form one or more than one proxies (whether a Shareholder or not) as his proxy to attend and vote on his behalf at the H Shareholders’ Class Meeting. If more than one proxy is appointed by a H Shareholder, such proxy shall only exercise his voting rights on a poll.
- (3) H Shareholders can appoint a proxy by an instrument in writing (i.e. by using the enclosed form of proxy). The form of proxy can be signed by the principal or its authorized person. In order to be valid, the form of proxy and, if such form of proxy is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company’s principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC as soon as possible but in any event not less than 24 hours before the time scheduled for the holding of the H Shareholders’ Class Meeting.
- (4) H Shareholders or their proxies who intend to attend the H Shareholders’ Class Meeting should complete and return the completed and signed reply slip for attendance to the office of the Board at the Company’s principal office address on or before 20 October 2016 by hand, by post or by facsimile. Please use the enclosed reply slip or its copy for the purpose of confirmation.
- (5) H Shareholders or their proxies shall present proofs of their identities upon attending the H Shareholders’ Class Meeting. Should a proxy be appointed, the proxy shall also present the form of proxy.
- (6) The H Shareholders’ Class Meeting is expected to last for about half a day. The H Shareholders and their proxies attending the general meeting shall be responsible for their own travelling and accommodation expenses.

Principal office address of the Company: TCEP Building, 76 Weijin South Road,
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