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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Tianjin Capital Environmental Protection Group Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities 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) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES;
(2) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER;
(3) PROPOSED INTRODUCTION OF THE
STRATEGIC INVESTOR SUBSCRIPTION;
(4) SPECIFIC MANDATE;
(5) PROPOSED AMENDMENTS TO THE
ARTICLES OF ASSOCIATION AND THE
SHAREHOLDERS MEETING RULES;
AND
(6) PROPOSED ADOPTION OF THE SHAREHOLDERS' RETURN PLAN**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Gram Capital Limited

嘉林資本有限公司

A letter from the Board is set out on pages 6 to 39 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 56 of this circular.

A notice of and supplemental notice of the EGM and 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 7 September 2020 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 EGM-1 to SEGM-2 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 H share registrar and transfer office, Hong Kong Registrars Limited, address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or 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.

21 August 2020

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DEFINITIONS

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

“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;
“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 2:00 p.m. on 7 September 2020 for the A Shareholders to consider and, if thought fit, approve, among other things, (i) the Non-public Issuance of A Shares; (ii) the Proposed TMICL Subscription; (iii) Proposed Introduction of the Strategic Investor Subscription; (iv) the Specific Mandate; and (v) the proposed adoption of Shareholders’ Return Plan;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“associate(s)”	has the meaning as ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Class Meetings”	collectively, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting;
“close associate(s)”	has the meaning as ascribed to it under the Listing Rules;
“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;

DEFINITIONS

“Director(s)”	the director(s) of the Company, including the independent non-executive director(s);
“EGM”	the 2020 first extraordinary general meeting of the Company to be convened and held at 2:00 p.m. on 7 September 2020 for the Shareholders to consider and, if thought fit, approve, among other things, (i) the Non-public Issuance of A Shares; (ii) the Proposed TMICL Subscription; (iii) the Proposed Introduction of the Strategic Investor Subscription; (iv) the Specific Mandate; (v) the proposed adoption of the Shareholders’ Return Plan; (vi) the 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, the amendments to the Articles of Association; and (vii) the proposed amendments to the Articles of Association and the Shareholders Meeting Rules;
“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;
“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 7 September 2020 to consider and, if thought fit, approve, among other things, (i) the Non-public Issuance of A Shares; (ii) the Proposed TMICL Subscription; (iii) the Proposed Introduction of the Strategic Investor Subscription; (iv) the Specific Mandate; (v) the proposed adoption of the Shareholders’ Return Plan;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Di Xiaofeng, Mr. Guo Yongqing and Mr. Wang Xiangfei, being all the independent non-executive Directors of the Company, which is formed to advise the Independent Shareholders on the Proposed TMICL Subscription in accordance with the Listing Rules;

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and the independent financial adviser appointed in accordance with Listing Rules to the Independent Board Committee and the Independent Shareholders on the Proposed TMICL Subscription;
“Independent Shareholders”	Shareholders other than TMICL, Tianjin Investment Group, its associates and the persons who have material interest in the Non-public Issuance of A Shares, proposed TMICL Subscription and/or Specific Mandate;
“Issue Price”	the issue price of RMB5.56 per A Share under the Non-public Issuance of A Shares;
“Latest Practicable Date”	18 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“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 323,741,007 new A Shares (inclusive) to the Subscribers by the Company at the Issue Price;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules, as applicable to a transaction;
“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”	14 July 2020, being the announcement date of the resolution of the 32nd meeting of the eighth Board of Directors of the Company that approved the Non-public Issuance of A Shares;
“Proposed Introduction of the Strategic Investor Subscription”	the respective subscription of A shares by Yangtze Ecology and Three Gorges Capital pursuant to the Strategic Investor Subscription Agreement, as part of the proposed Non-public Issuance of A Shares;

DEFINITIONS

“Proposed TMICL Subscription”	the subscription of A Shares by TMICL according to the TMICL Subscription Agreement, as part of the proposed Non-public Issuance of A Shares;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the existing share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Shareholders Meeting Rules”	the rules governing the Shareholders meeting (股東大會議事規則) of the Company;
“Shareholders’ Return Plan”	the shareholders’ return plan for the coming three years (2020-2022) of the Company;
“Specific Mandate”	according to Rule 13.36 of Listing Rule (as amended by Chapter 19A of Listing Rule), the specific mandate granted by Independent Shareholders at the EGM and Class Meetings to issue A Shares in accordance with the proposed Non-public Issuance of A Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Investor Subscription Agreement”	the conditional subscription agreement entered into by Subscriber 1, Subscriber 2 and the Company on 13 July 2020, pursuant to which, Subscriber 1, Subscriber 2 and the Company agreed on certain strategic cooperation matters; Subscriber 1 agreed to subscribe for a contribution of RMB1.0 billion, and the Company agreed to issue 179,856,115 new A Shares at the Subscription Price to Subscriber 1; and Subscriber 2 agreed to subscribe for a contribution of RMB0.6 billion, and the Company agreed to issue 107,913,669 new A Shares at the Subscription Price to Subscriber 2;
“Subscription Price”	subscription price of RMB5.56 per A Share under the TMICL Subscription Agreement and/or the Strategic Investor Subscription Agreement (as the case may be);
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules;

DEFINITIONS

“Three Gorges Capital” or “Subscriber 2”	Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限責任公司), a company incorporated in the PRC with limited liability, and is owned as to 70% by Three Gorges Corporation as at the Latest Practicable Date;
“Three Gorges Corporation”	China Three Gorges Corporation* (中國長江三峽集團有限公司), a limited liability company incorporated in China and is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council as at the Latest Practicable Date;
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited* (天津城市基礎設施建設投資集團有限公司), the ultimate controlling shareholder of the Company and the sole shareholder of TMICL, holding 100% of the shares of TMICL as at the Latest Practicable Date;
“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 approximately 50.14% equity interest in the Company as at the Latest Practicable Date;
“TMICL Subscription Agreement”	the conditional subscription agreement entered into between TMICL and the Company on 13 July 2020, pursuant to which TMICL agreed to subscribe for a contribution of RMB0.2 billion, and the Company agreed to issue 35,971,223 new A shares at the Subscription Price;
“Trading day”	a day on which Shanghai Stock Exchange is open for dealing or trading in securities;
“Yangtze Ecology” or “Subscriber 1”	Yangtze Ecological Environmental Protection Group. Co., Ltd.* (長江生態環保集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Three Gorges Corporation as at the Latest Practicable Date; and
“%”	percent.

* 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)

Ms. Wang Jing

Mr. Niu Bo

Registered address:

No. 45

Guizhou Road

Heping District

Tianjin, the PRC

Postal Code: 300051

Non-executive Directors:

Mr. Gu Wenhui

Mr. Han Wei

Mr. Si Xiaolong

Independent non-executive Directors:

Mr. Di Xiaofeng

Mr. Guo Yongqing

Mr. Wang Xiangfei

21 August 2020

To the Shareholders:

- (1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES;
(2) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER;
(3) PROPOSED INTRODUCTION OF THE
STRATEGIC INVESTOR SUBSCRIPTION;
(4) SPECIFIC MANDATE;
(5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND THE SHAREHOLDERS MEETING RULES;
AND
(6) PROPOSED ADOPTION OF THE SHAREHOLDERS' RETURN PLAN**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2020 (the "Announcement").

As disclosed in the Announcement, on 13 July 2020, the Board has approved the proposed issuance of 323,741,007 new A shares (inclusive) to 3 specific target investors (i.e. TMICL, Yangtze Ecology and Three Gorges Capital). It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive).

LETTER FROM THE BOARD

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into the TMICL Subscription Agreement with TMICL, pursuant to which TMICL conditionally agreed to contribute RMB200 million in cash to subscribe for 35,971,223 A shares to be issued based on the Non-public Issuance of A Shares according to the Issue Price, accounting for approximately 11.11% of the total number of A shares to be issued under the Non-public Issuance of A Shares.

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into the Strategic Investor Subscription Agreement with Subscriber 1 and Subscriber 2, pursuant to which Subscriber 1, Subscriber 2 and the Company agreed on certain strategic cooperation matters. Subscriber 1 conditionally agreed to subscribe for 179,856,115 A Shares to be issued under the Non-public Issuance of A Shares at RMB1.0 billion according to the Issue Price, accounting for approximately 55.56% of the total number of A Shares to be issued under the Non-public Issuance of A Shares; and Subscriber 2 conditionally agreed to subscribe for 107,913,669 A Shares to be issued under the Non-public Issuance of A Shares at RMB0.6 billion according to the Issue Price, accounting for approximately 33.33% of the total number of A Shares to be issued under the Non-public Issuance of A Shares.

The purpose of this circular is to provide you with, among other things:

- (a) further details of the Non-public Issuance of A Shares, the Proposed TMICL Subscription, the Proposed Introduction of the Strategic Investor Subscription, the Specific Mandate, the proposed adoption of the Shareholders' Return Plan and the 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, the amendments to the Articles of Association;
- (b) further details of the proposed amendments to the Articles of Association and the Shareholders Meeting Rules;
- (c) the letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed TMICL Subscription;
- (d) the letter from Gram Capital to the Independent Board Committee and Independent Shareholders containing its recommendation in respect of the Proposed TMICL Subscription; and
- (e) the notice of the EGM, the notice of the H Shareholders' Class Meeting and the supplemental notice of the EGM to be convened to consider and, if thought fit, approve (amongst others) the matters specified in item (a) and (b) above.

II. NON-PUBLIC ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE

On 13 July 2020, the Board approved the proposed issuance of 323,741,007 new A Shares (inclusive) at the Issue Price to 3 specific target investors (i.e. TMICL, Yangtze Ecology and Three Gorges Capital). It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive).

LETTER FROM THE BOARD

(i) Details of the Non-public Issuance of A Shares

Class and par value of the Shares to be issued: A Shares of RMB1.00 each

Target of Issuance: (i) TMICL;
(ii) Yangtze Ecology; and
(iii) Three Gorges Capital

(collectively, the “Subscribers”).

Following the completion of the Non-public Issuance of A Shares, TMICL will remain as the controlling shareholder and connected person of the Company.

In addition to the TMICL Subscription Agreement, the Company has also entered into the Strategic Investor Subscription Agreement for the Non-public Issuance of A Shares with Subscriber 1 and Subscriber 2. As at the Latest Practicable Date, except for TMICL, to the best of the Directors’ knowledge, information and belief after making all reasonable enquiries, Subscriber 1 and Subscriber 2 and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Upon the completion of the Non-public Issuance of A Shares, the Company anticipates that Subscriber 1 will become the substantial shareholder and connected person of the Company.

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 323,741,007 A shares (inclusive). The number of A shares offered through non-public issuance is calculated by dividing the total amount of funds raised through the Non-public Issuance of A Shares by the final Issue Price. The maximum number of shares to be issued does not exceed 30% of the total share capital (1,427,228,430 shares) before this issuance.

LETTER FROM THE BOARD

TMICL intends to subscribe for 35,971,223 new A Shares, accounting for approximately 11.11% of the total number of A shares to be issued under the Non-public Issuance of A Shares; Yangtze Ecology intends to subscribe for 179,856,115 new A Shares, accounting for approximately 55.56% of the total number of A shares to be issued under the Non-public Issuance of A Shares; Three Gorges Capital intends to subscribe for 107,913,669 new A Shares, accounting for approximately 33.33% of the total number of A shares to be issued under the Non-public Issuance of A Shares.

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, which has caused changes to the Company's share capital.

The final number of issuance will be determined by the Board authorized by the EGM of the Company or persons authorized by the Board in accordance with the authorization of the EGM and the sponsor (the lead underwriters) of the Non-public Issuance of A Shares based on the issuance scheme approved by the CSRC.

Method of issuance:

It will be conducted by way of non-public issuance to target subscribers, and the Shares will be issued as and when appropriate within the validity period of the approval in respect of the Non-public Issuance of A Shares to be issued by the CSRC.

The Price Determination Date, Issue Price and pricing principle:

The Price Determination Date for the Non-public Issuance of A Shares is the date of the announcement of the Board resolutions approving the Non-public Issuance of A Shares passed at the 32nd meeting of the Company's 8th session of the Board (i.e. 14 July 2020). On the last trading day before the Price Determination Date, the closing price of each A share quoted on the Shanghai Stock Exchange was RMB7.52; at the date of the Announcement, the closing price of each H share quoted on the Stock Exchange was HK\$2.56 per share.

LETTER FROM THE BOARD

The Issue Price of Non-public Issuance of A Shares is RMB5.56/share, and the price is not lower than 80% of the average trading price of the Company's A Shares over the 20 trading days preceding the Price Determination Date (the average trading price of the A Shares of the Company 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 (*Note*)).

Note: The adjustment as a result of the distribution of the final dividend of RMB0.107 per A Share for the financial year of 2019 has been taken into account in the process of calculating the aforesaid average trading price of the A Shares of the Company.

The Subscribers subscribe for the shares under the Non-public issuance of A shares by cash.

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.

The adjustment method:

By assuming the issue price before the adjustment as P_0 , the number of bonus Shares or Shares being issued upon transfer to share capital from capital reserve of each share as N , distribution of dividends for each Share/cash dividend distribution as D , the issue price after the adjustment as P_1 , then:

Dividends distribution/cash dividend distribution: $P_1 = P_0 - D$

Bonus issue or transfer to share capital from capital reserve: $P_1 = P_0 / (1 + N)$

Combination of the two items: $P_1 = (P_0 - D) / (1 + N)$

LETTER FROM THE BOARD

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, A Shareholders' Class Meeting and the H Shareholders' Class Meeting; and (2) the approval by the state-owned assets supervision and administration authority (or the state-founded enterprise) and the CSRC.
Lock-up Arrangement:	The new A Shares to be subscribed by the Subscribers shall not be transferred within 18 months from the date of the 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.
Validity period of the resolution:	The resolution 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 A 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 proposed Non-public Issuance of A Shares. Upon expiry of the lock-up period, the new A Shares can be traded on Shanghai Stock Exchange.
Specific Mandate to issue A Shares:	The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.
Rights of A Shares to be issued:	The A Shares to be issued under the proposed Non-public Issuance of A Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares.

LETTER FROM THE BOARD

Use of proceeds:

It is expected that the gross proceeds to be raised from the proposed Non-public Issuance of A Shares will not be more than RMB1.8 billion (inclusive). After deducting the issuance costs, all proceeds are proposed to be used in repayment of interest-bearing liabilities and supplement of the Company's working capital.

Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-Public Issuance of A Shares:

Upon completion of the Non-Public Issuance of A Shares, both existing and new Shareholders will be entitled to the accumulated undistributed profits of the Company.

LETTER FROM THE BOARD

(ii) Proposal in relation to the satisfaction of the criteria for Non-public Issuance of A Shares

Pursuant to the relevant requirements of laws, regulations and regulatory documents such as the Company Law of the PRC (Revised in 2018), the Securities Law of the PRC (Revised in 2019), Measure for Administration of the Issuance of Securities by Listed Companies (Revised in 2020) (《上市公司證券發行管理辦法》(2020年修訂)), the Detailed Implementing Rules for the Non-Public Offering of Stocks of Listed Companies (Revised in 2020) (《上市公司非公開發行股票實施細則》(2020年修訂)), Q&A on Issuance Supervision Requirements On Directing and Regulating The Financing Activities of Listed Companies (Revised in 2020) (《發行監管問答-關於引導規範上市公司融資行為的監管要求》(2020年修訂)), Q&A on Issuance Supervision Requirements for the Introduction of Strategic Investors of the Non-Public Offering of Stocks of Listed Companies (Developed in 2020) (《發行監管問答-關於上市公司非公開發行股票引入戰略投資者有關事項的監管要求》(2020年制訂)), the Board, following item-by-item examination and careful demonstration of the actual situation of the Company with reference to the relevant qualifications and conditions required for non-public issuance of shares of listed companies, considers that the Company has a sound organizational structure and compliant operation with the investment projects proposed to be financed by the proceeds to be raised being in compliance with relevant requirements in the PRC and is free from any circumstances which deprive them from making a non-public insurance of shares as required by relevant laws, regulations and regulatory documents. The Company satisfies all the requirements of relevant laws, regulations and other regulatory documents on the non-public issuance of A Shares to specific target investors and all qualifications and conditions for the Non-public Issuance of A Shares to Yangtze Ecology, Three Gorges Capital and TMICL.

The proposal in relation to the satisfaction of the criteria for Non-public Issuance of A Shares by the Company will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

(iii) Proposal in relation to the proposed Non-public Issuance of A Shares

Each of the following 10 resolutions in relation to the Non-public Issuance of A Shares will be submitted, by way of special resolutions, for the Independent Shareholders' consideration and approval at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting:

- (i) Class and par value of shares to be issued;
- (ii) Method and time of issuance;
- (iii) Target of issuance and method of subscription;
- (iv) Issue price and pricing principle;
- (v) Number of A Shares issued, amount of funds raised and subscription;

LETTER FROM THE BOARD

- (vi) Use of proceeds;
- (vii) Lock-up Arrangement;
- (viii) Place of listing;
- (ix) Arrangement relating to the accumulated undistributed profits; and
- (x) Validity period of resolution of this issuance.

The “Proposal in respect of the Non-public Issuance of A Shares”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 13 July 2020. The full text of the English translation of the “Proposal in respect of the Non-public Issuance of A Shares” is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the “Proposal in respect of the Non-public Issuance of A Shares”, the Chinese version shall prevail.

Each of the above 10 resolutions for the proposal in relation to the proposed Non-public Issuance of A Shares will be submitted, by way of separate special resolution, for the Independent Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

(iv) Proposal in relation to the “feasibility report on the use of proceeds from the Non-public Issuance of A Shares”

The total amount raised by this Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the issuance expenses. The Company has formulated the “Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares”.

The “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 13 July 2020. The full text of the English translation of the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares” is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the Chinese version shall prevail.

The proposal in relation to the feasibility report on the use of proceeds from the Non-public Issuance of A Shares will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

LETTER FROM THE BOARD

(v) Proposal in relation to the Shareholder's Return Plan for the Coming Three Years (2020-2022)

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 Articles of Association, the Company has formulated and proposed to adopt the Shareholders' Return Plan.

The “Shareholders' Return Plan for the Coming Three Years (2020-2022)”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 13 July 2020. The full text of the English translation of the “Shareholders' Return Plan for the Coming Three Years (2020-2022)” is set out in Appendix III of this circular. In the event of any discrepancy between the English translation and the Chinese version of the “Shareholder's Return Plan for the Coming Three Years (2020-2022)”, the Chinese version shall prevail.

The proposal in relation to the Shareholders' Return Plan for the Coming Three Years (2020-2022) will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM, the A Shareholders' Class Meeting, and the H Shareholders' Class Meeting.

(vi) Proposals in relation to the introduction of Strategic Investors by the Company and entering into Strategic Investor Subscription Agreement

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into Strategic Investor Subscription Agreement with Subscriber 1 and Subscriber 2, pursuant to which Subscriber 1, Subscriber 2 and the Company agreed on certain strategic cooperation matters. Subscriber 1 conditionally agreed to subscribe for 179,856,115 A Shares to be issued under the Non-public Issuance of A Shares at RMB1.0 billion according to the Issue Price, accounting for approximately 55.56% of the total number of A Shares to be issued under the Non-public issuance of A Shares; and Subscriber 2 conditionally agreed to subscribe for 107,913,669 A Shares to be issued under the Non-public Issuance of A Shares at RMB0.6 billion according to the Issue Price, accounting for approximately 33.33% of the total number of A Shares to be issued under the Non-public issuance of A Shares. The gross proceeds to be raised from the Proposed Introduction of the Strategic Investor Subscription will not be more than RMB1.6 billion (inclusive). After deducting the issuance costs, all proceeds are proposed to be used to repay interest-bearing liabilities and supplement of the Company's working capital. For further information about the reasons for and benefit of the Proposed Introduction of the Strategic Investor Subscription, please refer to pages 30 to 31.

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(1) Basic information regarding the Strategic Investors

(A) Yangtze Ecology

Company Name	Yangtze Ecological Environmental Protection Group Co., Ltd.* (長江生態環保集團有限公司)
Date of Establishment	13 December 2018
Type of Enterprise	Limited liability company (solely invested by a corporation that is invested or controlled by a non-natural person)
Business Scope	Engaged in planning, design, investment, construction, operation, technology R&D, products and services associated with ecology, environmental protection, energy conservation and clean energy by leveraging the Yangtze river economic belt, including raw water, water conservation, water supply and drainage, urban sewage comprehensive treatment, sludge disposal, sewage outfall improvement, reclaimed water utilization, pipe network engineering, installation and maintenance of equipment and facilities as well as industrial wastewater treatment, solid waste disposal, hazardous waste disposal, ships pollutants disposal, rural non-point pollution control, soil remediation; comprehensive treatment of river-lake-reservoir water environment, soil erosion and rocky desertification treatment, black-odor water treatment, comprehensive treatment on environment of villages and towns, water diversion works, river source regions and water sources protection and control, river-lake system interconnection, ecological protective forest projects, riverbank protection and treatment, wetland protection and restoration, ecological restoration of lakes and rivers, protection of protected areas and national parks, restoration of eco-environment in water-level-fluctuating zone, restoration of eco-environment in estuaries, planning and construction of sponge cities; protection and restoration of eco-environment of rare, dying-out and unique animals and plants along the Yangtze River, biodiversity protection; comprehensive control of air pollution by industrial enterprises, energy saving and emission reduction, garbage power generation, environment-friendly clean energy, alternative utilization of clean energy, combined cooling, heating and power; design and construction of green energy-efficient buildings, development of ecological agriculture technology, research and promotion of biopharmaceutical technology, electrification of vessels, design, construction and management of water conservancy and hydropower projects; dam's joint ecological dispatching, replenishment dispatching, emergency dispatching and watershed water environment monitoring and early warning, land development (those involving licensing can only be operated after obtaining the permission from the related department)

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Key financial data of the past year (year ended 2019/31 December 2019)	Total assets amounted to RMB14,735.464 million, net assets amounted to RMB8,365.2541 million, net profit attributable to the owner of the parent company amounted to RMB-15.7031 million, operating income amounted to RMB87.9743 million.
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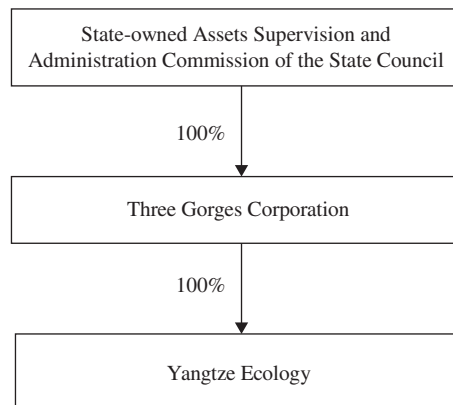
(B) Three Gorges Capital

Company Name	Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限責任公司)
Date of Establishment	20 March 2015
Type of Enterprise	Other limited liability company
Business Scope	Industrial investment; equity investment; asset management; investment consultancy.
Key financial data of the past year (year ended 2019/31 December 2019)	Total assets amounted to RMB47,501.025 million, net assets amounted to RMB29,651.92 million, net profit attributable to the owner of the parent company amounted to RMB1,933.6175 million, operating income amounted to RMB1,498.0992 million.

(2) Equity Structure of Strategic Investors

(i) Yangtze Ecology

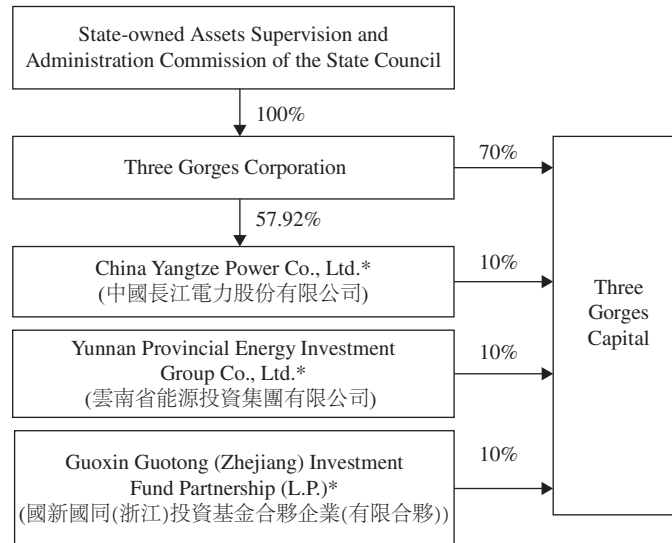
The equity structure of Yangtze Ecology as at the Latest Practicable Date:



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(ii) *Three Gorges Capital*

The equity structure of Three Gorges Capital as at the Latest Practicable Date:



(3) *Strategic Investor Subscription Agreement*

Main terms of the Strategic Investor Subscription Agreement are set out below:

Date: 13 July 2020

Parties: (1) The Company (as the issuer);
(2) Yangtze Ecology (as Subscriber 1);
and
(3) Three Gorges Capital (as Subscriber 2)

(Subscriber 1 and Subscriber 2 collectively referred to as the “**Strategic Investors**”)

Number of A shares to be issued: Subscriber 1 will contribute RMB1 billion to subscribe for 179,856,115 A shares to be issued under the Non-public Issuance of A Shares, accounting for approximately 55.56% of the total number of A shares to be issued under the Non-public Issuance of A Shares.

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Subscriber 2 will contribute RMB0.6 billion to subscribe for 107,913,669 A shares to be issued under the Non-public Issuance of A Shares, accounting for approximately 33.33% of the total number of A shares to be issued under the Non-public Issuance of A Shares.

Subscription price and pricing principle:

The Subscription Price and pricing principle of the Strategic Investor Subscription Agreement and the transaction contemplated thereunder are consistent with the abovementioned Issue Price and pricing principle of the Non-public Issuance of A Shares.

The Subscription Price will be paid in cash.

Conditions precedent:

The Strategic Investor Subscription Agreement shall take effect on the date when all the following conditions precedent are fulfilled:

- (1) The Non-public Issuance of A Shares and the Proposed Introduction of the Strategic Investor Subscription are approved at the Board meeting and the general meetings of Shareholders;
- (2) The competent authorities of the Strategic Investors (as subscribers) approve their subscription pursuant to the Proposed Introduction of the Strategic Investor Subscription in cash;
- (3) The state-owned assets supervision and administration institution (or the state-funded enterprise) approves the Non-public Issuance of A Shares; and
- (4) The Non-public Issuance of A Shares is approved by the CSRC.

The completion of the Strategic Investor Subscription Agreement and the TMICL Subscription Agreement is not inter-conditional on each other.

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Scope of strategic cooperation and goals:

With regard to cooperative project development, in addition to Tianjin, the Company's main sewage treatment projects are concentrated in the Yangtze River Economic Belt, while the Strategic Investors are also the backbone of the "Great Yangtze River Protection Project". The Company and the Strategic Investors shall jointly develop the environmental protection market of the Yangtze River Economic Belt and effectively promote the "Great Yangtze River Protection Project" on the premise of meeting their respective standards and ensuring mutual benefit.

In relation to cooperative project operation, the Company has mature operation experience in domestic water projects, while Yangtze Ecology has a large number of sewage treatment projects in the Yangtze River Economic Belt. Under the market condition, Yangtze Ecology may entrust the Company to operate some of its projects to meet its project operation requirements, while increasing the proportion of the Company's "asset-light" operation business.

With regard to technology research and development, the Company has a powerful research and development center and team, and has strong technical advantages in biological deodorization, biological bacteria preparation, sludge treatment and industrial wastewater. In the future, the parties will carry out in-depth cooperation in the research and development of environmental protection technologies to realize cooperative research and development and technology sharing.

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Regarding enterprise management, the Strategic Investors, as state-owned enterprises, have the international advanced management level. In the future, the Strategic Investors will nominate directors and other executives to the Company, which will help improve the management efficiency of the Company and promote the optimization of its management process.

Strategic cooperation mechanism:

- (1) In order to smoothly promote strategic cooperation, study and solve new issues and problems arising in the cooperation, and explore new ways and means of cooperation, all parties shall establish a high-level contact and meeting mechanism and carry out communication, research and exchanges on market development and cooperation projects on a regular or irregular basis.
- (2) For specific projects, relevant project teams shall be set up to promote strategic cooperation.
- (3) The strategic cooperation matters as set out in the Strategic Investor Subscription Agreement only represent the basic consensus reached by all parties on comprehensive cooperation. For the cooperation in specific projects, the parties shall further negotiate on specific matters of project cooperation and sign relevant contracts and agreements after approval by their respective decision-making bodies.

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Cooperation term:

The respective parties to the Strategic Investor Subscription Agreement have the intention and consensus of long-term cooperation, and the relevant provisions of the Strategic Investor Subscription Agreement relating to strategic investment shall remain in effect for the period when the Strategic Investor holds not less than 1% of the Company's shares.

Arrangement for participation in the Company's operation management:

Upon completion of the subscription of shares under the Non-public Issuance of A Shares by the Strategic Investors in accordance with the Strategic Investor Subscription Agreement, each of the Subscriber 1 and Subscriber 2 shall nominate one director candidate to the Company respectively. The Company shall, within 60 days from the completion of the Non-public Issuance of A Shares, convene a board meeting to supplement (or re-elect) the directors nominated by Subscriber 1 and Subscriber 2, and submit the relevant proposals to the general meeting of the Company for consideration. The Company is obliged to make best effort to procure the consideration and approval of such proposals.

Each of the proposal in relation to (i) the introduction of Yangtze Ecology as the Strategic Investor of the Company by the Company; (ii) the introduction of Three Gorges Capital as the Strategic Investor of the Company by the Company; and (iii) entering into Strategic Investor Subscription Agreement with Strategic Investors by the Company will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM, the A Shareholders' Class Meeting, and the H Shareholders' Class Meeting.

(vii) Proposal in relation to the TMICL Subscription Agreement

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into the TMICL Subscription Agreement with TMICL, pursuant to which TMICL conditionally agreed to subscribe for 35,971,223 A Shares to be issued based on the Non-public Issuance of A Shares at RMB200 million in cash according to the Issue Price, accounting for approximately 11.11% of total number of A shares to be issued under the Non-public Issuance of A Shares.

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1. Main terms of the TMICL Subscription Agreement

Date: 13 July 2020

Parties: (1) The Company (as Issuer); and
(2) TMICL (as Subscriber).

Number of A shares to be issued: TMICL will contribute RMB200 million to subscribe for 35,971,223 A Shares to be issued under the Non-public Issuance of A shares, accounting for approximately 11.11% of the total number of A shares to be issued under the Non-public Issuance of A shares.

Subscription Price and pricing principle: The Subscription Price and the pricing principle of the TMICL Subscription Agreement and the transaction contemplated thereunder shall be consistent with the abovementioned Issue Price and pricing principle of the Non-public Issuance of A Shares.

The Subscription Price will be paid in cash.

The Subscription Price 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.

The adjustment method:

By assuming the issue price before the adjustment as P_0 , the number of bonus Shares or Shares being issued upon transfer to share capital from capital reserve of each share as N , distribution of dividends for each Share/cash dividend distribution as D , the issue price after the adjustment as P_1 , then

Dividends distribution/cash dividend distribution: $P_1 = P_0 - D$

Issue of bonus shares or conversion of capital reserve into share capital: $P_1 = P_0 / (1 + N)$

Combination of the two items: $P_1 = (P_0 - D) / (1 + N)$

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Time of Payment and Payment Method of Subscription Price:	TMICL undertakes that after the Non-public Issuance of A Shares of the Company is approved by the CSRC, it will transfer the Subscription Price to the special account opened by the sponsor (the lead underwriter) for the Non-public Issuance of A Shares on the specific payment date determined by the Company and the sponsor (the lead underwriter). After the completion of capital verification, the sponsor (the lead underwriter) will deduct relevant fees before transferring the Subscription Price to the Company's special deposit account for raised funds.
Share Delivery:	Within 5 working days following the payment of the Subscription Price by TMICL, an audit institution with securities business qualifications should be appointed to verify the TMICL Subscription Price and issue a capital verification report; the Company should, within 10 working days from the date of issuance of the capital verification report, apply to the Shanghai Stock Exchange and the securities registration and settlement agency to go through the procedures for registering new shares under the name of TMICL.
Conditions precedent:	The TMICL Subscription Agreement will take effect on the day when all the following conditions are fulfilled: (1) The Non-public Issuance of A Shares and Proposed TMICL Subscription are approved at the Board meeting and the general meetings of Shareholders; (2) The competent authorities of TMICL (as a subscriber) approve its subscription of the Proposed TMICL Subscription in cash; (3) The Non-public Issuance of A Shares is approved by state-owned assets supervision and administration authority (or state-funded enterprise); and (4) The Non-public Issuance of A Shares is approved by the CSRC. The completion of the Strategic Investor Subscription Agreement and the TMICL Subscription Agreement is not inter-conditional on each other.

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If any of the conditions precedent fails to be fulfilled within 12 months after the TMICL Subscription Agreement is approved by the EGM and upon the expiration of the validity period of the extended EGM resolution, so that the relevant provisions of the TMICL Subscription Agreement cannot become effective and cannot be performed, the TMICL or the Company shall have the right to terminate the TMICL Subscription Agreement by giving a written notice.

As at the Latest Practicable Date, the Company has submitted application for the approval of the Proposed TMICL Subscription to the Tianjin SASAC, but has not yet submitted application for the approval of the Proposed TMICL Subscription to the CSRC. According to applicable laws and regulations in the PRC, the Company will submit application for approval (i) to the Tianjin SASAC after the Board approves the proposed TMICL Subscription, and (ii) to the CSRC after Independent Shareholders approve the proposed TMICL Subscription.

- | | |
|--|---|
| Lock-up period: | Pursuant to the TMICL Subscription Agreement, TMICL shall not transfer the A Shares subscribed under the Non-public Issuance of A Shares within 18 months from the date of completion of the Non-public Issuance of A Shares. |
| Shareholding Period and Withdrawal Arrangements: | TMICL intends to hold the Company's shares for a long term. After the lock-up period expires, if TMICL intends to reduce its shareholding, it shall also abide by the relevant regulations of the CSRC and the stock exchange on reduction of shareholdings by shareholders, and carefully formulate stock reduction plans in accordance with the requirements of Company's business and capital operation. |

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2. Information of the Parties of the TMICL Subscription Agreement

Company

The Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services of sewage water, tap water and other water treatment facilities; design, construction, management, building and operation management of municipal infrastructural facilities; licensed operation, technological consultation and auxiliary services of the Southeastern Half Ring Urban Road of the Middle Ring of Tianjin City; development and operation of environmental protection technologies and environmental protection products and equipment; leasing of self-owned housing, etc.

TMICL

TMICL is the controlling shareholder of the Company. As at the Latest Practicable Date, it directly holds approximately 50.14% equity interest in the Company. TMICL is mainly engaged in the investment, operation and management of commerce, service industry, real estate industry, urban infrastructure, highway facilities and supporting facilities with its own funds; property management; self-owned housing; enterprise management consulting. As at the Latest Practicable Date, TMICL is wholly owned by Tianjin Investment Group, which is principally engaged in investment in development and reconstruction of seas and rivers, construction, operation and management of urban environmental infrastructure and auxiliary projects.

3. Connected Transaction

As at the Latest Practicable Date, TMICL directly holds 715,565,186 shares of A Shares of the Company, representing approximately 50.14% of the Company's total issued share capital. Since TMICL is the controlling shareholder of the Company, it is therefore a connected person of the Company. According to Chapter 14A of the Listing Rules, the Proposed TMICL Subscription constitutes a connected transaction of the Company.

The proposal in relation to the TMICL Subscription Agreement will be submitted to the Independent Shareholders for consideration and approval at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting by special resolution.

(viii) Proposals for the Non-public Issuance of A Shares which constitute connected transactions (as defined in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "Shanghai Listing Rules"))

As at the Latest Practicable Date, TMICL directly holds 715,565,186 A Shares of the Company, representing approximately 50.14% of the Company's total issued share capital. Since TMICL is the controlling shareholder (as defined in Shanghai Listing

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Rules) of the Company, therefore it is a connected person (as defined in Shanghai Listing Rules) of the Company. As such, the Proposed TMICL Subscription constitutes a connected transaction (as defined in Shanghai Listing Rules) of the Company.

Yangtze Ecology and Three Gorges Capital intend to subscribe for 179,856,115 shares and 107,913,669 shares of A Shares under the Company's Non-public Issuance of A Shares, respectively. Yangtze Ecology and Three Gorges Capital shall be interested in approximately 10.27% and approximately 6.16% of the enlarged total issued share capital of the Company after the completion of the Non-public Issuance of A Shares of the Company, respectively. The aforesaid two companies shall act as concerted parties (as defined in Shanghai Listing Rules) and will hold a total of more than 5% of the enlarged total issued share capital of the Company after the completion of Non-public Issuance of A Shares. According to the relevant provisions of the Shanghai Listing Rules, Yangtze Ecology and Three Gorges Capital will become connected persons (as defined in Shanghai Listing Rules) of the Company after the completion of Non-public Issuance of A Shares, and their subscription of A Shares pursuant to the Strategic Investor Subscription Agreement constitutes a connected transaction (as defined in Shanghai Listing Rules) of the Company.

The proposal in relation to the Proposed Introduction of the Strategic Investor Subscription which constitutes connected transaction (as defined in the Shanghai Listing Rules) will be submitted to the Shareholders for consideration and approval at the EGM by ordinary resolution.

The proposal in relation to the Proposed TMICL Subscription which constitutes connected transaction (as defined in the Shanghai Listing Rules) will be submitted to the Independent Shareholders for consideration and approval at the EGM by ordinary resolution.

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Effects of the Non-public Issuance of A Shares on the Shareholding Structure of the Company

As at the Latest Practicable Date, the total issued share capital of the Company is 1,427,228,430 Shares, which comprise 1,087,228,430 A shares and 340,000,000 H shares.

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the completion of the proposed Non-public Issuance of A Shares (assuming that (i) a total of 323,741,007 new A Shares will be issued to TMICL, Yangtze Ecology and Three Gorges Capital under the Non-public Issuance of A Shares, respectively and (ii) there is no other change to the shareholding structure of the Company since the date of the Latest Practicable Date save for the issuance and allotment of A Shares pursuant to the Non-public issuance of A Shares), is set out below:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Non-public Issuance of A Shares	
	Number of shares	Approximate percentage of the total Issued shares (%)	Number of shares	Approximate percentage of the total Issued shares (%)
A Shares				
– TMICL	715,565,186	50.14	751,536,409	42.92
– New A Shareholders under the Non-public Issuance of A Shares:				
Yangtze Ecology	–	–	179,856,115	10.27
Three Gorges Capital	–	–	107,913,669	6.16
– Other A Shareholders	371,663,244	26.04	371,663,244	21.23
H Shares				
Public H Shareholders (Note 1)	340,000,000	23.82	340,000,000	19.42
Total Issued Shares	<u>1,427,228,430</u>	<u>100</u>	<u>1,750,969,437</u>	<u>100</u>

Note:

- Based on the number of A shares and H shares held by public shareholders, the Company will be able to continue to comply with the public float requirements of the Listing Rules upon issuance of A Shares pursuant to the proposed Non-public Issuance of A Shares.

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The shareholding structure of the Company (a) immediately after the completion of the Strategic Investor Subscription Agreement (assuming that (i) a total of 287,769,784 new A shares will be issued to Yangtze Ecology and Three Gorges Capital; (ii) the TMICL Subscription Agreement is not completed and/or does not take effect; and (iii) there is no other change to the shareholding structure of the Company since the date of the Latest Practicable Date save for the issuance and allotment of 287,769,784 new A shares to Yangtze Ecology and Three Gorges Capital pursuant to the Strategic Investor Subscription Agreement); and (b) immediately after the completion of the TMICL Subscription Agreement (assuming that (i) a total of 35,971,223 new A shares will be issued to TMICL; (ii) the Strategic Investor Subscription Agreement is not completed and/or does not take effect; and (iii) there is no other change to the shareholding structure of the Company since the date of the Latest Practicable Date save for the issuance and allotment of 35,971,223 new A shares to TMICL pursuant to the TMICL Subscription Agreement), is set out as below:

Shareholders	Immediately after the completion of the Strategic Investor Subscription Agreement but the TMICL Subscription Agreement is not completed		Immediately after the completion of the TMICL Subscription Agreement but the Strategic Investor Subscription Agreement is not completed	
	Number of shares	Approximate percentage of the total Issued shares (%)	Number of shares	Approximate percentage of the total Issued shares (%)
A Shares				
– TMICL	715,565,186	41.72	751,536,409	51.36
– New A Shareholders under the Non-public Issuance of A Shares:				
Yangtze Ecology	179,856,115	10.49	–	–
Three Gorges Capital	107,913,669	6.29	–	–
– Other A Shareholders	371,663,244	21.67	371,663,244	25.40
H Shares				
Public H Shareholders (Note 2)	340,000,000	19.83	340,000,000	23.24
Total Issued Shares	<u>1,714,998,214</u>	<u>100</u>	<u>1,463,199,653</u>	<u>100</u>

Note:

- Based on the number of A shares and H shares held by public shareholders, the Company will be able to continue to comply with the public float requirements of the Listing Rules upon issuance of A Shares pursuant to the proposed Non-public Issuance of A Shares.

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Fundraising Activities for the Past 12 Months

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

Reasons for and Benefit of the Proposed Non-Public Issuance of A Shares, the Proposed TMICL Subscription and the Proposed Introduction of the Strategic Investor Subscription

(1) To introduce important strategic investors from environmental protection industry and strengthen strategic synergies

In addition to TMICL, the target subscribers for the Non-public Issuance of A Shares are, Yangtze Ecology and Three Gorges Capital. As at the Latest Practicable Date, Yangtze Ecology is a wholly-owned subsidiary of Three Gorges Corporation, and is also the key player of Three Gorges Corporation to carry out the great protection of the Yangtze River. Shouldering the mission of substantially improving the water quality of Yangtze River, Yangtze Ecology is a backbone player in the environmental protection industry. Three Gorges Capital is a professional investment institution controlled by Three Gorges Corporation. Centering on the strategy of the Three Gorges Corporation and shouldering the mission of serving the great protection of the Yangtze River, it is a person acting in concert of Yangtze Ecology.

After the completion of the Non-public Issuance of A Shares, the Company will effectively utilize the industrial background, market channels and other resource advantages of the strategic investors to actively expand its market share and influence, provide the society with efficient and high-quality comprehensive environmental services based on the “Great Yangtze River Protection Plan” and the corporate vision of “returning clear water and sending freshness to the world”, and achieve the development goal of building an ecological civilization in the new era set forth at the 19th National Congress of the CPC.

(2) To keep abreast of the policies and seize market opportunities

Through the Non-public Issuance of A Shares, the Company will enhance its capital reserves and strengthen the flexibility of operation and management, so as to seize the opportunities brought by the rapid development of the industry and the national policies, and to cope with the challenges brought by macroeconomic fluctuations and increasingly fierce competition in the water industry.

(3) To optimize capital structure and alleviate working capital pressure

In recent years, the Company’s business scale continues to expand, and the demand for working capital increases accordingly. The current capital structure of the Company not only restricts the ability of indirect financing, but also exposes the Company to certain financial risks. The Company will raise funds through the

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Non-public Issuance of A Shares to repay the interest-bearing liabilities and supplement working capital. On one hand, it is beneficial for reducing the asset-liability ratio, optimizing the capital structure and reducing the debt repayment risk. On the other hand, it is conducive to further expanding the Company's financial strength, improving its anti-risk ability, financial security level and financial flexibility, and supporting its stable and rapid development.

(4) To boost market confidence

As the controlling shareholder of the Company, TMICL will contribute RMB200 million to subscribe for 35,971,223 A Shares to be issued under the Non-public Issuance of A Shares. Although the scale and amount of subscription for the Proposed TMICL Subscription compared to the scale and amount of subscription from the Strategic Investors pursuant to the Non-public issuance of A shares is relatively small, TMICL's participation in the Proposed TMICL Subscription fully demonstrates the confidence TMICL places in the Company and TMICL's continuous support to the Company's future development, which are conducive to boosting the confidence of the Shareholders and potential investors in the Company.

In addition, as at the Latest Practicable Date, TMICL is interested in approximately 50.14% equity interest of the Company. In the event that the TMICL does not participate in the Proposed TMICL Subscription but completion of the Proposed Strategic Investor Subscription does take place, the shareholding ratio of the TMICL in the Company will decrease from approximately 50.14% to approximately 41.72%, representing a sharp decrease in the shareholdings of TMICL in the Company and will result in compressing the room for subsequent market value management and capital operation.

Furthermore, the Subscription Price of TMICL is consistent with the Subscription Price of the Strategic Investors pursuant to the Non-public Issuance of A Shares, which is in compliance with the relevant existing regulations and provisions of the CSRC. The pricing method in relation to the connected transaction contemplated by the Proposed TMICL Subscription is in line with the common practice of the controlling shareholder of the other listed companies traded on the Shanghai Stock Exchange when participating in the non-public issuance of A shares in the A-share stock market. The terms and conditions of the Proposed TMICL Subscription were agreed after arm's length negotiations between the Company and the TMICL.

The Independent Board Committee, after considering the aforementioned reasons and the advice from Gram Capital, is of the view that the Subscription Price of TMICL and the pricing method pursuant to the Proposed TMICL Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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(ix) Risk Alert on the Dilution of Current Returns due to the Non-Public Issuance of A Shares and the Relevant Remedial Measures

According to provisions in the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), 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 (Guo Ban Fa [2013] No. 110) (《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》(國辦發[2013]110號)), the CSRC Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (Zhong Guo Zheng Quan Jian Du Guan Li Wei Yuan Hui Gong Gao [2015] No. 31) (《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》(中國證券監督管理委員會公告[2015]31號)) and other regulatory documents, in order to protect the interests of small and medium investors, the Company has formulated risk alert and relevant remedial measures regarding the dilution of current returns due to the Non-public Issuance of A shares.

The “Risk Alert on the Dilution of Current Returns due to the Non-Public Issuance of A Shares and the Relevant Remedial Measures”, which was prepared in the Chinese Language, was disclosed on the overseas regulatory announcement of the Company dated 13 July 2020. The full text of the English translation of “Risk Alert on the Dilution of Current Returns due to the Non-public Issuance of A Shares” is set out in Appendix IV of this circular.

Such risk alert and measures will be submitted, by way of special resolution, for the Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

(x) Undertakings by relevant entities to the remedial measures on dilution of current returns of the Company

According to provisions in the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), 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 (Guo Ban Fa [2013] No. 110) (《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》(國辦發[2013]110號)), the CSRC Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (Zhong Guo Zheng Jian Hui Gong Gao [2015] No. 31) (《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》(中國證監會公告[2015]31號)) and other regulatory documents, as the relevant responsible entity, the Company’s Directors, senior managements, controlling shareholders and indirect controlling shareholders have made commitments for the effective fulfillment of remedial measures taken for the dilution of current returns due to the Non-public Issuance of A Shares.

LETTER FROM THE BOARD

The Directors and senior managements of the Company have made the following commitments to effectively fulfill the Company's remedial measures on dilution of current returns:

1. Commit not to deliver benefits to other units or individuals with no consideration or under unfair conditions, or to harm the interests of the Company or Shareholders in other ways;
2. Commit to restrain the behavior of personal consumption in relation to their duty;
3. Commit not to use the Company's assets to engage in investment and consumption activities that are not related to their duty performance;
4. Commit that the remuneration system established by the Board or the remuneration and evaluation committee will be combined with the implementation of measures of compensating for the current return dilution of the Company; and
5. Commit that the exercise conditions of the proposed equity incentive plan will be combined with the implementation of measures of compensating for the current return dilution of the Company if the Company implements equity incentives in the future.

To effectively fulfill the Company's remedial measures on dilution of current return, the controlling shareholder and indirect controlling shareholder of the Company have committed not to interfere with the Company's operation and management activities and will not encroach on the Company's interests.

Commitment of the relevant entity to the Company's effective implementation of remedial measures on dilution of current return of the Company will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

LETTER FROM THE BOARD

(xi) Proposal in relation to the authorization granted 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) (including chairman, general manager, secretary to the Board and the chief accountant of the Company) 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;
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

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accordingly and continue to handle the non-public 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;
10. To make application to the CSRC for termination of this Non-public Issuance of A Shares and withdraw application materials in accordance with the changes of laws, regulations and the policies of the securities regulatory authorities on non-public issuance of A shares and changes of market conditions; and
11. 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 at the EGM.

The proposal to authorize the Board and its authorized person(s) to handle all matters relating to the proposed Non-public Issuance of A Shares within the scope of relevant laws and regulations will be submitted to Shareholders for consideration and approval at the EGM by special resolution.

LETTER FROM THE BOARD

III. AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE SHAREHOLDERS MEETING RULES

After the completion of issuance of the new A shares under the Non-public Issuance of A shares, the shareholding structure of the Company will change. Therefore, the Articles of Association will need to be amended to reflect the relevant changes. The Board intends to seek the Shareholders' approval at the EGM to authorize the Board or its authorized representatives to make corresponding amendments to the relevant articles of the Articles of Association according to the results of the Non-public Issuance of A Shares.

On 19 August 2020, the Board received temporary motion from TMICL, the controlling shareholder of the Company, requesting the Board to table the resolutions regarding the proposed amendments to the Articles of Association and the Shareholders Meeting Rules for consideration at the EGM. On the same day, the Company convened the 35th meeting of the eighth session of the Board, to consider and approve, among other things, the resolutions regarding the proposed amendment to the Articles of Association and the Shareholders Meeting Rules, and approved that a special resolution will be proposed at the EGM to consider and approve the amendment to the Articles of Association and an ordinary resolution will be proposed at the EGM to consider and approve the amendment to the Shareholders Meeting Rules.

According to Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019]97號)), the requirements on the notice period of the general meeting, shareholders' proposal right and convening procedures for joint stock companies incorporated in the PRC and listed overseas shall be governed by the relevant provisions under the Company Law of the PRC, instead of the provisions under the Articles 20 to 22 of the Special Provisions of the State Council on Overseas Share Raising and Listing of Joint Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》). Taking into account relevant requirements of regulatory authority and the Company's actual situation, and according to the latest revised requirements of the Company Law of the PRC, the Securities Law of the PRC and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC, the Board considered and approved the amendment to the existing Articles of Association on a prudent, appropriate and necessary basis.

According to relevant regulations in the Company Law of the PRC, terms of the current proposed amendment to the Articles of Association and the actual situation of the Company, the Board considered and approved the amendment to the existing Shareholders Meeting Rules.

The proposed amendment to the Articles of Association are set out in the Appendix VI to this circular. The proposed amendment to the Shareholders Meeting Rules are set out in the Appendix VII to this circular.

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The existing chapters, articles and cross-referenced articles will be renumbered and adjusted accordingly upon the proposed amendments to the articles of the Articles of Association and the Shareholders Meeting Rules. The English versions of the proposed amendments to the Articles of Association and the Shareholders Meeting Rules are unofficial translation of their respective Chinese versions. In the event of any inconsistency, the Chinese versions shall prevail.

The proposed amendment to the Articles of Association is subject to the approval of the Shareholders at the EGM by way of special resolution. The proposed amendment to the Shareholders Meeting Rules is subject to the approval of the Shareholders at the EGM by way of ordinary resolution.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, TMICL directly holds 715,565,186 shares of A Shares of the Company, representing approximately 50.14% of the Company's total issued share capital. Since TMICL is the controlling shareholder of the Company, it is therefore a connected person of the Company. According to Chapter 14A of the Listing Rules, the Proposed TMICL Subscription constitutes a connected transaction of the Company, therefore the Company shall comply with the relevant reporting, announcement and Independent Shareholders' approval requirements.

Mr. Liu Yujun, an executive Director of the Company and Mr. Gu Wenhui, Mr. Han Wei and Mr. Si Xiaolong, non-executive Directors of the Company, are related to Tianjin Investment Group and TMICL and are deemed to be unable to independently advise the Board on the Non-public Issuance of A Shares and the Proposed TMICL Subscription. Therefore, they have abstained from voting on the approval of the Non-public Issuance of A Shares and the Proposed TMICL Subscription at the Board meeting. Save as aforesaid, no other Directors have material interests in the proposed Non-public Issuance of A Shares and the Proposed TMICL Subscription, therefore no other Directors have abstained from voting on the relevant board resolutions.

The Specific Mandate is sought from the Independent Shareholders as required under Rule 13.36 of the Listing Rules, as modified by Chapter 19A of the Listing Rules.

V. EGM AND CLASS MEETINGS

The EGM and Class Meetings will be convened to consider and approve, as appropriate, (among others) (i) the Non-public Issuance of A Shares; (ii) the Proposed TMICL Subscription; (iii) the Proposed Introduction of the Strategic Investor Subscription; (iv) the Specific Mandate; and (v) the proposed adoption of the Shareholders' Return Plan.

LETTER FROM THE BOARD

The EGM will be held at 2:00 p.m. on 7 September 2020 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 and supplemental notice of the EGM are set out on pages EGM-1 to EGM-5 and pages SEGM-1 to SEGM-2 to this circular respectively. At the EGM, voting of the Shareholders will be conducted by way of poll.

The H Shareholders' Class Meeting will be held at 3:00 p.m. (or immediately after the A Shareholders' Class Meeting) on 7 September 2020 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 HCM-1 to HCM-3 to this circular. At the H Shareholders' Class Meeting, voting of the H Shareholders will be conducted by way of poll.

Whether or not you intend to attend the meetings in person, you are requested to complete the 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.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the Shareholders' Meeting must be conducted by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The announcement of the voting results will be issued by the Company in the manner specified in Rule 13.39(5) of the Listing Rules after the EGM and the H Shareholders' Class Meeting.

TMICL, which directly holds 715,565,186 A Shares, representing approximately 50.14% of the total issued share capital of the Company as at the Latest Practicable Date, has material interest in the Non-public Issuance of A Shares and the Proposed TMICL Subscription, hence is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM and Class Meetings in relation to the Non-public Issuance of A Shares and the Proposed TMICL Subscription. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Non-public Issuance of A Shares and the Proposed TMICL Subscription, and therefore no other Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

VI. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee contained on pages 40 to 41 of this circular, containing its recommendation of the Proposed TMICL Subscription; and (ii) letter from Gram Capital to the Independent Board Committee and Independent Shareholders contained on pages 42 to 56 of this circular, containing its recommendation on the Proposed TMICL Subscription. The Independent Board Committee, after considering the advice from Gram Capital, is of the view that while the Proposed TMICL

LETTER FROM THE BOARD

Subscription, though not in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meetings to approve the proposed Non-public Issuance of A Shares and the Proposed TMICL Subscription.

In addition, the Directors consider that the proposed amendments to the Articles of Association and the Shareholders Meeting Rules 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 relevant resolutions to be proposed at the EGM.

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 or this circular misleading.

VIII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board of
TIANJIN CAPITAL
ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
Liu Yujun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

21 August 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED TMICL SUBSCRIPTION

We refer to the circular of the Company dated 21 August 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed TMICL Subscription, details of which are set out in the “Letter from the Board” in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 6 to 39 of the Circular, the “Letter from Gram Capital” set out on pages 42 to 56 of the Circular and the additional information set out in the appendices of the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, Gram Capital as set out in the “Letter from Gram Capital” in the Circular, we concur with the view of Gram Capital and consider that the Proposed TMICL Subscription, though not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole, and the terms of the Proposed TMICL Subscription are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the Proposed TMICL Subscription.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Guo Yongqing, Mr. Wang Xiangfei and Mr. Di Xiaofeng

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed TMICL Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 August 2020

*To: The independent board committee and the independent shareholders of
Tianjin Capital Environmental Protection Group Company Limited*

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed TMICL Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 August 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

At the Board meeting held on 13 July 2020, the Board has approved the proposed issuance of 323,741,007 new A shares (inclusive) to 3 specific target investors (including TMICL). It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive). The Non-public Issuance of A shares will be issued under the Specific Mandate.

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into the TMICL Subscription Agreement with TMICL, pursuant to which TMICL conditionally agreed to subscribe for 35,971,223 A Shares to be issued based on the Non-public Issuance of A Shares at RMB200 million according to the Issue Price, accounting for approximately 11.11% of the total number of A Shares to be issued under the Non-public Issuance of A Shares.

With reference to Board Letter, the Proposed TMICL Subscription constitutes a connected transaction and is subject to the reporting, announcement and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Di Xiaofeng, Mr. Guo Yongqing, Mr. Wang Xiangfei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed TMICL Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed TMICL Subscription is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Proposed TMICL Subscription at the EGM and the Class Meetings. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Non-public Issuance of A Shares. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 enquires, confirm that to the best of their knowledge and belief, the information contained in the 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, TMICL, Yangtze Ecology and Three Gorges Capital or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-public Issuance of A Shares. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest

LETTER FROM GRAM CAPITAL

Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any A Shares or H Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed TMICL Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the Proposed TMICL Subscription

Business overview of the Group

With reference of the Board Letter, the Company is principally engaged in the investment, construction, design, management, operation, technical consultation and auxiliary services of sewage water, tap water and other water treatment facilities; design, construction, management, building and operation management of municipal infrastructural facilities; licensed operation, technological consultation and auxiliary services of the Southeastern Half Ring Urban Road of the Middle Ring of Tianjin City; development and operation of environmental protection technologies and environmental protection products and equipment; leasing of self-owned housing, etc..

Set out below is a summary of the audited consolidated financial information of the Group (which was prepared in accordance with PRC Accounting Standards for Business Enterprises) for the two years ended 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”):

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	Change from 2018 to 2019 %
Revenue	2,851,453	2,447,515	16.50
Net profit attributable to equity owners of the Company	507,107	501,168	1.19

LETTER FROM GRAM CAPITAL

	As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>	Change from 2018 to 2019 %
Total owners' equity	7,142,187	6,614,967	7.97
Cash at bank and on hand	2,079,613	1,826,201	13.88

As depicted by the above table, the Group recorded revenue of approximately RMB2,851.45 million for the year ended 31 December 2019 (“FY2019”), representing an increase of approximately 16.50% as compared to that for the year ended 31 December 2018 (“FY2018”). With reference to the Annual Report, such increase was mainly due to the increase in sewage treatment of existing projects and the price adjustment of the sewage projects covering the urban area of Tianjin, which increased the operating revenue. The net profit attributable to equity owners of the Company amounted to approximately RMB507.11 million for FY2019, representing an increase of approximately 1.19% as compared to that for FY2018.

With reference to the Annual Report, in respect of business development, the Company not only continues to consolidate its core business focusing on wastewater treatment, but also actively expands other promising businesses such as solid waste disposal, new energy and environmental protection and technology, and explores emerging businesses such as environmental restoration and environmental monitoring. In addition, the Company focuses on key links in the business industry chain such as pharmaceutical production and high-end environmental protection equipment manufacturing, to further build the comprehensive environmental service capabilities.

Information on TMICL

With reference to the Board Letter, TMICL is the controlling Shareholder. TMICL is mainly engaged in the investment, operation and management of commerce, service industry, real estate industry, urban infrastructure, highway facilities and supporting facilities with its own funds; property management; leasing of self-owned housing; and enterprise management consulting.

Financing alternatives available to the Group

With reference to the Board Letter, the Company did not conduct any equity fund raising activities involving the issuance of equity securities in the 12 months preceding the Latest Practicable Date.

LETTER FROM GRAM CAPITAL

Upon our enquiry with the Directors, we understand that the Directors have considered various fund raising methods such as debt financing (including convertible bonds) and equity financing (such as rights issue, public issuance and non-public issuance of A Shares and H Shares) for the Group in Hong Kong capital market and/or the PRC capital market.

In relation to debt financing, the Directors consider that the debt financing may increase the financing cost of the Company by way of interest payment, and increase the repayment liabilities of the Company. The Company does not prefer to further increase the Group's gearing level and create additional debt liabilities to the Group. Therefore, debt financing is considered to be less preferable for the Group at present.

In relation to equity financing:

- the rights issue is targeted at the Company's existing Shareholders and shall be implemented to the holders of A Shares and H Shares simultaneously at the same price. The average closing price of A Shares during the recent 12 months immediately before the date of the A Share issuance plan represented a premium of more than 100% over the average closing price of H Shares during the same period. Given the significant premium of the price of A Shares over the price of H Shares during the recent 12 months immediately before the date of the A Share issuance plan and the capital market environment of Hong Kong and the PRC are different, it is not practical to determine a price suitable for both classes of Shares, and thus the Company did not consider rights issue as an appropriate fund raising method for the Group.
- the public issuance is the issuance of shares to unspecific investors. As advised by the Directors, it was uncommon for listed issuers to conduct equity fund raising by way of public issuance. Based on research, there were only two transactions in respect of equity fund raising by way of public issuance of A shares by companies listed on mainboard of Shanghai Stock Exchange from 1 January 2019 to 30 June 2020.
- As there is a significant premium of the price of A Shares over the price of H Shares, should the Company conduct a fund raising exercise by issuance of new H Shares with proceeds of RMB1.8 billion, assuming that an equivalent pricing basis is adopted to determine the benchmark price for the H Share issuance (that is, being 80% of the average trading price of the H Shares during the 20 trading days immediately preceding the Price Determination Date), the number of H Shares to be issued will be significantly more than that required under the Non-public Issuance of A Shares, which will lead to a much greater dilution on the shareholding of the existing shareholders.

LETTER FROM GRAM CAPITAL

The Directors also advised us that it will be more convenient for the Company to issue new A Shares to obtain the funding directly in RMB as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB.

Having considered the above, the Directors are of the opinion that the Non-public Issuance of A Shares, including the Proposed TMICL Subscription, is an appropriate fund raising method for the Group.

Reasons for and benefits of the A Shares Subscription and the use of proceeds

With reference to the Board Letter, reasons for and benefit of the Proposed Non-public Issuance of A Shares included (i) the introduction of important strategic investors from environmental protection industry and the strengthening of strategic synergies; (ii) keeping abreast of the policies and seizing market opportunities; (iii) optimizing capital structure and alleviating working capital pressure; and (iv) boosting market confidence. We discussed with the Directors and understood that the TMICL's, as the controlling Shareholder, participation in the Non-public Issuance of A Shares will demonstrate its confidence in the prospects of the Company.

The number of A shares to be issued under the Non-public Issuance of A Shares will be 323,741,007 A Shares (inclusive), being approximately 22.68% of the Company's total share capital of 1,427,228,430 shares before the issuance. According to the 《發行監管問答 – 關於引導規範上市公司融資行為的監管要求(修訂版)》(Q&A on Issuance Supervision-Requirements for the Guidance and Standardisation of Fundraising Activities of Listed Companies (Revised)*, the “2020 Q&A”) promogulated by CSRC on 14 February 2020, the number of new shares to be issued by way of non-public issuance will, in principle, not be more than 30% of the company's total share capital before the issuance.

Furthermore, with reference to the Board Letter, it is expected that the gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB1.8 billion (inclusive). After deducting the issuance costs, all proceeds are proposed to be used in repayment of interest-bearing liabilities and supplement of the Company's working capital.

To assess the reasonableness of the proposed use of proceeds, we performed following analyses:

- According to the 2020 Q&A, among other things, it is allowed to apply all proceeds from non-public issuance with identified investors by the board for the purpose of supplement of listed company's working capital and repayment of debt.

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- According to the 2019 Annual Report, the Group's total project budget for six projects amounted to approximately RMB2.7 billion, with accumulated and actual investment amount of approximately RMB1.1 billion. Therefore, approximately RMB1.6 billion will be further invested according to the Group's total project budget. As at 31 December 2019, the Group had cash at bank and on hand of approximately RMB2.1 billion and total borrowings of approximately RMB6.1 billion.

As at 31 March 2020, the Company's asset-liability ratio (i.e. approximately 60.4%) was higher than the average level (i.e. average asset-liability ratio was approximately 50.5%) of that of other companies (listed in Shanghai Stock Exchange or Shenzhen Stock Exchange) operating in similar industry (i.e. water treatment).

As advised by the Directors, by reducing its asset-liability ratio, the Non-public Issuance of A Shares will help the Company optimise its capital structure and reduce financial risks, thereby improving the Company's capacity to resist risks and the ability to obtain future financing.

- As disclosed under the section headed "Comparison of the issue price of non-public issuance of A shares" in this letter, we identified 14 Comparables and they are exhaustive. According to the Comparables, it is not uncommon for the listed companies to apply all proceeds for the supplement of working capital and repayment of debt.

Having considered that (i) the proposed use of proceeds were in compliance with relevant regulations of CSRC; (ii) by reducing its asset-liability ratio, the Non-public Issuance of A Shares will help the Company optimise its capital structure and reduce financial risks, thereby improving the Company's capacity to resist risks and the ability to obtain future financing; and (iii) it is not uncommon for the listed companies to apply all proceeds for the supplement of working capital and repayment of debt, we are of the view that the proposed use of proceeds from Non-public Issuance of A Shares to be reasonable.

Having also considered that (i) the Non-public Issuance of A Shares, including the Proposed TMICL Subscription, is an appropriate fund raising method currently available to the Group due to the reasons as set forth under the sub-section headed "Financing alternatives available to the Group" above; (ii) the proposed use of proceeds from Non-public Issuance of A Shares to be reasonable; and (iii) the TMICL's, as the controlling Shareholder, participation in the Non-public Issuance of A Shares will demonstrate its confidence in the prospects of the Company, we consider that although the Proposed TMICL Subscription is not conducted in the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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(2) Principal terms of the Proposed TMICL Subscription

The table below summarises the principal terms of the TMICL Subscription Agreement (details of which are set out under the section headed “Main terms of the TMICL Subscription Agreement” in the Board Letter:

Date

13 July 2020

Parties

- (1) The Company as the Issuer; and
- (2) TMICL as the Subscriber.

Subscription Price and pricing principles

With reference to the Board Letter, the Subscription Price and the pricing principle shall be consistent with the Issue Price and pricing principle of the Non-public Issuance of A Shares.

The Price Determination Date for the Non-public Issuance of A Shares is the date of the announcement of the Board resolutions approving the Non-public Issuance of A Shares passed at the 32nd meeting of the 8th session of the Board (i.e 14 July 2020).

With reference to the Board Letter, the Issue Price of Non-public Issuance of A Shares is RMB5.56/share, and the price is not lower than 80% of the average trading price of the Company’s A shares over the 20 trading days preceding the Price Determination Date (the average trading price of the A Shares of the Company 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)^(Note).

The Subscription 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.

Note: The adjustment as a result of the distribution of the final dividend of RMB0.107 per A Share for the financial year of 2019 has been taken into account in the process of calculating the average trading price.

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The Subscription Price represents:

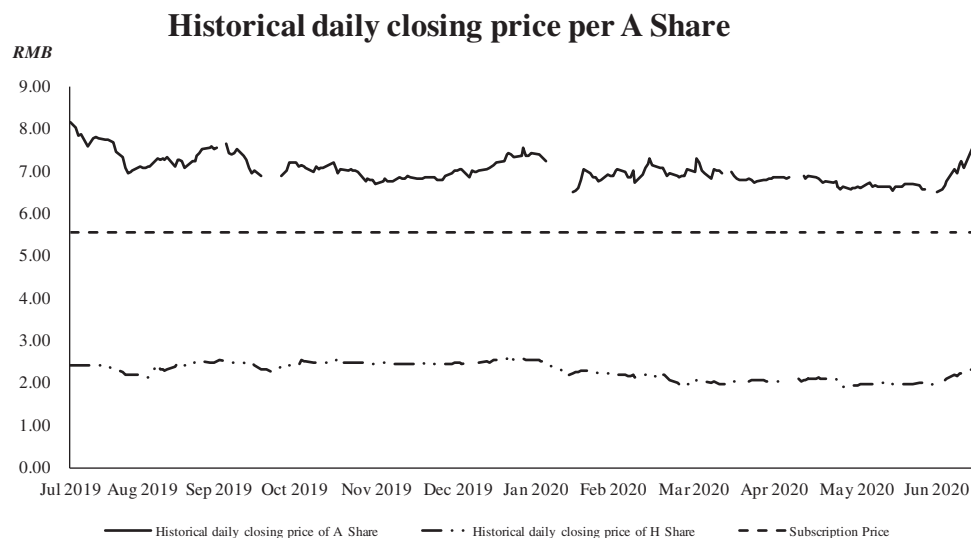
- (a) a discount of approximately 25.7% to the closing price of RMB7.48 per A Share as at the Latest Practicable Date;
- (b) a discount of approximately 26.1% (the “**LTD Discount**”) to the closing price of RMB7.52 per A Share as quoted on Shanghai Stock Exchange on 13 July 2020, being the last trading day of A Shares preceding the Price Determination Date (the “**Last Trading Day**”);
- (c) a discount of approximately 24.7% to the trading price of approximately RMB7.38 per A Share on the Last Trading Day;
- (d) a discount of approximately 18.2% to the average closing price of approximately RMB6.80 per A Share for the last 20 trading days preceding the Price Determination Date (after taking into account of the distribution of final dividend for FY2019);
- (e) a discount of 20.0% (the “**20-day Discount**”) to the average trading price of approximately RMB6.95 per A Share for the last 20 trading days preceding the Price Determination Date (after taking into account of the distribution of final dividend for FY2019); and
- (f) a premium of approximately 28.5% over the audited consolidated net asset value attributable to equity owners of the Company per Share of approximately RMB4.326 as at 31 December 2019, based on the total number of issued Shares as at 31 December 2019.

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To assess the fairness and reasonableness of the Subscription Price, we took into account the following factors:

Review of A-Shares price

The diagram demonstrating the daily closing price of the A Shares as quoted from Bloomberg during the period commencing from 14 July 2019 up to and including the date of TMICL Subscription Agreement (the “**Review Period**”), being one year period prior to and including the date of TMICL Subscription Agreement, which is commonly used for analysis purpose. The comparison of closing price of the A Shares and the Subscription Price are illustrated as follows (the daily closing price of H Shares (presented in RMB equivalent based on the exchange rate of HK\$1:RMB0.90257) as quoted from Bloomberg is also included for reference):



Notes:

1. Trading dates of the A Shares may vary from those of the H Shares.
2. Closing prices of the A Shares and H Shares during 14 July 2019 to 9 July 2020 (both days inclusive) was adjusted after taking into account of final dividend for FY2019 (RMB0.107 per A Share or HK\$0. 116753 per H Share)

During the Review Period, the A Shares were traded with closing prices in the range of approximately RMB6.49 to RMB8.14 per A Share. The Issue Price falls below the closing prices of the A Shares during the Review Period, but it represents significant premiums over the daily closing price of the H Shares in RMB equivalent during the Review Period.

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Comparison of the issue price of non-public issuance of A shares

To further assess the fairness and reasonableness of the Issue Price, we further identified transactions (the “**Comparable Transactions**”) regarding non-public issuance of A shares by companies listed on the main board of both Shanghai Stock Exchange (which are not involving in delisting risk caution or other risks caution raised by Shanghai Stock Exchange) and the Stock Exchange as first announced since 14 May 2020, being approximately two months immediately before the date of the TMICL Subscription Agreement, and up to and including the date of TMICL Subscription Agreement, for comparison purpose. We noted from the Comparable Transactions that the issue price may or may not be fixed as at the date of the relevant announcement regarding the non-public issuance of A shares. Having considered that the Issue Price was fixed under the Non-public Issuance of A Shares, we selected the Comparable Transactions with fixed issue price under the non-public issuance proposal for comparison purpose. However, we did not find any transactions which met the aforesaid criteria. For this reason, we relaxed our selection criteria from “companies listed on the mainboards of both Shanghai Stock Exchange and the Stock Exchange” to “companies listed on the mainboard of Shanghai Stock Exchange”. We identified 14 transactions which met our aforesaid criteria (the “**Comparables**”) and they are exhaustive. Despite that the businesses, operations and prospects of the Company are not exactly the same as the Comparables, the Comparables are adequate and appropriate to demonstrate the market practices regarding non-public issuance of A shares by companies listed on main board of Shanghai Stock Exchange.

Company	Publication date of announcement	Discount of the issue price to closing price as at the last trading day preceding the price determination date (Note 1)	Discount of the issue price to the 20-day average trading price preceding the price determination date (Note 1 & 2)	% of proceeds to the total proceeds to be utilized for general working capital and repayment of debt	Whether the subscriber(s) is/are the listed companies' substantial shareholder(s)/ controlling shareholder(s) or their ultimate beneficial owner
Hoshine Silicon Industry Co., Ltd. (SH603260)	19 May 2020	(22.8)	(20.0)	100%	Yes
Huida Sanitary Ware Co., Ltd. (SH603385)	21 May 2020	(30.4)	(19.4)	100%	Yes
Tederic Machinery Co., LTD (SH603289)	22 May 2020	(23.2)	(19.9)	100%	Yes
Deppon Logistics Co., Ltd. (SH603056)	25 May 2020	(22.2)	(14.6)	Nil	No
Xinjiang Xuefeng Sci-Tech (Group) Co., Ltd. (SH603227)	1 June 2020	(18.0)	(19.9)	100%	Yes
Tsinghua Tongfang Co., Ltd (SH600100)	1 June 2020	(6.6)	(10.0)	100%	Yes

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Company	Publication date of announcement	Discount of the issue price to closing price as at the last trading day preceding the price determination date (Note 1)	Discount of the issue price to the 20-day average trading price preceding the price determination date (Note 1 & 2)	% of proceeds to the total proceeds to be utilized for general working capital and repayment of debt	Whether the subscriber(s) is/are the listed companies' substantial shareholder(s)/ controlling shareholder(s) or their ultimate beneficial owner
Zhe Jiang Taihua New Material Co., Ltd. (SH603055)	8 June 2020	(23.7)	(20.0)	100%	Yes
Ningbo Shanshan Co., Ltd. (SH600884)	10 June 2020	(25.6)	(19.9)	Nil	Yes
CTS International Logistics Corporation Limited (SH603128)	20 June 2020	(23.2)	(20.0)	100%	No
Laobaixing Pharmacy Chain JSC (SH603883)	23 June 2020	(28.9)	(20.0)	100%	No
Aeolus Tyre Co., Ltd. (SH600469)	30 June 2020	(16.1)	(20.0)	100%	Yes
Jinagsu Lugang Culture Co., Ltd. (SH601599)	11 July 2020	(29.8)	(19.7)	100%	Yes (Note 3)
Joicare Pharmaceutical Group Industry Co., Ltd. (SH600380)	13 July 2020	(23.2)	(19.5)	100%	No
Taiyuan Heavy Industry Co., Ltd. (SH600169)	13 July 2020	(22.5)	(19.8)	100%	Yes
Minimum discount		(6.6)	(10.0)		
Maximum discount		(30.4)	(20.0)		
The Company	14 July 2020	(26.1)	(20.0)	100%	Yes

Notes:

- The price determination date is the respective date of announcement of the board resolutions relating to the non-public issuance of A shares.
- the 20-day average trading price immediately preceding the price determination date was calculated by “the total turnover of A shares over the 20 trading days preceding the price determination date and further adjusted according to any dividend distributed during the 20-day period” divided by “the total trading volume of A shares over the 20 trading days preceding the price determination date”, rounded up to two decimal places.
- According to the proposal, (i) the company’s controlling shareholder (as defined in 《上市公司章程指引》 (Guidance of Listed Companies Articles*) issued by CSRC) changed from Mr. Qian Wenlong to the subscriber following the entering into 《表決權委託協議》 (Voting Rights Delegation Agreement*) and 《投資框架協議》 (Investment Framework Agreement*) among relevant parties; (ii) the subscriber had voting rights of 18.64% of the company’s shares. Please refer to the company’s proposal and announcement which were published on 11 July 2020 for details.

LETTER FROM GRAM CAPITAL

As shown by the above table, the issue prices of the Comparables ranged from (i) a discount of approximately 6.6% to a discount of approximately 30.4% to the respective closing prices of their shares preceding their respective price determination date; and (ii) a discount of approximately 10.0% to a discount of approximately 20.0% to the respective 20-day average trading price of their shares immediately preceding their respective price determination date (the “**Market Ranges**”). The LTD Discount and the 20-day Discount are thus within the aforesaid Market Ranges.

As further advised by the Directors, the Issue/Subscription Price and their determination basis were in compliance with 《上市公司證券發行管理辦法》(Measures for Administration of the Issue of Securities by Listed Companies*) and 《上市公司非公開發行股票實施細則》(the Detailed Implementing Rules for the Non-Public Offering of Stocks of Listed Companies*) issued by CSRC (collectively, the “**Measures**”). According to the Measures:

- the issue price shall not be lower than 80% of the average trading price for the period of last 20 trading days preceding the price determination date.
- price determination date is defined as the first day of the issuance period (發行期). However, price determination date could also be (i) the date of announcement of the board resolutions relating to the non-public issuance; (ii) the date of announcement of the shareholders’ resolutions relating to the non-public share issuance; or (iii) the first day of the issuance period (發行期), subject to a 18-month lock-up period commencing from the completion of issuance and in the event that the subscriber is (a) the listed companies’ controlling shareholder, beneficial owner, or their controlled connected person; (b) an investor who obtain the controlling power upon the completion of the issuance; or (c) an oversea or domestic strategic investor as introduced by the board of the company.

For our due diligence purpose, the Directors provided the calculation of the Issue Price/Subscription Price. According to the calculation and as mentioned above, the Issue Price/Subscription Price represented 80% to the average trading price (which was further adjusted as a result of the distribution of final dividend of RMB0.107 per A Share for FY2019 and rounded up to two decimal places) of the Company’s A shares over the 20 trading days preceding the Price Determination Date. Upon our further enquiry, the Directors, after seeking confirmation from the Company’s sponsor (保薦機構), confirmed that the aforesaid pricing basis (including the adjustment as a result of the distribution of final dividend for FY2019) was in compliance with relevant measures.

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Despite that the Subscription Price falls below the range of the daily closing price of the A Shares during the Review Period, having considered that (i) the Subscription Price represents significant premiums over the daily closing price of the H Shares denominated in RMB equivalent during the Review Period; (ii) the LTD Discount and the 20-day Discount are within the aforesaid Market Ranges; and (iii) the Subscription Price under the TMICL Subscription Agreement were the same as the Subscription Price under the Strategic Investor Subscription Agreements and the Issue Price, we consider that the Subscription Price is fair and reasonable.

Lock-up period

Pursuant to the TMICL Subscription Agreement, TMICL shall not transfer the A Shares subscribed under the Non-public Issuance of A Shares within 18 months from the date of completion of the Non-public Issuance of A Shares.

Due to the fact that the Directors selected the date of announcement of the board resolutions relating to the non-public issuance as the Price Determination Date, the lock-up period should be 18 months commencing from the completion of issuance.

In addition, the lock-up period would limit the immediate negative impact of the Non-public Issuance of A Shares on the market price of the A Shares (i.e. disposal of large block of A Shares held by the specific target investors in the open market may trigger price slump of the A Shares).

Having considered that (i) the lock-up arrangement is required by relevant PRC regulation; and (ii) the lock-up would limit the immediate negative impact of the Non-public Issuance of A Shares on the market price of the A Shares, we consider that such arrangement is on normal commercial term and fair and reasonable.

Having considered the above, we are of the view that the terms of the Proposed TMICL Subscription are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the sub-section headed “Effects of the Non-public Issuance of A Shares on the Shareholding Structure of the Company” of the Board Letter, the shareholding interests of the existing public Shareholders (including all of the public A Shareholders and H Shareholders) in the Company would be diluted by approximately 9.21 percent points immediately after completion of the Non-public Issuance of A Shares. Nonetheless, in view of (i) the reasons for and the possible benefits of the Non-public Issuance of A Shares; (ii) the terms of the Proposed TMICL Subscription being fair and reasonable; and (iii) our assessment and independent work done on point (i) and (ii) as mentioned above, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed TMICL Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed TMICL Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM and the Class Meetings to approve the Proposed TMICL Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purposes only*

A-share stock code: 600874
H-share stock code: 1065

A-share abbreviation: Capital Environmental Protection
H-share abbreviation: Tianjin Capital



Tianjin Capital Environmental Protection
Group Company Limited

Plan for Non-public Issuance of A-shares in 2020

July 2020

Company Statement

1. The Company and all members of the board of directors warrant that the contents of the Plan are true, accurate and complete and that there is no false and misleading statement or material omission herein, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the contents herein.
2. Upon the completion of the non-public issuance, the Company shall be responsible for any change to its operation and revenue, while the investment risks caused by the non-public issuance shall be borne by the investors.
3. The Plan is the statement of the Board of Directors on the non-public issuance. Any statement to the contrary is a misrepresentation.
4. Investors should consult their own stockbroker, lawyer, professional accountant or other professional consultant if in doubt.
5. The items mentioned in this plan do not represent the substantive judgment, confirmation or approval of the approving authorities on the issues related to the non-public issuance. The entry into force and completion of the matters related to the non-public issuance mentioned in the Plan are still subject to the approval or authorization of the relevant approving authorities.

IMPORTANT

1. The Plan for Non-public Issuance of Tianjin Capital Environmental Protection Group Company Limited has been deliberated and approved at the thirty-second meeting of the eighth Board of Directors held on July 13, 2020, and is still subject to the approval of Tianjin State-owned Assets Supervision and Administration Commission, the general meeting of the Company and China Securities Regulatory Commission.
2. The non-public issuance is intended for 3 target subscribers: Yangtze Ecology, Three Gorges Capital, and Tianjin Municipal Investment, complying with the provision of the CSRC that the number of target subscribers for non-public issuance shall not exceed 35. The target subscribers shall subscribe for the shares of the issuer offered through this non-public issuance in cash. The target subscribers have signed the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Conditional Agreement for Subscription of Shares Offered through Private Placement with the Company.
3. The pricing benchmark date for the offering shall be the announcement date of the Board of Directors for the non-public issuance. The offering price is RMB5.56/share and shall not be less than 80% of the Company's average stock trading price on the 20 trading days before the price determination date (average stock trading price on the 20 trading days before the price determination date = total stock trading volume of the Company on the 20 trading days before the price determination (date/total stock trading volume of the Company on the 20 trading days before the price determination date)).
4. The number of shares offered through the non-public issuance shall be calculated by dividing the total amount of funds raised through the non-public issuance by the final offering price, with the remainder of less than 1 share discarded, and the number of shares issued shall not exceed 30% of the total capital of the Company prior to the non-public issuance, that is, no more than 428,168,529 shares (inclusive of 428,168,529 shares). The number of shares offered through the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance. The final offering quantity shall be determined by the board of directors of the issuer or the authorized person of the board of directors authorized by the general meeting and the sponsor (lead underwriter) of this offering according to the offering plan approved by the CSRC and the authorization of the general meeting. According to the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-

APPENDIX I PROPOSAL IN RESPECT OF NON-PUBLIC ISSUANCE OF A SHARES

public Issuance and the Conditional Agreement for Subscription of Shares Offered through Private Placement signed by the target subscribers and the Company, the subscription for the shares offered in this non-public issuance shall be arranged as follows:

SN	Target subscribers	Number of shares to be subscribed (share)	Subscription amount (RMB'0,000)
1	Yangtz Ecology and Environment	179,856,115	100,000
2	Three Gorges Capital	107,913,669	60,000
3	Tianjin Municipal Investment	35,971,223	20,000
Total		323,741,007	180,000

5. The amount raised by this non-public issuance will not exceed RMB1,800 million (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.
6. The shares subscribed by the target subscribers shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.
7. According to the Listing Rules of Shanghai Stock Exchange and other relevant laws and regulations and normative documents, the Articles of Association and the connected transaction management system of the Company, before the completion of this offering, there is no association between Yangtz Ecology and Environment, Three Gorges Capital and the Company. Upon the completion of this offering, both Yangtz Ecology and Environment and Three Gorges Capital will hold more than 5% of the shares of the Company and become an affiliated party of the Company. The participation of Yangtz Ecology and Environment and Three Gorges Capital in this non-public issuance constitutes the connected transaction with the Company. Tianjin Municipal Investment is the controlling shareholder and an affiliated party of the Company. Its subscription of the A-shares offered through this non-public issuance constitutes the connected transaction with the Company. The Company will strictly comply with the laws and regulations and internal rules of the Company to fulfill the approval procedures for connected transactions. When the board of directors deliberated the proposals related to this offering, the interested directors abstained from voting, and the independent directors expressed prior approval and independent opinions on this connected transaction. When the general meeting deliberates the issues related to this non-public issuance, the interested shareholders shall abstain from voting on the relevant proposal.

8. According to the provisions of the Notice on Further Implementation of Issues Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) issued by the CSRC, the Company has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) to further improve the profit distribution policy. For the profit distribution policy and dividends of the Company in the recent three years, please refer to “Chapter 6 Profit Distribution Policy and Implementation” of the Plan.
9. According to the relevant requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market issued by the State Council (Guo Fa [2014] No.17), the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No.31), the Company has developed the mitigation and remedial measures for the immediate return dilution resulting from this non-public issuance. In addition, the controlling shareholder, indirect controlling shareholder, directors and senior managers of the Company have made corresponding commitments for the implementation of the relevant mitigation and remedial measures. For details of the relevant measures and commitments, please refer to “Chapter 7 Description of the Immediate Return Dilution Resulting from This Offering and the Mitigation and Remedial Measures Adopted by the Company” of this Plan.
10. The controlling shareholder and actual controller of the Company will not be changed, and the shares of the Company will not be disqualified of the listing status upon the completion of the non-public issuance.
11. Upon completion of the non-public issuance, both existing and new Shareholders will be entitled to share in the Company’s accumulated undistributed profits prior to the non-public issuance.

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Definitions

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

The Company/We/the Listed Company/the Issuer/ Capital Environmental Protection	means	Tianjin Capital Environmental Protection Group Company Limited
Tianjin Municipal Investment/the Controlling Shareholder	means	Tianjin Municipal Investment Company Limited
TICI/Indirect Controlling Shareholder	means	Tianjin Infrastructure Construction & Investment (Group) Co., Ltd.
Tianjin SASAC/the Actual Controller	means	Tianjin State-owned Assets Supervision and Administration Commission
Three Gorges	means	China Three Gorges Corporation
Yangtz Ecology and Environment	means	Yangtz Ecology and Environment Co., Ltd.
Three Gorges Capital	means	Three Gorges Capital Holdings Co., Ltd.
CSRC	means	China Securities Regulatory Commission
SSE	means	Shanghai Stock Exchange
This Offering/The Non-public Issuance	means	The non-public issuance of A-shares by Tianjin Capital Environmental Protection Group Company Limited in 2020
The Plan	means	The Plan for the Non-public Issuance of A-shares by Tianjin Capital Environmental Protection Group Company Limited in 2020

APPENDIX I PROPOSAL IN RESPECT OF NON-PUBLIC ISSUANCE OF A SHARES

The Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance	means	The Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance between Tianjin Capital Environmental Protection Group Company Limited and Yangtz Ecology and Environment Co., Ltd. and Three Gorges Capital Holdings Co., Ltd.
The Conditional Agreement for Subscription of Shares Offered through Non-public Issuance	means	The Conditional Agreement for Subscription of Shares Offered through Non-public Issuance between Tianjin Capital Environmental Protection Group Company Limited and Tianjin Municipal Investment Company Limited
The Administrative Measures	means	The Administrative Measures for the Issuance of Securities by Listed Companies (revised in 2020)
The Implementation Rules	means	The Implementation Rules for Non-public Issuance of Shares by Listed Companies (revised in 2020)
Company Law	means	Company Law of the People's Republic of China
Securities Law	means	Securities Law of the People's Republic of China
Articles of Association	means	The Articles of Association of Tianjin Capital Environmental Protection Group Company Limited
RMB	means	RMB

In this plan, two decimal places are reserved for the key values. There may be a discrepancy between the total and the sum of the breakdowns due to rounding.

CHAPTER 1 OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE**I. PROFILE OF THE ISSUER**

Company name:	天津創業環保集團股份有限公司
English name:	Tianjin Capital Environmental Protection Group Company Limited
Listing place:	Shanghai Stock Exchange and Hong Kong Stock Exchange
A-share abbreviation:	Capital Environmental Protection
A-share stock code:	600874
H-share abbreviation:	Tianjin Capital
H-share stock code:	1065
Legal representative:	Liu Yujun
Registered office:	No.45, Guizhou Road, Heping District, Tianjin
Postal code:	300381
Registered capital	RMB1,427.22843 million
Tel.:	022-23930128
Fax:	022-23930126
Website:	www.tjcep.com
Business scope:	Investment, construction, design, management, operation, technical consultation and supporting services of sewage and tap water and other water treatment facilities; Design, construction, management, construction and management of municipal infrastructure; Road franchising, technical consultation and supporting services for the southeast half ring of the central ring road in Tianjin; Development and operation of environmental protection technology and environmental protection products and equipment; Lease of self-owned building, etc.

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE**(I) Background of the non-public issuance*****1. Water pollution treatment has ushered in favorable policies and trends***

In recent years, with the growth of population and economic development, environmental pollution and resource shortage have become increasingly prominent in our country. Building an “environment-friendly” and “resource-conserving” society has become China’s basic national policy, and the investment in environmental protection has been increasing year by year. In recent years, relevant policies of the water sector have been issued frequently, which have an important impact on the external environment of China’s water sector. Water pollution treatment has ushered in favorable policies and trends.

The new Environmental Protection Law, which took effect on January 1, 2015, sets stricter standards for China’s environmental governance. In addition, the Law of the People’s Republic of China on the Prevention and Control of Water Pollution (issued in 1984, revised in 1996, revised in 2008, and revised in 2017), the Implementing Rules for the Water Pollution Prevention Law of the People’s Republic of China (issued in 2000), the Water Law of the People’s Republic of China (issued in 1988, revised in 2002) also set out regulations on water pollution control and water resource protection, providing a strong legal guarantee for strengthening water pollution control and accelerating water pollution control. In recent two years, the Opinions on Comprehensively Strengthening Ecological and Environmental Protection and Resolutely Fighting the Battle against Pollution (issued in 2018), the Opinions on Innovating and Improving The Price Mechanism for Promoting Green Development (issued in 2018), the Notice on Further Accelerating Urban Sewage and Garbage Treatment in Central and Western China (issued in 2019) and other relevant guidelines were issued to improve the supervision and management of water pollution prevention and control, and intensify the punishment for damaging the water environment.

2. The industry market capacity continues to expand and grow

Clear goals for the prevention and control of industrial pollution and the treatment of urban domestic pollution are set in the Action Plan for The Prevention and Control of Water Pollution issued in 2015: The existing urban sewage treatment facilities shall meet the corresponding discharge standards or recycling requirements by the end of 2020; By 2017, sewage in the built-up areas of municipalities directly under the central government, provincial capitals and cities separately listed in the state plan shall be totally collected and treated, while other cities shall reach this goal by the end of 2020; The modification of the existing sludge treatment and disposal facilities should be completed by the end of 2017, and the rate of harmless treatment and disposal of sludge in cities at and above the prefectural level should reach above 90% by the end of 2020. In the 13th Five-Year Plan for Ecological and Environmental Protection, it is also proposed to accelerate the improvement of urban sewage treatment system, raise discharge standards and improve the utilization rate of reclaimed water. By 2020, urban and county sewage treatment rates shall reach 95% and 85% respectively.

The urban sewage treatment industry has become mature. With the gradual improvement of pollutant discharge standards for urban sewage treatment plants in recent years, the demand of urban sewage treatment industry in the future mainly comes from the “modification of sewage plants based on the improved standards”. Rural areas have become a new growth point for the industry. The 13th Five-Year Plan for the Comprehensive Improvement of the Rural Environment issued in 2017 has emphasized the importance of rural sewage treatment, requiring that the rural sewage treatment rate be increased from 10% in 2014 to 33.6% in 2020, corresponding to a compound growth rate of 23% during the 13th five-year plan period. The rural water treatment market will gradually expand and become a new growth point of water affairs market.

3. The reform of the water price system and the increase of the price are conducive to enhancing the profitability of the water industry and the value of water assets

China is a country with a shortage of water resources per capita. With the continuous increase of the total consumption of water, the water resources problems in China are becoming more and more serious. At present, due to the uneven distribution of water resources and the rapid advancement of urbanization, most cities in China are facing the dilemma of water shortage. Therefore, strengthening the utilization of water resources, improving water efficiency and eradicating water pollution accord with the basic national policy of environmental protection in China.

In order to give full play to the role of water price in promoting water conservation and improving water efficiency, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development issued the Guiding Opinions on Accelerating the Establishment and Improvement of The Tiered Water Price System for Urban Residents on December 31, 2013, requiring that on the premise of ensuring the basic domestic water needs of residents, and on the basis of reforming the way of pricing water for residents, we shall give full play to the regulating role of the tiered price mechanism, promote water conservation and improve the utilization efficiency of water resources by perfecting the system, increasing investment, improving security and other measures. The reform of water pricing has not only enhanced the profitability of water supply enterprises, but also driven the rapid development of the whole environmental protection and water treatment industry.

Since 2016, many cities across the country, including Tianjin, Shenzhen, Zhengzhou, Changchun and Guiyang, have raised sewage treatment fees, and water prices have been on the rise. There is still a large room for improvement of China’s water price when compared with foreign countries. The reform of the water price system and the price increase will bring huge development potential for the future development of the water industry, and the profitability of the water industry and the value of water assets will be enhanced.

(II) Purpose of the non-public issuance***1. To introduce important strategic investors from environmental protection industry and strengthen strategic synergies***

The target subscribers for the non-public issuance are Tianjin Municipal Investment, Yangtz Ecology and Environment and Three Gorges Capital. Yangtz Ecology and Environment is a wholly-owned subsidiary of Three Gorges Corporation, and is also the key player of Three Gorges Corporation to carry out the great protection of the Yangtze River. Shouldering the mission of fundamentally improving the water quality of Yangtze River, Yangtz Ecology and Environment is the backbone of the environmental protection industry. Three Gorges Capital is a professional investment institution controlled by Three Gorges Corporation. Centering on the strategy of the Three Gorges Corporation and shouldering the mission of serving the great protection of the Yangtze River, it is a person acting in concert of Yangtz Ecology and Environment.

After the completion of the non-public issuance, the Company will effectively utilize the industrial background, market channels and other resource advantages of the strategic investors to actively expand its market share and influence, provide the society with efficient and high-quality comprehensive environmental services based on the “Great Yangtze River Protection Plan” and the corporate vision of “returning clear water and sending freshness to the world”, and achieve the development goal of building an ecological civilization in the new era set forth at the 19th National Congress of the CPC.

2. To keep abreast of the policies and seize market opportunities

Positioned as a “comprehensive environmental service provider”, the Company continues to consolidate the basic business centering sewage treatment, vigorously expands potential business fields such as solid waste treatment, new energy, and environmental protection technology, and explores emerging business fields such as environmental remediation and environmental monitoring. Through this offering, the Company will enhance its capital reserves and strengthen the flexibility of operation and management, so as to seize the opportunities brought by the rapid development of the industry and the national policies, and to cope with the challenges brought by macroeconomic fluctuations and increasingly fierce competition in the environmental protection industry.

3. To optimize capital structure, alleviate working capital pressure

In recent years, the Company’s business scale continues to expand, and the demand for working capital increases accordingly. The current capital structure of the Company not only restricts the ability of indirect financing, but also exposes the Company to certain financial risks. The Company will raise funds through this offering to repay interest-bearing liabilities and supplement working capital. On one hand, it is good for reducing the asset-liability ratio, optimizing the capital structure and reducing the debt repayment

risk. On the other hand, it is conducive to further expanding the Company's financial strength, improving its anti-risk ability, financial security level and financial flexibility, and supporting its stable and rapid development.

III. RELATIONS BETWEEN THE TARGET SUBSCRIBERS AND THE COMPANY

There are 3 target subscribers for this offering: Yangtz Ecology and Environment, Three Gorges Capital and Tianjin Municipal Investment. According to the Listing Rules of Shanghai Stock Exchange and other relevant laws and regulations and normative documents, the Articles of Association and the connected transaction management system of the Company, before the completion of this offering, there is no association between Yangtz Ecology and Environment, Three Gorges Capital and the Company. Upon the completion of this offering, both Yangtz Ecology and Environment and Three Gorges Capital will hold more than 5% of the shares of the Company and become an affiliated party of the Company. The participation of Yangtz Ecology and Environment and Three Gorges Capital in this non-public issuance constitutes the connected transaction with the Company. Tianjin Municipal Investment is the controlling shareholder and an affiliated party of the Company. Its subscription of the A-shares offered through this non-public issuance constitutes the connected transaction with the Company.

IV. OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE

(I) Type and nominal value of shares to be issued

The shares to be issued in the non-public issuance are domestic listed RMB ordinary shares (A shares) with a nominal value of RMB1.00 per share.

(II) Issuance method and issuance time

All the shares under the non-public issuance will be issued to the target subscribers through non-public issuance, which will be implemented in good time within the validity period of the approval on the non-public issuance by the CSRC.

(III) Target subscribers and subscription method

The non-public issuance is intended for 3 target subscribers: Yangtz Ecology and Environment, Three Gorges Capital, and Tianjin Municipal Investment. All target subscribers shall subscribe for the A-shares to be issued through the non-public issuance in cash.

(IV) Offering price and pricing method

The pricing benchmark date for the offering shall be the announcement date of the board resolution approving the non-public issuance. The offering price for the non-public issuance is RMB5.56/share and shall not be less than 80% of the Company's average stock trading price on the 20 trading days before the pricing benchmark date (average stock trading price on the

20 trading days before the pricing benchmark date = total stock trading volume on the 20 trading days before the pricing benchmark date/total stock trading volume on the 20 trading days before the pricing benchmark date).

The offering price of the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance.

The adjustment method is as follows:

Assuming that the offering price before adjustment is P_0 , the number of shares resulting from issuance of bonus shares or conversion into share capital is N per share, the dividend/cash dividend per share is D , and the offering price after adjustment is P_1 , then:

In case of dividend/cash dividend: $P_1 = P_0 - D$

In case of issuance of bonus shares or conversion into share capital: $P_1 = P_0 / (1 + N)$

In case of both: $P_1 = (P_0 - D) / (1 + N)$

(V) The offering quantity, amount of funds raised and subscription

The number of shares offered through the non-public issuance shall be calculated by dividing the total amount of funds raised through the non-public issuance by the final offering price, with the remainder of less than 1 share discarded, and the number of shares issued shall not exceed 30% of the total capital of the Company prior to the non-public issuance, that is, no more than 428,168,529 shares (inclusive of 428,168,529 shares). The number of shares offered through the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance. The final offering quantity shall be determined by the board of directors of the issuer or the authorized person of the board of directors authorized by the general meeting and the sponsor (lead underwriter) of this offering according to the offering plan approved by the CSRC and the authorization of the general meeting.

APPENDIX I PROPOSAL IN RESPECT OF NON-PUBLIC ISSUANCE OF A SHARES

According to the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Conditional Agreement for Subscription of Shares Offered through Private Placement signed by the target subscribers and the Company, the subscription for the shares offered in this non-public issuance shall be arranged as follows:

SN	Name of target subscriber	Number of shares to be subscribed (share)	Subscription amount (RMB'0,000)
1	Yangtz Ecology and Environment	179,856,115	100,000
2	Three Gorges Capital	107,913,669	60,000
3	Tianjin Municipal Investment	35,971,223	20,000
Total		323,741,007	180,000

(VI) Use of proceeds

The gross proceeds to be raised by this non-public issuance will not exceed RMB1,800 million (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.

(VII) Lock-up period arrangement

The shares subscribed by the target subscribers shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.

(VIII) Listing place

The shares will be listed and traded on the Shanghai Stock Exchange upon expiration of the lock-up period.

(IX) Arrangement for accumulated undistributed profits

After completion of the non-public issuance, the new and existing shareholders of the Company shall be jointly entitled to the undistributed profits before the non-public issuance.

(X) Validity period of the resolution of this offering

The term of validity of the resolution of this offering shall be 12 months from the date when the general meeting and class meeting approve the offering plan. If national laws and regulations have new provisions on non-public issuance, the Company will make corresponding adjustments according to the new provisions.

V. WHETHER THE ISSUANCE CONSTITUTES A CONNECTED TRANSACTION

Before the completion of this offering, there is no association between Yangtz Ecology and Environment, Three Gorges Capital and the Company. Upon the completion of this offering, both Yangtz Ecology and Environment and Three Gorges Capital will hold more than 5% of the shares of the Company and become an affiliated party of the Company. The participation of Yangtz Ecology and Environment and Three Gorges Capital in this non-public issuance constitutes the connected transaction with the Company. Tianjin Municipal Investment is the controlling shareholder and an affiliated party of the Company. Its subscription of the A-shares offered through this non-public issuance constitutes the connected transaction with the Company.

When the board of directors deliberated the proposals related to the connected transaction of this offering at the thirty-second meeting of the eighth Board of Directors, the interested directors abstained from voting, and the independent directors expressed prior approval and independent opinions on this connected transaction. When the general meeting deliberates the relevant proposal, the interested shareholders abstained from voting.

VI. WHETHER THE ISSUANCE WILL CAUSE ANY CHANGE TO THE CONTROL OF THE COMPANY

Up till now, Tianjin Municipal Investment holds 715,565,186 A-shares, representing 50.14% of the Company as the controlling shareholder of the Company. Tianjin Municipal Investment will still be the controlling shareholder upon the completion of the non-public issuance. In conclusion, the non-public issuance will not cause any change to the control of the Company.

VII. THE APPROVALS FROM THE RELEVANT AUTHORITIES THAT HAVE BEEN OBTAINED AND THE SUBMISSION AND APPROVAL PROCEDURES THAT NEED TO BE IMPLEMENTED FOR THE OFFERING PLAN

The plan for non-public issuance has been examined and approved at the thirty-second meeting of the eighth board of directors of the Company, and the approval procedures that need to be implemented are as follows:

1. To have the plan for non-public issuance approved by Tianjin SASAC;
2. To have the plan for non-public issuance approved by the general meeting of the Company;
3. To have the application for offering of shares through non-public issuance approved by the CSRC.

CHAPTER 2 PROFILE OF THE TARGET SUBSCRIBERS

I. YANGTZ ECOLOGY AND ENVIRONMENT CO., LTD.

(I) Basic information

Company name: Yangtz Ecology and Environment Co., Ltd.

Unified social credit code: 91420000MA4976CJ9X

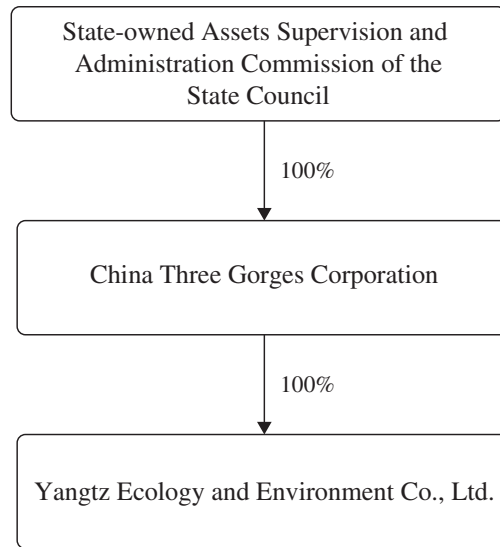
Registered capital: RMB30,000 million

Legal representative: Zhao Feng

Date of establishment: December 13, 2018

Registered office: No.1 Liuhe Road, Jiang'an District, Wuhan City, Hubei

Business scope: Planning, design, investment, construction, operation, technology research and development, products and services related to ecology, environmental protection, energy conservation and clean energy in connection with construction of the Yangtze River Economic Belt, covering raw water, water-saving, water supply and drainage business, urban sewage comprehensive treatment, sludge disposal, sewage outlet renovation, reclaimed water utilization, pipe network engineering, equipment installation and maintenance, industrial wastewater treatment, solid waste treatment, hazardous waste treatment, ship pollutants treatment, rural surface pollution treatment, soil remediation; comprehensive control of the water environment in riverways, lakes and reservoirs, control of soil erosion and stony desertification, control of black and smelly water, and comprehensive control of the environment in villages and towns; water diversion project, protection and treatment of river source area and water source area, connection of river and lake systems, ecological shelterbelt project, protection and treatment of shoreline, wetland protection and restoration, river and lake ecological restoration, protection of natural reserve and national parks, habitat restoration of subsidence zone, estuary habitat restoration, sponge city planning and construction; restoration and protection of rare, endangered and endemic animal and plant habitats and biodiversity in the Yangtze River Basin; comprehensive control of air pollution by industrial enterprises; energy conservation and emission reduction, garbage power generation, environmental protection and clean energy, alternative use of clean energy, electricity, heat and cooling combined supply; green and energy-saving building design and construction, ecological agriculture technology development, biological pharmaceutical technology research and promotion; vessel electrification; design, construction and management of water conservancy and hydropower projects; combined gate dam ecological dispatching, water replenishment dispatching, emergency dispatching, and watershed water environment monitoring and early warning; land development (For the items subject to approval, the enterprise shall obtain the approval of the relevant authority).

(II) Shareholding Structure**(III) The main business, the development of the main business in the last three years and the operating results**

Yangtz Ecology and Environment is the key player of Three Gorges Corporation to carry out the great protection of the Yangtze River. It is responsible for planning, design, investment, construction, operation, technology research and development, products and services related to ecology, environmental protection, energy conservation and clean energy in connection with construction of the Yangtze River Economic Belt, and manages the corresponding state-owned assets in accordance with the law. The ultimate goal of Yangtz Ecology and Environment is to achieve a fundamental improvement in the water quality of the Yangtze River. In this process, Yangtz Ecology and Environment will propose and implement systematic comprehensive solutions targeted at 11 provinces and cities along the Yangtze River, with an aim to protect water resources and improve the ecological environment of the Yangtze River, and put into practice the development philosophy that lucid waters and lush mountains are invaluable assets, and provide strong support for the ecological priority and green development of the Yangtze Economic Belt.

(IV) A summary of the financial results in the last year

Unit: RMB10,000

Item	As of December 31, 2019 or in 2019
Total assets	1,473,546.40
Net assets	836,525.41
Operating income	8,797.43
Net profit attributable to owners of parent company	-1,570.31

Note: The above data have been audited.**(V) Punishment and litigation or arbitration of the target subscribers and their related personnel in the recent five years**

Yangtz Ecology and Environment and its legal representative or person in charge, director, supervisor and senior management personnel have not been subject to administrative punishment (except for those apparently unrelated to the securities market) or criminal punishment and have not been involved in major civil litigation or arbitration related to economic disputes in the recent five years.

(VI) The horizontal competition and connected transactions between the target subscribers, their controlling shareholders and actual controllers and the Company after the completion of this offering

After the completion of the issuance, Tianjin Municipal Investment is still the controlling shareholder of the listed company; Yangtz Ecology and Environment and Three Gorges Capital have no control over the Company, so they cannot interfere in the independent operation decision of the Company alone. The listed company shall be independent from Yangtz Ecology and Environment, its controlling shareholders and actual controllers in terms of assets, personnel, finance, institutions and business, etc. The two sides will conduct strategic cooperation on the basis of equality and voluntariness. The legitimate rights and interests of the listed company and other shareholders will not be damaged, nor will new horizontal competition with the Company be caused due to the non-public issuance.

After the completion of this offering, if Yangtz Ecology and Environment, its controlling shareholders and actual controllers carry out business cooperation with the Company and result in connected transactions, the Company will carry out the examination and approval procedures for connected transactions in strict accordance with laws and regulations and internal regulations, sign connected transaction agreements based on the principles of justice,

fairness and openness of the market, carry out the transactions in strict accordance with laws and regulations and related management systems of connected transactions, in order to avoid damaging the interests of the listed company and all shareholders.

(VII) The major transactions between the target subscribers, their controlling shareholders and actual controllers and the Company in 24 months prior to the disclosure of this offering plan

There was no major transaction between Yangtz Ecology and Environment, its controlling shareholder and actual controller and the Company in 24 months prior to the disclosure of the non-public issuance plan.

(VIII) Source of funds of the target subscribers

Yangtz Ecology and Environment intends to subscribe for the shares offered through the non-public issuance with its own funds. There is no external fund-raising, entrustment, structured arrangement or direct and indirect use of funds of the listed company and its affiliated parties for the subscription. There is no such circumstance that the listed company and its controlling shareholder or actual controller provides financial assistance, compensation, promised earnings or other agreement arrangement to Yangtz Ecology and Environment directly or through their interested parties.

II. THREE GORGES CAPITAL HOLDINGS CO., LTD.

(I) Basic information

Company name: Three Gorges Capital Holdings Co., Ltd.

Unified social credit code: 91110108335463656N

Registered capital: RMB7,142.8571429 million

Legal representative: Jin Caijiu

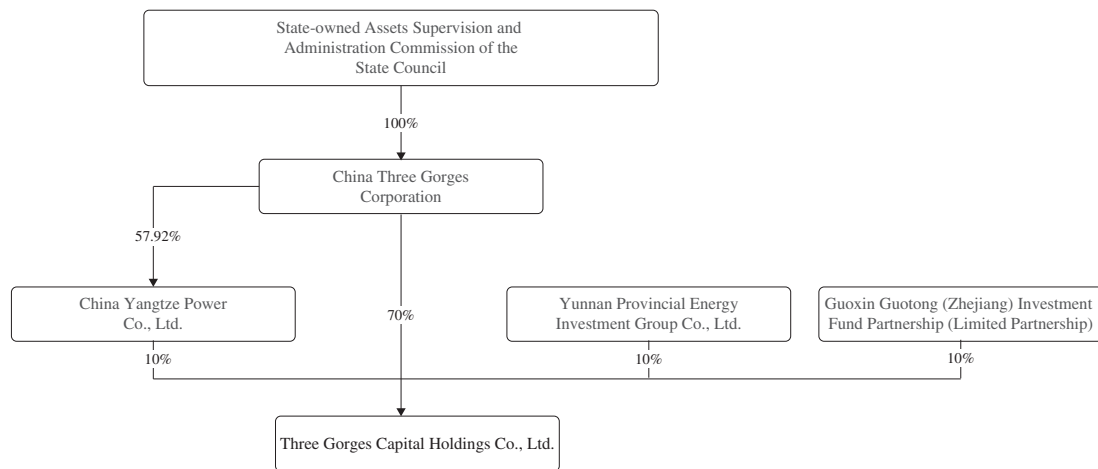
Date of establishment: March 20, 2015

Registered address: Rooms 206-25, 2/F, Building No.1, Court No.1, Gongyuan Street, Tongzhou District, Beijing

Business scope: Industrial investment; Equity investment; Asset management; Investment consulting (1. No fund raising business shall be conducted in public without the approval of the relevant authorities; 2. Public trading of securities products or financial derivatives shall not be carried out; 3. No lending business shall be carried out; 4. No guarantee shall be provided to any enterprise other than the enterprise in which the investment is made; 5. No promise shall be made to the investor that the principal of the investment will not be lost or

that the minimum return will be guaranteed; the enterprise shall legally and independently select the business items and carry out business activities. For the items subject to approval, the enterprise shall obtain the approval of the relevant authority and carry out the business activities based on the approved contents. The enterprise shall not engage in the business items prohibited and restricted by the local industry policy.)

(II) Shareholding Structure



(III) The main business, the development of the main business in the last three years and the operating results

Three Gorges Capital is a capital investment company of Three Gorges Corporation. It was established in March 2015 and completed share capital expansion and introduction of strategic investors in 2017, with its registered capital increased to RMB7.14 billion. Three Gorges Corporation holds 70% of the equity of the company. In 2019, Three Gorges Capital realized investment income of RMB1.373 billion and consolidated profit of RMB2.175 billion. The total assets of the company were RMB47.501 billion as of the end of 2019.

Since its establishment, Three Gorges Capital, centering on the strategy of Three Gorges Corporation and shouldering the mission to incubate innovative technologies, develop leading enterprises in the industry, expand the breadth and depth of clean energy, boost the revolution of energy production and consumption, and serve the Great Yangtze River protection strategy, has been focusing on new technologies, new materials and new business models in the field of clean energy, actively developing future-oriented emerging industries, cultivating new growth drivers, and giving full play to the synergies between industry and finance, with an aim to become the most innovative investment company in the field of clean energy.

In terms of operation mode, since its establishment, Three Gorges Capital has continuously improved its development strategy and gradually formed the operation mode of strategic direct investment and fund investment. It adjusts and optimizes its portfolio through investment in unlisted or listed shares and disposal of shares, so as to create long-term wealth appreciation. By the end of 2019, Three Gorges Capital has become an important shareholder of financial institutions such as Changjiang Securities, China Development Bank Leasing and Bank of Beijing. It led the initiation and establishment of eight new business incubation and local government cooperation funds with a total scale of over RMB33 billion, and participated in 12 funds with a scale of over RMB100 billion. The company acquired part of the equity of the Three Gorges Overseas Clean Energy Fund (ACE Fund) to build the overseas fund business platform of Three Gorges Capital.

(IV) A summary of the financial results in the last year

Unit: RMB10,000

Item	As of December 31, 2019 or in 2019
Total assets	4,750,102.50
Net assets	2,965,192.00
Operating income	149,809.92
Net profit attributable to owners of parent company	193,361.75

Note: The above data have been audited.

(V) Punishment and litigation or arbitration of the target subscribers and their related personnel in the recent five years

Three Gorges Capital and its legal representative or person in charge, director, supervisor and senior management personnel have not been subject to administrative punishment (except for those apparently unrelated to the securities market) or criminal punishment and have not been involved in major civil litigation or arbitration related to economic disputes in the recent five years.

(VI) The horizontal competition and connected transactions between the target subscribers, their controlling shareholders and actual controllers and the Company after the completion of this offering

After the completion of the issuance, Tianjin Municipal Investment is still the controlling shareholder of the listed company; Three Gorges Capital and Yangtz Ecology and Environment have no control over the Company, so they cannot interfere in the independent operation decision of the Company alone. The listed company shall be independent from Three Gorges Capital, its controlling shareholders and actual controllers in terms of assets, personnel,

finance, institutions and business, etc. The two sides will conduct strategic cooperation on the basis of equality and voluntariness. The legitimate rights and interests of the listed company and other shareholders will not be damaged, nor will new horizontal competition be caused.

After the completion of this offering, if Three Gorges Capital, its controlling shareholders and actual controllers carry out business cooperation with the Company and result in connected transactions, the Company will carry out the examination and approval procedures for connected transactions in strict accordance with laws and regulations and internal regulations, sign connected transaction agreements based on the principles of justice, fairness and openness of the market, carry out the transactions in strict accordance with laws and regulations and related management systems of connected transactions, in order to avoid damaging the interests of the listed company and all shareholders.

(VII) The major transactions between the target subscribers, their controlling shareholders and actual controllers and the Company in 24 months prior to the disclosure of this offering plan

There was no major transaction between Three Gorges Capital, its controlling shareholder and actual controller and the Company in 24 months prior to the disclosure of the non-public issuance plan.

(VIII) Source of funds of the target subscribers

Three Gorges Capital intends to subscribe for the shares offered through the non-public issuance with its own funds. There is no external fund-raising, entrustment, structured arrangement or direct and indirect use of funds of the listed company and its affiliated parties for the subscription. There is no such circumstance that the listed company and its controlling shareholder or actual controller provides financial assistance, compensation, promised earnings or other agreement arrangement to Three Gorges Capital directly or through their interested parties.

III. TIANJIN MUNICIPAL INVESTMENT COMPANY LIMITED

(I) Basic information

Company name: Tianjin Municipal Investment Company Limited

Unified social credit code: 91120000700422490A

Registered capital: RMB1,820 million

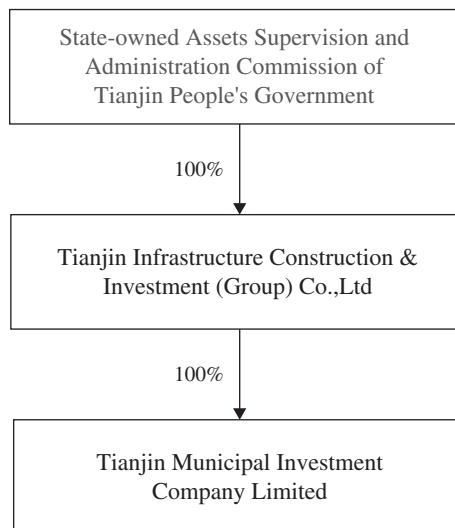
Legal representative: Gu Wenhui

Date of establishment: January 20, 1998

Registered office: No.45, Guizhou Road, Heping District, Tianjin

Business scope: To invest, operate and manage commercial, service, real estate, urban infrastructure, highway facilities and supporting facilities with its own funds; Property management; Lease of self-owned building; Enterprise management consulting (If the above business scope involves operating by license and operating within the period of validity, and the state has special franchise provisions, the relevant provisions shall prevail) (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws.)

(II) Shareholding Structure



(III) The main business, the development of the main business in the last three years and the operating results

Tianjin Municipal Investment is a wholly-owned subsidiary of TICI. It gives full play to the role of government investment entities and market operation entities, takes investment and financing as the main functions, and focuses on accelerating the organic integration of industrial capital and financial capital, thus forming a business pattern featuring the coexistence of sole legal person and diversified property rights, and the simultaneous development of traditional municipal public utilities and real estate. Tianjin Municipal Investment has three main businesses, namely, municipal sewage treatment, tap water and reclaimed water supply, municipal infrastructure supporting facilities and real estate, and at the same time engages in such auxiliary businesses as property management, consulting services and other related industries.

(IV) A summary of the financial results in the last year

Unit: RMB10,000

Item	As of December 31, 2019 or in 2019
Total assets	4,144,540.90
Net assets	1,295,281.47
Operating income	288,995.89
Net profit attributable to owners of parent company	16,131.43

Note: The above data have been audited.**(V) Punishment and litigation or arbitration of the target subscribers and their related personnel in the recent five years**

Tianjin Municipal Investment and its legal representative or person in charge, director, supervisor and senior management personnel have not been subject to administrative punishment (except for those apparently unrelated to the securities market) or criminal punishment and have not been involved in major civil litigation or arbitration related to economic disputes in the recent five years.

(VI) Horizontal competition and potential horizontal competition after the completion of this offering

After the completion of the non-public issuance, there is no horizontal competition or potential horizontal competition between the businesses of the Company and those of Tianjin Municipal Investment and other enterprises it controls.

(VII) Connected transactions after the completion of this offering

The non-public issuance will not affect the controlling relationship of the listed company, and the listed company will not increase continuing connected transactions with the controlling shareholders and the actual controllers due to this offering.

(VIII) The major transactions between the target subscribers, their controlling shareholders and actual controllers and the Company in 24 months prior to the disclosure of this offering plan

For details about the connected transactions within 24 hours prior to the disclosure of this plan, please refer to the regular report or interim announcement disclosed by the Company. Except for those disclosed by the Company in regular report or interim announcement, there was no major transaction between the Company and Tianjin Municipal Investment, its controlling shareholder or actual controller.

(IX) Source of funds of the target subscribers

Tianjin Municipal Investment intends to subscribe for the shares offered through the non-public issuance with its own funds. There is no external fund-raising, entrustment, structured arrangement or direct and indirect use of funds of the listed company and its affiliated parties for the subscription. There is no such circumstance that the listed company or any affiliate of listed company other than Tianjin Municipal Investment provides financial assistance, compensation, promised earnings or other agreement arrangement to Tianjin Municipal Investment directly or through their interested parties.

**CHAPTER 3 SUMMARY OF THE RELEVANT AGREEMENTS FOR THE
NON-PUBLIC ISSUANCE**

The 3 target subscribers have signed the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Conditional Agreement for Subscription of Shares Offered through Private Placement with the Company for the non-public issuance.

**I. SUMMARY OF THE CONDITIONAL AGREEMENT FOR INTRODUCTION OF
STRATEGIC INVESTORS AND SUBSCRIPTION OF SHARES OFFERED
THROUGH NON-PUBLIC ISSUANCE****(I) Contracting parties and signing time**

Party A (the issuer): Capital Environmental Protection

Party B (the target subscriber/subscriber): Yangtz Ecology and Environment

Party C (the target subscriber/subscriber): Three Gorges Capital

Signing time: July 13, 2020

(II) Background for agreement signing

Party A is an environmental treatment and water company of TICI and the first A-share and H-share listed company with sewage treatment as its main business in China. It has been selected as one of the “Top ten influential enterprises in China’s water industry” for 15 consecutive years. It has invested in water projects in 7 provinces of the Yangtze River Economic Belt and is an important participant in the great protection of the Yangtze River.

Party B and Party C are persons acting in concert under common control of China Three Gorges Corporation. Party B is a limited company duly organized and validly existing under Chinese laws and has rich experience in the environmental protection industry. Based on its resources in the related fields, it can form business synergy with Party A to improve Party A’s market development ability and business execution ability. Party C is a limited company duly established and validly existing in accordance with Chinese laws and has rich experience in environmental protection related investment and post-investment management. Based on its investment experience in the related fields, it can provide Party A with assistance in the investment and financing, merger and acquisition resources, corporate governance and internal control in the related fields, and improve its internal control and management level.

Due to the needs of business strategy and business development, the issuer plans to introduce strategic investors and raise funds through non-public issuance.

(III) Agreements on the strategic cooperation

The parties agree to enter into the following strategic cooperation agreements on the basis of equality, voluntariness and good faith:

1. *Cooperation fields and goals***(1) *Cooperative project development***

In addition to Tianjin, Party A's main sewage treatment projects are concentrated in the Yangtze River Economic Belt, while Party B and Party C are also the backbone of the "Great Yangtze River Protection Project". Party A, Party B and Party C shall jointly develop the environmental protection market of the Yangtze River Economic Belt and effectively promote the "Great Yangtze River Protection Project" on the premise of meeting their respective standards and ensuring mutual benefit.

(2) *Cooperative project operation*

Party A has mature operation experience in domestic water projects, while Party B has a large number of sewage treatment projects in the Yangtze River Economic Belt. Under the market condition, Party B may entrust Party A to operate some of its projects to meet its project operation requirements, while increasing the proportion of Party A's "asset-light" operation business.

(3) *Technology R&D*

Party A boasts a powerful R&D center and R&D team, and has strong technical advantages in biological deodorization, biological bacteria preparation, sludge treatment and industrial wastewater. In the future, the parties will carry out in-depth cooperation in the research and development of environmental protection technologies to realize cooperative research and development and technology sharing.

(4) *Enterprise management*

As state-owned enterprises, Party B and Party C have the international advanced management level. In the future, Party B and Party C will nominate directors and other executives to Party A, which will help improve the management efficiency of the target company and promote the optimization of its management process.

2. *Cooperation mechanism*

- (1) In order to smoothly promote strategic cooperation, study and solve new issues and problems arising in the cooperation, and explore new ways and means of cooperation, all parties shall establish a high-level contact and meeting mechanism and carry out communication, research and exchanges on market development and cooperation projects on a regular or irregular basis.
- (2) For specific projects, relevant special working groups shall be set up to promote strategic cooperation.
- (3) The agreement on strategic cooperation only represents the basic consensus reached by all parties on comprehensive cooperation. For the cooperation in specific projects, the parties shall further negotiate on specific matters of project cooperation and sign relevant contracts and agreements after approval by their respective decision-making bodies.

3. *Cooperation term*

The parties shall have the intention and consensus of long-term cooperation, and the relevant provisions of this Agreement relating to strategic investment shall remain in effect for the period when the Subscriber holds not less than 1% of Party A's shares.

4. *Arrangement for participation in the management of the target company*

After the Subscribers complete the subscription of the shares issued by Party A through non-public issuance in accordance with this Agreement, Party B and Party C shall nominate one director candidate to Party A respectively. Party A shall, within 60 days from the closing date of the non-public issuance, convene a board meeting to supplement (or reelect) the directors nominated by Party B and Party C, and submit the relevant proposals to the general meeting of Party A for consideration. Party A is obliged to make every effort to facilitate the consideration and passage of such proposals.

(IV) Subscription price, subscription method and number of shares subscribed**1. *Subscription price***

Upon consensus through consultation, the parties shall determine the pricing basis for the non-public issuance in accordance with relevant provisions of the Administrative Measures for Issuance of Securities by Listed Companies (revised in 2020) and the Implementation Rules for Non-public Issuance of Shares by Listed Companies (revised in 2020). According to the above provisions, the pricing benchmark date for the non-public issuance shall be the announcement date of the board resolution of the issuer approving the non-public issuance. The offering price for the non-public issuance shall be 80% of the issuer's average stock trading price on the 20 trading days before the pricing

benchmark date (average stock trading price on the 20 trading days before the pricing benchmark date = total stock trading volume on the 20 trading days before the pricing benchmark date/total stock trading volume on the 20 trading days before the pricing benchmark date), namely, RMB5.56/share. The offering price shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date to the date of the issuance. The adjustment formula is as follows:

Assuming that the offering price before adjustment is P_0 , the number of shares resulting from issuance of bonus shares or conversion into share capital is N per share, the dividend/cash dividend per share is D , and the offering price after adjustment is P_1 , then:

In case of dividend/cash dividend: $P_1 = P_0 - D$

In case of issuance of bonus shares or conversion into share capital: $P_1 = P_0 / (1 + N)$

In case of both: $P_1 = (P_0 - D) / (1 + N)$

2. *Subscription amount*

The subscriber agrees to subscribe in cash for the shares of the issuer offered through the non-public issuance at the price and on the terms and conditions set forth herein. The subscription amount of Party B shall be RMB1 billion and that of Party C shall be RMB600 million.

2. *Number of shares subscribed*

The number of shares subscribed by the Subscriber = the subscription amount agreed herein $\div$ the subscription price agreed herein. The number of shares subscribed by the Subscriber calculated based on the above formula shall be rounded to the ones place, with those less than 1 share removed.

If the relevant matters of this non-public issuance are adjusted due to regulatory requirements, the final proceeds and the number of shares offered in the non-public issuance shall be subject to the approval documents of the CSRC.

- 4. *The subscriber shall subscribe for the shares offered in the non-public issuance with its own funds.***
- 5. *The shares offered in the non-public issuance will be listed on Shanghai Stock Exchange. The specific listing arrangement of the shares will be determined after consultation with Shanghai Stock Exchange and the securities registration and clearing institutions in accordance with the requirements of laws and regulations.***

(V) Payment time, payment method and share delivery

The subscriber undertakes that after the non-public issuance of the issuer is approved by the CSRC, it will transfer the subscription price for the shares offered through the non-public issuance into the account specially opened for the offering by the sponsor (lead underwriter) according to the specific payment date determined by the issuer and the sponsor (lead underwriter) (Special Note: The issuer and the sponsor (lead underwriter) shall notify the Subscriber 5 business days in advance unless waived by the Subscriber). After the capital verification, the sponsor (lead underwriter) shall deduct the relevant fees and transfer the funds to the issuer's special account for proceeds.

The issuer shall, within 5 business days after the subscriber pays the subscription price, appoint an audit institution qualified for securities business to verify the subscriber's subscription price and issue a capital verification report. The issuer shall, within 10 business days from the date of issuance of the capital verification report, apply to Shanghai Stock Exchange and the securities registration and clearing institutions for the registration of new shares under the subscriber's name.

(VI) Lock-up period and future exit arrangement

The subscriber intends to hold the shares of Party A for a long term. The shares subscribed by the subscriber shall not be transferred within 18 months from the closing date of the non-public issuance. The subscriber shall, in accordance with the relevant laws and regulations and the relevant provisions of the CSRC and Shanghai Stock Exchange, issue the relevant lock-up undertaking and handle the relevant lock-up matters concerning the subscribed shares in the non-public issuance.

The subscriber undertakes to comply with the relevant laws and regulations regarding the lock-up period of the shares to be subscribed. Upon expiration of the lock-up period, if the subscriber intends to reduce its holdings of the shares and exit, it shall also abide by the relevant provisions of the CSRC and Shanghai Stock Exchange on shareholding reduction and prudently formulate the shareholding reduction plan.

(VII) Effectiveness and termination of agreement

This Agreement shall be established when signed and stamped by the legal representatives or authorized representatives of the relevant parties.

This Agreement shall take effect on the date when all the following conditions are satisfied (The effective date of this Agreement shall be the date when the last condition is satisfied):

- (1) The board of directors and the general meeting of the issuer approve the non-public issuance plan and the subscriber's subscription of Party A's shares offered through non-public issuance in cash as agreed herein;

- (2) The competent authorities of the subscriber approve the subscriber's subscription of Party A's shares offered through non-public issuance in cash as agreed herein;
- (3) The state-owned assets supervision and administration institution (or the state-owned investor) approves the non-public issuance;
- (4) The CSRC approves the non-public issuance.

If within 12 months after this Agreement is approved by the general meeting of Party A and upon the expiration of the validity period of the extended general meeting resolution, any of the conditions precedent fails to be fulfilled, so that the relevant provisions of this Agreement cannot become effective and cannot be performed, the parties shall have the right to terminate this Agreement by giving a written notice. This Agreement, when effective, shall constitute a legally binding document between the parties hereto.

(VIII) Liability for breach of contract

Failure by a party to observe or perform any of the agreements, obligations or responsibilities, representations or warranties under this Agreement shall constitute a breach. The breaching party shall bear all economic and legal liabilities arising from its breach and shall indemnify the non-breaching party for any losses caused thereby, including but not limited to intermediary agency fees and travel expenses incurred by the other party for the performance of this Agreement, unless otherwise agreed by the relevant parties.

In particular, if the subscriber fails to pay the subscription price hereunder in full within the time specified in the demand note issued by Party A and its sponsor (lead underwriter) (The date on which the demand note is served to the Subscriber should be no later than 5 business days prior to the payment date unless it is waived by the Subscriber), it shall constitute a breach of contract by the Subscriber, and the Subscriber shall pay to the issuer a penalty equal to 2/10000 of the unpaid subscription price on a daily basis. If the Subscriber delays by 10 business days or fails to pay in full within such other time as may be otherwise agreed with the issuer, the subscription shall be deemed to have been abandoned, and the Subscriber shall pay a penalty equal to 3% of the subscription price payable to the issuer.

If this Agreement cannot be performed because the non-public issuance under this Agreement is not approved by (1) the board of directors and general meeting of the issuer; (2) the competent authorities of the subscriber; (3) the state-owned assets supervision and administration institution (or the state-owned investor); or (4) the CSRC, it does not constitute a breach of the issuer.

Failure by any party to perform any or all of its obligations under this Agreement due to force majeure shall not be deemed as a breach of contract, provided that all necessary remedies shall be taken to reduce losses caused by force majeure when the conditions permit. The party suffering from force majeure shall inform the other party of the event in writing as soon as possible, and within 15 days after the occurrence of the event, submit to the other party a report on its failure to perform any or all of its obligations hereunder and the reasons for delay in performance. If the force majeure lasts for more than 30 days, any party has the right to terminate this Agreement via written notice.

II. SUMMARY OF CONDITIONAL AGREEMENT FOR SUBSCRIPTION OF SHARES OFFERED THROUGH NON-PUBLIC ISSUANCE

(I) Contracting parties and signing time

Party A (the issuer): Capital Environmental Protection

Party B (the target subscriber/subscriber): Tianjin Municipal Investment

Signing time: July 13, 2020

(II) Subscription price, subscription method and number of shares subscribed

1. Subscription price

Upon consensus through consultation, the parties shall determine the pricing basis for the non-public issuance in accordance with relevant provisions of the Administrative Measures for Issuance of Securities by Listed Companies (revised in 2020) and the Implementation Rules for Non-public Issuance of Shares by Listed Companies (revised in 2020). According to the above provisions, the pricing benchmark date for the non-public issuance shall be the announcement date of the board resolution of the issuer approving the non-public issuance. The offering price for the non-public issuance shall be 80% of the issuer's average stock trading price on the 20 trading days before the pricing benchmark date (average stock trading price on the 20 trading days before the pricing benchmark date = total stock trading volume on the 20 trading days before the pricing benchmark date / total stock trading volume on the 20 trading days before the pricing benchmark date), namely, RMB5.56/share. The offering price shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date to the date of the issuance. The adjustment formula is as follows:

Assuming that the offering price before adjustment is P_0 , the number of shares resulting from issuance of bonus shares or conversion into share capital is N per share, the dividend/cash dividend per share is D , and the offering price after adjustment is P_1 , then:

In case of dividend/cash dividend: $P_1 = P_0 - D$

In case of issuance of bonus shares or conversion into share capital: $P_1 = P_0 / (1 + N)$

In case of both: $P_1 = (P_0 - D) / (1 + N)$

2. *Subscription amount*

Party B agrees to subscribe in cash for the shares of Party A offered through the non-public issuance at the price and on the terms and conditions set forth herein. The subscription amount of Party B shall be RMB200 million.

2. *Number of shares subscribed*

The number of shares subscribed by Party B = the subscription amount agreed herein ÷ the subscription price agreed herein. The number of shares subscribed by Party B calculated based on the above formula shall be rounded to the ones place, with those less than 1 share removed.

If the relevant matters of this non-public issuance are adjusted due to regulatory requirements, the final proceeds and the number of shares offered in the non-public issuance shall be subject to the approval documents of the CSRC.

4. The subscriber shall subscribe for the shares offered in the non-public issuance with its own funds.
5. The shares offered in the non-public issuance will be listed on Shanghai Stock Exchange. The specific listing arrangement of the shares will be determined after consultation with Shanghai Stock Exchange and the securities registration and clearing institutions in accordance with the requirements of laws and regulations.

(III) Payment time, payment method and share delivery

The subscriber undertakes that after the non-public issuance of the issuer is approved by the CSRC, it will transfer the subscription price for the shares offered through the non-public issuance into the account specially opened for the offering by the sponsor (lead underwriter) according to the specific payment date determined by the issuer and the sponsor (lead underwriter) (Special Note: The issuer and the sponsor (lead underwriter) shall notify the Subscriber 5 business days in advance unless waived by the Subscriber). After the capital verification, the sponsor (lead underwriter) shall deduct the relevant fees and transfer the funds to the issuer's special account for proceeds.

The issuer shall, within 5 business days after the subscriber pays the subscription price, appoint an audit institution qualified for securities business to verify the subscriber's subscription price and issue a capital verification report. The issuer shall, within 10 business days from the date of issuance of the capital verification report, apply to Shanghai Stock Exchange and the securities registration and clearing institutions for the registration of new shares under the subscriber's name.

(IV) Lock-up period and future exit arrangement

The subscriber intends to hold the shares of Party A for a long term. The shares subscribed by the subscriber shall not be transferred within 18 months from the closing date of the non-public issuance. The subscriber shall, in accordance with the relevant laws and regulations and the relevant provisions of the CSRC and Shanghai Stock Exchange, issue the relevant lock-up undertaking and handle the relevant lock-up matters concerning the subscribed shares in the non-public issuance.

The subscriber undertakes to comply with the relevant laws and regulations regarding the lock-up period of the shares to be subscribed. Upon expiration of the lock-up period, if the subscriber intends to reduce its holdings of the shares and exit, it shall also abide by the relevant provisions of the CSRC and Shanghai Stock Exchange on shareholding reduction and prudently formulate the shareholding reduction plan.

(V) Effectiveness and termination of agreement

This Agreement shall be established when signed and stamped by the legal representatives or authorized representatives of the parties.

This Agreement shall take effect on the date when all the following conditions are satisfied (The effective date of this Agreement shall be the date when the last condition is satisfied):

- (1) The board of directors and the general meeting of the issuer approve the non-public issuance plan and the subscriber's subscription of Party A's shares offered through non-public issuance in cash as agreed herein;
- (2) The competent authorities of the subscriber approve the subscriber's subscription of Party A's shares offered through non-public issuance in cash as agreed herein;
- (3) The state-owned assets supervision and administration institution (or the state-owned investor) approves the non-public issuance;
- (4) The CSRC approves the non-public issuance.

If within 12 months after this Agreement is approved by the general meeting of Party A and upon the expiration of the validity period of the extended general meeting resolution, any of the conditions precedent fails to be fulfilled, so that the relevant provisions of this Agreement cannot become effective and cannot be performed, the parties shall have the right to terminate this Agreement by giving a written notice.

This Agreement, when effective, shall constitute a legally binding document between the parties hereto.

(VI) Liability for breach of contract

Failure by a party to observe or perform any of the agreements, obligations or responsibilities, representations or warranties under this Agreement shall constitute a breach. The breaching party shall bear all economic and legal liabilities arising from its breach and shall indemnify the non-breaching party for any losses caused thereby, including but not limited to intermediary agency fees and travel expenses incurred by the other party for the performance of this Agreement, unless otherwise agreed by the two parties.

In particular, if the subscriber fails to pay the subscription price hereunder in full within the time specified in the demand note issued by Party A and its sponsor (lead underwriter) (The date on which the demand note is served to the Subscriber should be no later than 5 business days prior to the payment date unless it is waived by the Subscriber), it shall constitute a breach of contract by the Subscriber, and the Subscriber shall pay to the issuer a penalty equal to 2/10000 of the unpaid subscription price on a daily basis. If the Subscriber delays by 10 business days or fails to pay in full within such other time as may be otherwise agreed with the issuer, the subscription shall be deemed to have been abandoned, and the Subscriber shall pay a penalty equal to 3% of the subscription price payable to the issuer.

If this Agreement cannot be performed because the non-public issuance under this Agreement is not approved by (1) the board of directors and general meeting of the issuer; (2) the competent authorities of the subscriber; (3) the state-owned assets supervision and administration institution (or the state-owned investor); or (4) the CSRC, it does not constitute a breach of the issuer.

Failure by any party to perform any or all of its obligations under this Agreement due to force majeure shall not be deemed as a breach of contract, provided that all necessary remedies shall be taken to reduce losses caused by force majeure when the conditions permit. The party suffering from force majeure shall inform the other party of the event in writing as soon as possible, and within 15 days after the occurrence of the event, submit to the other party a report on its failure to perform any or all of its obligations hereunder and the reasons for delay in performance. If the force majeure lasts for more than 30 days, any party has the right to terminate this Agreement via written notice.

CHAPTER 4 FEASIBILITY ANALYSIS OF THE BOARD OF DIRECTORS ON
USE OF PROCEEDS

I. PLAN FOR USE OF PROCEEDS FROM THIS OFFERING

The total amount raised by this non-public issuance will not exceed RMB1,800 million, which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses, in order to optimize the Company's capital structure, reduce its asset-liability ratio, reduce its financial and liquidity risks, and enhance its resilience to risks.

II. NECESSITY AND FEASIBILITY ANALYSIS ON USE OF PROCEEDS

(I) Necessity analysis on use of proceeds

1. *To optimize the structure of assets and liabilities and improve the ability to resist risks*

As at December 31, 2019 and March 31, 2020, the asset-liability ratio of A-share listed companies in the same industry is as follows:

SN	Company abbreviation	Assets liability ratio (%)	
		December 31, 2019	March 31, 2020
600008.SH	Beijing Capital	64.68	65.96
300070.SZ	OriginWater	65.70	66.11
000826.SZ	Tus Environmental Science and Technology Development	62.20	62.16
600187.SH	Interchina Water Treatment	27.84	28.32
601158.SH	Chongqing Water	30.13	34.17
000598.SZ	Xingrong Environment	52.66	52.56
600323.SH	Grandblue Environment	66.16	67.55
601199.SH	Jiangnan Water	38.93	31.55
000544.SZ	Central Plains Environment Protection	40.87	49.39
600461.SH	Hongcheng Waterworks	56.28	56.09
600283.SH	QianJiang Water Resources Development	54.52	54.64
000685.SZ	Zhongshan Public Utilities	29.57	30.20
600168.SH	Wuhan Sanzhen Industry Holding	65.19	67.30
	Average	50.36	51.23
600874.SH	Capital Environmental Protection	60.30	60.42

As shown in the above table, compared with comparable listed companies in the same industry, the Company's asset-liability ratio is at a higher level. After the proceeds from the non-public issuance are received, the Company's debt level will be reduced, the asset structure will be optimized, and the ability to resist financial risks will be improved.

2. *To reduce the financial expenses and improve the profitability of the Company*

In recent years, the Company raised funds through bank loans to provide financial support and guarantee for expanding the business scale and enhancing the market competitiveness, but the resulting financial expenses also reduced its profitability. In 2017, 2018 and 2019, the Company's financial expenses were RMB100.3390 million, RMB161.9860 million and RMB199.3960 million respectively, accounting for 19.33%, 30.75% and 37.70% of the net profit for the relevant period.

The proceeds from the non-public issuance will be used to repay interest-bearing liabilities, which will effectively reduce the Company's debt financing scale and financial burden, and thus improve its sustainable profitability.

3. *To supplement working capital, meet business growth needs, and strengthen the implementation of corporate strategy*

With the expansion of the Company's business scale and the launch of new projects, its demand for working capital is rising. The proceeds from the non-public issuance will be used to supplement working capital, which can improve the Company's financial position and provide capital guarantee for the further development of its business.

(II) Feasibility analysis on use of proceeds

1. *The use of the proceeds from the non-public issuance complies with the relevant laws and regulations*

The use of the proceeds from the non-public issuance complies with the relevant laws, regulations and policies, and it is feasible. After the proceeds from the non-public issuance are received, on one hand, the net assets and working capital of the Company will be increased, which can effectively alleviate the pressure of capital demand from the expansion of its business activities, ensure the sustainable, healthy and rapid development of the business, and further improve the comprehensive competitiveness of the Company; on the other hand, it is conducive to the Company to reduce the asset-liability ratio, reduce financial risks, improve its capital structure, enhance profitability, and promote the sustainable and healthy development of its business.

2. *The Company has established a sound governance standard and internal control system for the use of proceeds*

The Company has established a modern enterprise system with corporate governance structure as the core according to the governance standards of listed companies, and formed a relatively standardized and standard corporate governance system and comprehensive internal control procedures through continuous improvement

and optimization. In terms of the management of the proceeds, the Company has also established the Proceeds Management System in accordance with the regulatory requirements, which has clear provisions on the storage, use and management of the proceeds to ensure the standard, safe and efficient use of the raised funds. After the proceeds from the non-public issuance are received, the Company will deposit the proceeds in the special account designated by the board of directors according to the requirements of the system and use the funds for the specified purchase, in order to ensure the reasonable and standardized use of the proceeds and prevent the risks in connection with the use.

III. IMPACT OF THE NON-PUBLIC ISSUANCE ON THE OPERATION MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the offering on the operation management of the Company

The proceeds from the non-public issuance will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses. With the proceeds from the non-public issuance, the capital strength of the Company will be further enhanced, its asset-liability structure will be significantly improved, which is helpful for the Company to enhance its solvency, improve its financial condition, and further enhance its comprehensive competitiveness and anti-risk ability. The Company's core competitiveness and long-term profitability will also be improved. It is in the interests of all the shareholders of the Company.

(II) Impact of this offering on the financial position of the Company

After the proceeds from the non-public issuance are received, the total assets and net assets of the Company will be increased to a certain extent, and the financial strength of the Company will be enhanced to provide a strong financial guarantee for the subsequent development. The Company's asset-liability ratio and liquidity will be improved, and its financial structure will be further optimized, which is conducive to reducing its financial expenses and enhancing its profitability. Through the use of the proceeds, the Company's sustainable development ability and profitability will be improved, which is conducive to the expansion of its business scale and profit growth, and further optimization of its financial position.

IV. CONCLUSION ON FEASIBILITY OF THE USE OF THE PROCEEDS FROM THE NON-PUBLIC ISSUANCE

The plan for the use of proceeds complies with the relevant policies, laws and regulations as well as the overall strategy and development plan of the Company. It is necessary and feasible. When the proceeds are received and put into use, it is conducive to meeting the Company's business development capital needs, enhancing its overall strength and profitability, strengthening its subsequent financing ability and sustainable development ability, thus laying a foundation for the realization of its development strategic goals, and meeting the interests of the Company and all shareholders.

CHAPTER 5 DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE NON-PUBLIC ISSUANCE ON THE COMPANY**I. CHANGE CAUSED BY THIS OFFERING TO THE BUSINESS AND ASSETS, ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS STRUCTURE OF THE COMPANY****(I) Change to the business and assets of the Company after this offering**

This non-public issuance does not involve the integration of the Company's existing businesses and assets, and will not lead to changes in its main business.

(II) Change to the Articles of Association after this offering

Upon the completion of the non-public offering, the Company will, according to the changes in the share capital, carry out the relevant procedures for the amendment of the Articles of Association, make corresponding amendments to the provisions related to the share capital in the Articles of Association, and go through the relevant business registration procedures.

(III) Impact of this offering on the shareholding structure

The non-public issuance is intended for 3 target subscribers: Yangtz Ecology and Environment, Three Gorges Capital, and Tianjin Municipal Investment. The shareholding structure of the Company will be changed upon the completion of the offering. Upon the completion of the non-public issuance, Tianjin Municipal Investment will still be the controlling shareholder of the Company, and Tianjin SASAC will still be the actual controller. Therefore, this offering will not lead to the change in the actual control of the Company.

(IV) Impact of this offering on the senior management structure

This non-public issuance does not involve any significant change of the senior management structure. If the Company intends to adjust the senior management structure, it will perform the necessary legal procedures and information disclosure obligations in accordance with the relevant provisions.

(V) Impact of this offering on the business structure

The proceeds from the non-public issuance will be used to repay interest-bearing liabilities and supplement working capital. The business structure of the Company will not be changed. After the completion of this offering, the Company's financial strength will be strengthened, which will be conducive to enhancing its market competitiveness in the long run.

II. CHANGE TO THE FINANCIAL STATUS, PROFITABILITY AND CASH FLOW OF THE COMPANY AFTER THIS OFFERING

After the proceeds from the non-public issuance are received, the total assets and net assets of the Company will increase correspondingly, the financial position will be improved, the asset liability structure will become more reasonable, the profitability will be further improved, and the core competitiveness will be enhanced. The impacts of the non-public issuance on the financial position, profitability and cash flow of the Company are as follows:

(I) Impact on the financial position

After the completion of this non-public issuance, the Company's total assets and net assets will increase, its asset-liability ratio will be reduced, the working capital will be more sufficient, and the current ratio and quick ratio will be improved, which is conducive to enhancing the Company's ability to resist risks.

(II) Impact of this offering on the profitability

The proceeds from the non-public issuance will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses. The financial strength of the Company will be strengthened, which will further enhance the profitability of the Company. After the completion of this non-public issuance, the Company's total equity will expand, but the earnings per share may be diluted in the short term, and the return on equity may decline. However, in the medium and long term, this offering is conducive to the Company to optimize the capital structure, alleviate the pressure of debt repayment, reduce financial costs, and further improve the profitability and sustainable development.

(III) Impact of this offering on the cash flow of the Company

When the proceeds are received after the completion of the non-public issuance, the cash flow status of the Company will be improved with the substantial increase in cash inflow. In addition, after the Company pays off a large number of interest-bearing liabilities, the financing ability will be further enhanced, which is conducive to the Company to improve the business development ability, improve the net operating cash flow, so as to further enhance the continuous return ability.

III. CHANGE IN THE BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, CONNECTED TRANSACTIONS AND HORIZONTAL COMPETITION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES

Upon the completion of this offering, there will not be any change in the business relationship and management relationship between the Company and the controlling shareholder, the actual controller and its affiliates, nor will they have any new horizontal competition or connected transaction due to the non-public issuance.

IV. AFTER THE COMPLETION OF THE NON-PUBLIC ISSUANCE, WHETHER THE COMPANY'S CAPITAL AND ASSETS ARE OCCUPIED BY THE CONTROLLING SHAREHOLDER, THE ACTUAL CONTROLLER AND ITS AFFILIATES, OR WHETHER THE COMPANY PROVIDE GUARANTEE FOR THE CONTROLLING SHAREHOLDER, THE ACTUAL CONTROLLER AND ITS AFFILIATES

After the completion of the non-public issuance, the Company's capital and assets will not be occupied by the controlling shareholder, the actual controller and its affiliates, nor will the Company provide guarantee for the controlling shareholder, the actual controller and its affiliates.

V. IMPACT OF THIS OFFERING ON THE DEBTS OF THE COMPANY

After the proceeds from this offering are received, the Company's asset-liability ratio will be reduced, the financial structure will become more reasonable, helping to improve the risk resistance of the Company. There will not be any significant increase in liabilities (including contingent liabilities) due to this offering. The Company's debt ratio will not become too low and no unreasonable financial costs will be incurred.

VI. RISKS RELATED TO THIS OFFERING

When evaluating the non-public issuance of A-shares, investors shall, in addition to other information provided in the plan, take the following risk factors into account:

(I) Market risk

1. The risks resulting from macroeconomic changes

The main business of the Company is strongly dependent on the national industrial policy and the scale of environmental investment. The reform and adjustment of national industrial policies, fiscal and taxation policies, monetary policies and other macroeconomic policies will have a great impact on the supply and demand of the whole market and the business activities of enterprises.

The Company's projects have a long payback period. In view of the cyclical changes in national economic growth and the differences in specific conditions of different regions, the timing and intensity of water price adjustment are also uncertain, resulting in certain policy risks for the Company's projects and profits.

2. The risks resulting from the slowdown of water sector market growth

During the period of the 13th Five-Year Plan, the discharge of urban sewage, the number of sewage treatment plants and the capacity of sewage treatment increased year by year, but the growth rate decreased. At present, the urban sewage treatment industry

has entered the mature stage and the market becomes saturated. “Modification based on improved standards” will become the main source of demand for urban domestic sewage treatment industry. As the state pays more attention to rural environmental governance, the scale of rural water treatment market will gradually expand. However, the main revenue of the Company comes from the business in urban areas. The shrinking of urban business increment and the intensification of market competition may have a certain impact on the expansion and development of the Company’s water business.

3. *Market segmentation risks*

For a long time, China’s water industry was characterized by strong local monopoly, small scale and relatively simple property right structure. Local sewage treatment and waterworks were basically invested and operated by local governments, forming a regional monopoly market. Therefore, when the Company carries out the business of sewage treatment and tap water supply in other places, it is more likely to be restricted by the low marketization degree and the strict government control, thus affecting its future strategic deployment.

(II) Business and operation risks

1. *The risks resulting from increasingly stringent laws and regulations*

With the introduction of the new Environmental Protection Law and the Ten-measure Action Plan to Tackle Water Pollution, standards in the environmental governance field have become stricter. The newly issued standards set higher requirements on the Company’s professional and technical ability, process selection ability, timely response to the changes in inlet water quality and other capabilities. In order to meet the corresponding effluent standard, the Company may face the risk of increasing investment in scientific research and technical equipment renovation.

2. *Government credit risks*

Currently, the issuer mainly adopts franchise operation mode for its sewage treatment business, tap water supply business and cooling and heating business, and specifies the relevant rights and obligations by signing franchise agreement with relevant units. Although the other units that sign the franchise agreement with the issuer are all local government departments with good credit level, if there is any breach to franchise agreement of the issuer’s main operating projects, it will still have an adverse impact on its operating conditions.

3. *The risk of expiry of the franchise term*

Currently, most of the urban sewage treatment and tap water supply projects invested by the Company are operated by franchise, and the franchise term of each project is generally from 25 to 30 years. Although it is stipulated in the franchise agreement

signed with local governments that, when the local government chooses the franchiser again after the expiration of the franchise, it shall give priority to the Company under the same conditions, there still exists the risk that the Company will not be granted the franchise again upon expiry of the franchise term.

4. *The risks resulting from COVID-19*

Since the beginning of 2020, the COVID-19 epidemic and its prevention and control measures in China and around the world have had a significant negative impact on the national economy, as well as the market development, investment, construction and operation of the Company's environmental protection projects. If the epidemic outside China cannot be controlled or the epidemic prevention and control in China is repeated, it will have a further impact on the macro economy and thus adversely affect the Company's business development.

5. *The risk that synergies with strategic investors cannot be fully exploited*

The company is a listed environmental protection and water utility company with leading scale and efficiency in China. It has strong synergies with the strategic investors to be introduced in this offering in terms of business development and has established a long-term strategic partnership with them. Although the Company has signed the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance with the strategic investors to agree on the future cooperation areas, cooperation methods and cooperation objectives, there still exists the risk that the synergies cannot be fully exerted and the expected objectives of this strategic cooperation cannot be achieved.

(III) Financial risks

1. *Insolvency risk*

As of the end of March 2020, the Company had a high asset-liability ratio of 60.42%. In addition, with the gradual expansion of the investment scale, the Company's demand for capital will increase accordingly, and it may increase debt financing in the future. If the amount and progress of this offering are not as good as expected, or the investment project does not produce good benefits as expected, financial risks such as failure to repay principal and interest may occur.

2. *The risk of return on equity and earnings per share being diluted in the short term*

After the completion of this non-public issuance, the Company's share capital and net assets will grow significantly, but its net profit may not grow in sync with the share capital and net assets, resulting in the risk of dilution of the earnings per share and return on equity.

(IV) Management risk

With the continuous expansion of business and scale, the Company will face severe challenges in management mode, talent reserve, technological innovation and market development. Although the Company has formed a relatively complete set of internal control management system and improved year by year, due to the differences in the geographical distribution, cultural characteristics and corporate culture of each branch, management and control risks may be generated. With the expansion of business scale, if the Company's management level and talent reserve cannot meet the needs of the rapid expansion of its business scale and the organizational model and management model fail to be adjusted and improved in a timely manner with the expansion of the Company's scale, it will be difficult to ensure the Company's safe and efficient operation, which makes the Company at risk.

(V) Policy risks***1. The risk of changes in water pricing policy***

Currently, the price of urban water supply is determined by the government after the relevant necessary hearing procedures are carried out, and subject to the supervision of the masses. Sewage charges are also set by government departments. In recent years, the state has intensified efforts to reform water prices. The Measures for the Price Management of Water Supply in Water Conservancy Projects, the Notice on Promoting the Reform of Water Price, Promoting Water Conservation and Protecting Water Resources, and the Notice on Issues Related to the Management of Urban Water Supply prices were issued successively. In 2013, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development issued the Guiding Opinions on Accelerating the Establishment and Improvement of the Tiered Water Price System for Urban Residents (NDRC Price [2013] No. 2676), with an aim to accelerate the establishment and improvement of the tiered water price system for urban residents. The impact of the implementation of relevant policies on the operation of the issuer is uncertain, and the performance of the Company may be adversely affected.

2. Risk of industry technical standard adjustment

The new Environmental Protection Law was formally implemented on January 1, 2015. With the introduction of a series of environmental administrative regulations, standards in the environmental governance field have become stricter. In this context, the adjustment of technical standards in related industries may cause the Company's effluent discharge to be below the standard, which will adversely impact the Company's performance.

(VI) Other risks**1. *Approval risk***

The non-public issuance is subject to the approval of Tianjin SASAC, the approval of the general meeting and class meeting of the Company, and the approval of the CSRC. There exists uncertainty on whether the offering will be approved or authorized by the relevant authorities, as well as the final approval or authorization time.

2. *Stock market risk*

This non-public issuance will have certain impact on the production and operation and financial position of the Company, and the change in the Company's fundamentals will affect its stock price. In addition, the stock price of the Company depends not only on its business performance and development prospect but also on the international and domestic political and economic situations, national economic policies, economic cycle, inflation, supply and demand of the stock market, occurrence of major natural disasters, psychological expectations of investors, and other factors. Therefore, the Company's stock price is subject to certain uncertainties and may fluctuate due to the above risk factors.

**CHAPTER 6 PROFIT DISTRIBUTION POLICY OF THE COMPANY AND ITS
IMPLEMENTATION****I. PROFIT DISTRIBUTION POLICY OF THE COMPANY**

In order to standardize its profit distribution behavior, promote the establishment of a scientific, sustainable and stable profit distribution mechanism, and protect the legitimate rights and interests of minority investors, the Company has set out the following profit distribution policies in its Articles of Association according to the requirements of the Notice on Further Implementation of Cash Dividends of 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》(証監發[2012] 37號)) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) (《上市公司監管指引第3號 – 上市公司現金分紅》(証監會公告[2013] 43號)) issued by China Securities Regulatory Commission:

(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 dividends to the shareholders per annum in proportion to distributable profit realized for the year concerned attributable to the Company, which shall be determined by resolutions at the general meetings.
2. The Company's profit distribution policy shall maintain continuity and stability, 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 distributing cash dividend.

(II) Specific policies of the Company for profit distribution**1. *Form of profit distribution***

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

2. *Interval of profit distributions*

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 subsequent 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, other than the projects using the 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 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 Company realized within such three years. The specific proportion of dividend 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 various factors into full account, 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 a differentiated cash dividend policy in accordance with the procedures as required by the 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 development stage of the Company and there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

5. *Specific conditions for the Company to distribute dividends in shares*

The Company may propose dividend distribution in shares when the Company is in sound condition, and the Board considers that the Company's stock price does not reflect its share capital and distributing dividend in shares will be favourable to all shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are met. 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, 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 the 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), independent directors, and supervisors shall be fully heard and considered during the Board meeting, the meeting of 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 of the Company 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, arrangement of investment, actual profit condition, cash flows and scale of share capital of the Company, and the sustainability of development when formulating the specific proposal of cash dividend distribution, 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 may collect views from minority shareholders to put forward the 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 of minority shareholders, and reply in a timely manner the questions from minority shareholders. When considering the profit distribution plan, the Company shall make Internet voting available to the shareholders.

3. If the Company makes a profit for the year, but the Board does not propose a profit distribution in 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 being considered and approved by the Board. Meanwhile, the Company shall make Internet voting available for minority 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, and 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 or more 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 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 available 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 the 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 minority shareholders have opportunities to fully express their opinions and requests, and whether the legitimate interests and interests of minority 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 relevant 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 the 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; and
- (3) the disclosure and implementation of the cash dividend policy are not true, accurate or complete.

II. CASH DIVIDENDS AND USE OF UNDISTRIBUTED PROFITS OF THE COMPANY IN THE LAST 3 YEARS

(I) Profit distribution in the last 3 years

1. Profit distribution for 2017

The 2017 Profit Distribution Plan was deliberated and approved by the annual general meeting of the Company for 2017. Considering the long-term development of the Company, shareholders' interests and the validity period of approval for the non-public issuance of A-shares, the Company did not make profit distribution in 2017.

2. Profit distribution for 2018

The 2018 Profit Distribution Plan was deliberated and approved by the 2018 Annual General Meeting of the Company. In accordance with the profit distribution policy of the Company, a cash dividend of RMB1.06 (tax inclusive) for every 10 shares was paid to all shareholders in 2018, totaling RMB151.2862 million.

3. Profit distribution for 2019

The 2019 Profit Distribution Plan was deliberated and approved by the 2019 Annual General Meeting of the Company. In accordance with the profit distribution policy of the Company, a cash dividend of RMB1.07 (tax inclusive) for every 10 shares was paid to all shareholders in 2019, totaling RMB152.7134 million.

(II) Cash dividends in the last 3 years

The year of dividend distribution	Cash dividend amount (RMB'0,000, tax inclusive)	Net profit attributable to shareholders of the listed company during the year of dividend distribution in the consolidated financial statements (RMB'0,000)	Percentage in net profit attributable to shareholders of the listed company in the consolidated financial statements
2019	15,271.34	50,710.70	30.11%
2018	15,128.62	50,116.80	30.19%
2017	0	50,825.10	0.00%
Annual distributable profit realized in the last 3 years (RMB'0,000)			50,550.87
Percentage of the cash dividend amount accumulated in the last 3 years in the actual annual distributable profit in the last 3 years			60.14%

The profits that the Company has accumulatively distributed in cash in the last three years accounted for 60.14% of the annual distributable profits realized in the three years, complying with the requirements of the Articles of Association and the relevant laws and regulations.

(III) Use of the undistributed profits in the last 3 years

The Company has always focused on the balance between shareholder returns and its own development. During the reporting period, the Company used the retained undistributed profits for its main business, in order to meet the needs of the development strategy. On the premise of providing reasonable return to shareholders, the use of the above undistributed profits has effectively helped to reduce the Company's financing costs, while enhancing the financial soundness of the Company.

III. SHAREHOLDER RETURN PLAN FOR THE NEXT 3 YEARS (2020 TO 2022)

At the thirty-second meeting of the eighth board of directors of the Company, the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) (《天津創業環保集團股份有限公司未來三年(2020-2022)股東回報規劃》) was adopted, which is subject to the approval of the general meeting of the Company. The main contents are as follows:

“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 various factors into consideration, 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 minority 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 a continuous and stable profit distribution policy, in order to maintain the sustainable development of the Company, while providing reasonable return on investment to the investors. For the next three years (2020-2022), 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, further improve the system of cash dividends, enhance the transparency of cash dividends and maintain the continuity, rationality and stability of the cash dividend distribution policy.

III. The Procedures for formulating and reviewing the Plan

The Board of the Company shall formulate a Shareholder Return Plan 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 Shareholder Return Plan shall be formulated by the Board and submitted to the general meeting for consideration after being considered and approved by the Board.

IV. The Shareholder Return Plan for the next three years (2020-2022)

- (I) Dividends 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 by other means permitted by laws and regulations. Subject to the satisfaction of conditions of cash dividend distribution, cash dividend distribution shall take priority over share dividend.

(II) 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.

(III) Conditions for cash dividend distribution of the Company:

1. 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 subsequent sustained operations;
2. the accounting firm issues a standard unqualified audit report on the Company's financial report for that year;
3. Where 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), other than the projects using proceeds raised, the Company shall distribute dividend in cash.

(IV) 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 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 Company realized within such three years. The specific proportion of dividend 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 various factors into full account, 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 the Articles of Association:

1. If the Company is in mature development stage and has no significant capital expenditure arrangement, when profit distribution is made, the cash dividend shall at least account for 80% of the profit distribution;

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 making profit distribution is made.

If it is difficult to distinguish the development stage of the Company and there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

(V) 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.

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

(VII) 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

(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, 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 Board meeting, 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 Company shall, through a variety of channels (including but not limited to telephone, fax, email, interactive platform, etc.), fully listen to the opinions and appeals of minority shareholders, and provide online voting methods or solicit voting rights for shareholders when deliberating the profit distribution plan.

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."

**CHAPTER 7 DESCRIPTION OF THE DILUTION OF CURRENT RETURN
RESULTING FROM THIS OFFERING AND
THE MITIGATION AND REMEDIAL MEASURES**

According to the relevant requirements of the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110) (《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》(國辦發(2013) 110號), the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No.31) (《發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》(証監會[2015] 31號)) as well as other laws, regulations, rules and other regulatory documents, the Company has analyzed the influence of the Non-public Issuance of A Shares on ordinary shareholders' equity and immediate return, and proposed mitigation and remediation measures based on the actual situations, while the relevant parties have made commitments to ensure the fulfillment of the mitigation and remediation measures, details of which are as follows:

**I. IMPACT OF DILUTION OF CURRENT RETURN RESULTING FROM THE
NON-PUBLIC ISSUANCE ON THE KEY FINANCIAL INDEXES OF THE
COMPANY**

(I) Calculation assumptions

1. It is assumed that there are no major adverse changes in the macroeconomic environment and conditions of the stock market as well as the operating environment of the Company..
2. It is assumed that the Non-public Issuance is expected to be completed in November 30, 2020, for which it is only an assumption, and does not constitute a commitment to the actual completion date. Investors should not make investment decisions based on this assumptive completion date, otherwise, the Company shall be held no liable for any losses arising from such investment;
3. The number of shares under this Non-public Issuance is 323,741,007 (which is an estimate and subject to the number approved by the CSRC and actually issued); the total proceeds from this Non-public Issue is RMB1.8 billion, without considering the impact of deducting the issue expenses.
4. It is assumed that except for the Non-public Issuance, there will be no other circumstances that will cause changes to the Company's share capital in 2020.
5. It is assumed that the influence on the business operation and financial position of the Company (such as operating revenue, financial expense, investment income, etc.) upon receipt of the proceeds from the Non-public Issuance is not taken into account;

6. It is assumed that the net profit of the Company for 2020 will be calculated based on the following 3 circumstances (which are not indicative of the judgment of the Company on its operating conditions and trends for 2020 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company for 2020 is the same as that for 2019;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2020 is 10% higher than that for 2019;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2020 is 10% lower than that for 2019;

7. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company nor the issuance expense of the calculation;

The above assumptions and the calculation on the impact of the immediate return dilution influence of the Non-public Issuance of A-shares on the Company's key financial indexes do not represent the Company's judgment on its operating conditions and trends for 2020 and do not constitute a profit forecast of the Company. Investors should not make investment decisions in reliance thereon. If investors make investment decision based on this assumption analysis and suffer loss, the Company shall not be liable.

APPENDIX I PROPOSAL IN RESPECT OF NON-PUBLIC ISSUANCE OF A SHARES

(II) Influence on the key financial indexes

Impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indexes of the Company is calculated based on the assumptions above as follows:

Item	For the year 2019/as at 31 December 2019	For the year 2020/as at 31 December 2020	
		Before the Issuance	After the Issuance
Total share capital (shares)	1,427,228,430.00	1,427,228,430.00	1,750,969,437.00
Assumption 1: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 is in line with that in 2019			
Net profits attributable to ordinary shareholders of listed company (RMB'0,000)	50,710.70	50,710.70	50,710.70
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB'0,000)	38,445.20	38,445.20	38,445.20
Basic earnings per share (RMB/share)	0.36	0.36	0.35
Diluted earnings per share (RMB/share)	0.36	0.36	0.35
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.27	0.26
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.27	0.26
Assumption 2: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 increase by 10% as compared to 2019			
Net profits attributable to ordinary shareholders of listed company (RMB'0,000)	50,710.70	55,781.77	55,781.77
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB'0,000)	38,445.20	42,289.72	42,289.72

APPENDIX I PROPOSAL IN RESPECT OF NON-PUBLIC ISSUANCE OF A SHARES

Item	For the year 2019/as at 31 December 2019	For the year 2020/as at 31 December 2020	
		Before the Issuance	After the Issuance
Basic earnings per share (RMB/share)	0.36	0.39	0.38
Diluted earnings per share (RMB/share)	0.36	0.39	0.38
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.30	0.29
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.30	0.29
Assumption 3: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 decrease by 10% as compared to 2019			
Net profits attributable to ordinary shareholders of listed company (RMB'0,000)	50,710.70	45,639.63	45,639.63
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB'0,000)	38,445.20	34,600.68	34,600.68
Basic earnings per share (RMB/share)	0.36	0.32	0.31
Diluted earnings per share (RMB/share)	0.36	0.32	0.31
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.24	0.24
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.24	0.24

Note: The basic earnings per share and diluted earnings per share are calculated based on Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Rate of Return on Common Shareholders' Equity and Earnings per Share.

II. SPECIAL RISK REMINDER FOR DILUTION OF CURRENT RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE

After the completion of the Non-public Issuance, the Company's total share capital and net assets will increase in size, and the use of proceeds raised and the relevant benefits delivery will take a certain period. With the increase in the Company's total share capital and net assets, there will be a dilution risk on the Company's immediate returns for the year after the completion of the Non-public Issuance if the Company's profits do not increase correspondingly. In addition, once the assumptions of the aforementioned analysis or the Company's operating conditions have changed significantly, the immediate return dilution resulting from the Non-public Issuance may change.

The investors are specifically reminded to make rational investments, and be alert of the risk that the Non-public Issuance may dilute the immediate return.

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

For the necessity and rationality of the Non-public Issuance, please refer to "Chapter 5 Discussion and Analysis of the Board of Directors on the Impact of the Non-public Issuance on the Company" in this plan.

IV. THE RELATIONSHIP BETWEEN THE PROJECTS FUNDED BY THE PROCEEDS RAISED AND THE EXISTING BUSINESSES OF THE COMPANY, AS WELL AS THE TALENT, TECHNOLOGY AND MARKET RESERVE OF THE COMPANY FOR SUCH PROJECTS

The proceeds raised by the Company from the Non-public Issuance, after deducting the relevant issuance costs, will be used to repay the interest-bearing debts and replenish working capital, which will help the Company expand its business scale, increase market share, and enhance its risk resistance capacity, thereby further improving its profitability and core competitiveness.

Upon the completion of the non-public issuance of A-shares, the Company's business scope remains unchanged.

V. THE MEASURES AND COMMITMENTS OF THE COMPANY WITH RESPECT TO DILUTION OF CURRENT RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE

In order to protect the interests of general investors and reduce the possible dilution impact of the Non-public Issuance of A Shares on the immediate return, the Company intends to take a variety of measures to ensure the effective use of proceeds raised in the Non-public Issuance of A Shares and prevent the risks of immediate return dilution, so as to provide higher immediate returns to shareholders. The specific measures the Company intends to take are as follows:

(I) Enhance the operation management and internal control to improve the operation efficiency and profitability

The Company will continue to improve its business model and consolidate its preponderant business. On the one hand, the Company will continue to promote technological progress and control costs by providing necessary technical supports to its subsidiaries ; on the other hand, the Company will strengthen project follow-up and risk management. By exploiting its own potential, the subsidiaries will strengthen energy saving and consumption reduction as well as cost management, and actively carry out necessary facility and process improvement and technology upgrade. At the same time, the Company will strengthen its daily operation management and internal control, continuously improve the corporate governance structure, strengthen budget and investment management, so as to comprehensively improve the Company's daily operation efficiency, reduce its operating costs, and improve operating performance.

(II) Enhance the management and usage of the proceeds raised to prevent the risks in connection with the use of proceeds.

To standardize the management and usage of proceeds raised and ensure the standard, safe and efficient usage of the proceeds raised, the Company has formulated the Management Method on the Proceeds Raised and the relevant internal control systems in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulatory Guidelines for Listed Companies No.2 – Regulatory Requirements for the Management and Usage of Funds Raised by 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.

Upon the completion of the Non-public Issuance, the Company will deposit the proceeds in a special account designated by the Board for the proceeds only in accordance with the regime requirements, and use the proceeds only for their specific purposes, to ensure a reasonable and standardized use of proceeds and prevent the risks in connection with the use of proceeds. In the future, the Company will strive to improve the fund utilization efficiency. To this end, the Company will improve and strengthen the investment decision-making process, design more reasonable fund use plans, and rationally use various financing tools and channels

to control the fund cost, improve the fund utilization efficiency, save the Company's various expenses, and then comprehensively and effectively control the Company's operations and control risks, improve operating efficiency and profitability.

(III) To constantly improve corporate governance and provide institutional guarantee for the development of the Company

The Company will strictly comply with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shanghai Stock Exchange and other relevant laws, regulations and normative documents, continuously improve the corporate governance structure, and ensure that shareholders can fully exercise their rights, that the Board of directors can exercise its functions and powers in accordance with the provisions of laws, regulations and articles of association, make scientific, prompt and prudent decisions, and that independent directors can earnestly perform their duties. We will safeguard the overall interests of the Company, especially the legitimate rights and interests of minority shareholders, and ensure that the board of supervisors can independently and effectively exercise the right to supervise and inspect the directors, managers and other senior managers and the Company's financial affairs, so as to provide institutional guarantee for the development of the Company.

(IV) Continuously improve the profit distribution system to strengthen the investor return mechanism

The Company attaches great importance to the reasonable return on investment of shareholders while paying attention to the Company's own development. To this end, it has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) in accordance with the relevant requirements in the Notice on Further Implementation of Matters in Relation to the Cash Dividend of Listed Companies and the Regulatory Guidelines for Listed Companies No.3 – 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》) issued by the CSRC and the relevant provisions regarding profit distribution policies in the Articles of Association. The Company will strictly implement the dividend policy and shareholder return plan formulated by the Company, and strive to provide higher investment returns to shareholders.

Investors should note that formulating mitigation and remediation measures does not mean guaranteeing the Company's future profits. The Company will disclose the completion status of the mitigation and remediation measures and the performance of the commitments by the relevant undertakers in the subsequent regular reports.

Given the above, after the completion of the Non-public Issuance, the Company will strengthen internal management, consolidate its main business, rationally use the proceeds raised, improve the fund utilization efficiency, take various measures to continuously improve

operating performance, and actively promote the profit distribution to shareholders upon the satisfaction of the conditions for profit distribution, so as to improve the Company's ability to return to its investors, and effectively reduce the risks faced by the shareholders in connection with immediate return dilution.

VI. Promises of all the directors and senior executives to ensure the implementation of the mitigation and remedial measures

All of the directors and senior executives have made the following undertakings to ensure the implementation of the mitigation and remediation measures for the immediate return dilution resulting from this offering:

- “1. I hereby undertake that I shall not provide benefits to other entities or individuals without consideration or on unfair terms nor conduct in any other way that may impair the interest of the Company or the shareholders;
2. I hereby undertake that I shall incur expenses in performing my duties subject to restrictions;
3. I hereby undertake that I shall not apply the assets of the Company for any investment or expenditure which is unrelated to the performance of my duties;
4. I hereby undertake that the remuneration package formulated by the Board or the Remuneration and Appraisal Committee shall be implemented in accordance with the mitigation and remediation measures for the diluted immediate return of the Company;
5. I hereby undertake that if the Company implements any Share Incentive Plan in the future, the proposed vesting terms shall be operated in line with the mitigation and remediation measures for the diluted immediate return of the Company.

For any new regulatory measures issued by CSRC in relation to the mitigation and remediation measures during the period from the date of this undertaking to the completion of the non-public issuance of A Shares of the Company that makes the said undertaking fails to meet such requirements by CSRC, I hereby undertake that I shall make further undertaking(s) in accordance with those new requirements issued by CSRC.

As one of responsible persons for taking the mitigation and remediation measures, If I violate or refuse to perform this undertaking, I agree to be subject to the punishment or other relevant regulatory measures by the state or securities regulatory authorities in accordance with the relevant regulations and rules formulated or issued by them.”

VII. UNDERTAKING MADE BY THE CONTROLLING SHAREHOLDER OR INDIRECT CONTROLLING SHAREHOLDER OF THE COMPANY

Tianjin Municipal Investment (the controlling shareholder) and TICI (the indirect controlling shareholder) have made the following undertaking to ensure the implementation of the mitigation and remediation measures for the immediate return dilution resulting from this offering according to the relevant regulations of the CSRC:

“We shall not overstep our authority to intervene in the environmental operation and management activities of Capital Environmental Protection, nor encroach on the benefits of Capital Environmental Protection.

If we violate or refuse to fulfill the above undertaking and cause losses to Capital Environmental Protection or its shareholders, we agree to bear corresponding legal liabilities according to laws, regulations and relevant provisions of the securities regulatory authority.

VIII. PROCEDURES FOR THE CONSIDERATION OF THE MITIGATION AND REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURN RESULTING FROM THIS OFFERING AND THE RELEVANT UNDERTAKING

The mitigation and remediation measures for the diluted immediate return resulting from this non-public issuance and the relevant commitments have been passed at the thirty-second meeting of the eighth board of directors of the Company, and will be submitted to the general meeting for review.

(No text below, it is the signature page for The Plan for the Non-public Issuance of A-shares by Tianjin Capital Environmental Protection Group Company Limited in 2020)

The Board of Tianjin Capital Environmental Protection Group Company Limited

July 13, 2020

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

Feasibility Study Report of Tianjin Capital Environmental Protection Group Company Limited on the Use of Proceeds from the Non-public Issuance of A Shares

I. THE PROCEEDS USING PLAN

The proceeds from this Non-public Issuance A Shares with a total amount up to RMB1.8 billion, after deduction of the issuance expenses, will be used in full to repay the interest-bearing liabilities and replenish the working capital to optimize the Company's capital structure, reduce the gearing ratio, reduce financial risk and liquidity risk, and therefore to enhance the Company's risk resistance capacity.

II. THE NECESSITY AND FEASIBILITY STUDY ON THE USE OF PROCEEDS

(I) The necessity study on the use of proceeds

i. Optimize the assets and liabilities structure to improve its risk resistance capacity

As of 31 December 2019 and 31 March 2020, the gearing ratios of listed peers in A share market are as follows:

No.	Company abbreviation	Gearing ratio	
		31 December 2019	31 March 2020
600008.SH	Beijing Capital	64.68	65.96
300070.SZ	Originwater	65.70	66.11
000826.SZ	Tus Environmental Science and Technology Development	62.20	62.16
600187.SH	Interchina Water Treatment	27.84	28.32
601158.SH	Chongqing Water	30.13	34.17
000598.SZ	Xingrong Environment	52.66	52.56
600323.SH	Grandblue Environment	66.16	67.55
601199.SH	Jiangnan Water	38.93	31.55

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

No.	Company abbreviation	Gearing ratio	
		31 December 2019	31 March 2020
	Central Plains		
000544.SZ	Environment Protection	40.87	49.39
600461.SH	Hongcheng Waterworks	56.28	56.09
	QianJiang Water		
600283.SH	Resources Development	54.52	54.64
000685.SZ	Zhongshan Public Utilities	29.57	30.20
	Wuhan Sanzhen Industry		
600168.SH	Holding	65.19	67.30
	Average	50.36	51.23
	Tianjin Capital		
	Environmental		
600874.SH	Protection	60.30	60.42

As shown on the table above, the Company's gearing ratio is at a relatively high level as compared with its comparable listed peers. The Company's gearing level will decline, its asset structure will be optimized, and its ability to resist financial risks will be improved upon receipt of the proceeds from the Non-public Issuance of A Shares.

ii. Reduce the Company's financial expenses to improve its profitability

In recent years, the Company expanded its business scale and improved its market competitiveness with the help of financial supports and guarantees through the bank borrowings, which, on another hand, reduced the Company's profitability accordingly due to the financial expenses thereof. The Company's financial expenses were RMB100.3390 million, RMB161.9860 million and RMB199.3960 million for 2017, 2018 and 2019, respectively, accounting for 19.33%, 30.75%, and 37.70% of the net profits for the same period.

Parts of proceeds from this Non-public Issuance of A Shares will be used to repay interest-bearing liabilities, which will effectively reduce the Company's debt financing scale, reduce its financial burden, and thereby improve its sustainable profitability.

iii. Replenish the working capital to meet business growth needs and strengthen the Company's strategy implementation

With the expansion of operating scale and the development of new projects of the Company, its demand for working capital keeps increasing. Part of proceeds from this Non-public Issuance of A Shares will be used to replenish the working capital, which may improve the Company's financial situation and provide capital guarantee for its further business development.

(II) The feasibility study on the use of proceeds

i. The use of proceeds from this Non-public Issuance complies with the provisions of laws and regulations

The use of proceeds from this Non-public Issuance by the Company complies with relevant policies, laws and regulations, and is feasible. Upon receipt of the proceeds from the Non-public Issuance, the Company will, on the one hand, obtain more net assets and working capital, which can effectively alleviate the pressure of capital demand arising from its operating expansion, and ensure a sustainable, healthy and rapid business development, so as to further improve its overall competitiveness; on the other hand, achieve lower gearing ratio, reduce its financial risks, improve its capital structure, and increase its profitability, so as to promote the sustainable and healthy development of its business.

ii. The Company has established a perfect governance standard and internal control system for the use of proceeds

The Company has established a modern corporate system with the corporate governance structure as its core in accordance with the governance standards for listed companies, and formulated a relatively normative and standardized corporate governance system and perfect internal control procedures through continuous improvement and refinement. In terms of proceeds management, the Company has also established a "Proceeds Management System" in accordance with regulatory requirements, which makes explicit provisions on the storage, use and management of proceeds, ensuring the standardization, safety and efficiency of the use of proceeds. Upon receipt of the proceeds from the Non-public Issuance, the Company will deposit the proceeds in a special account designated by the Board for the proceeds only in accordance with the regime requirements, and use the proceeds only for their specific purposes, to ensure a reasonable and standardized use of proceeds and prevent the risks in connection with the use of proceeds.

III. THE IMPACTS OF THIS NON-PUBLIC ISSUANCE ON THE COMPANY'S MANAGEMENT AND FINANCIAL POSITION

(I) The impacts of this Non-public Issuance on the Company's management

The proceeds from this Non-public Issuance, after deduction of the issuance expenses, are intended to be used in full to repay the interest-bearing liabilities and replenish the working capital. The proceeds from this Non-public Issuance will further enhance the Company's capital strength, significantly improve its asset-liability structure, and help the Company enhance its solvency and improve its financial position, thereby further enhancing the Company's comprehensive competitiveness and risk resistance capacity, and also the Company's core competitiveness and long-term profitability. Therefore, it is in the interest of shareholders of the Company as a whole.

(II) The impacts of this Non-public Issuance on the Company's financial position

Upon receipt of the proceeds from the Non-public Issuance, the Company's total assets and net assets will increase to a certain extent, and its financial strength will be enhanced, which provide a strong financial guarantee for its subsequent development. The improvement of the Company's gearing ratio and liquidity and the further optimization of its financial structure will help the Company reduce financial expenses and enhance its profitability. By using the proceeds from the Non-public Issuance, the Company may improve both its sustainability and profitability, help expand its operating scale and increase its profit levels in the future, and thereby further optimizing the Company's financial position.

IV. FEASIBILITY CONCLUSION ON THE USE OF PROCEEDS FROM THE NON- PUBLIC ISSUANCE OF A SHARES

The using plan of proceeds from this Non-public Issuance of A Shares by the Company complies with relevant policies, laws and regulations, as well as the overall strategic planning for the Company's future development, and is necessary and feasible. The receipt and use of the proceeds will help the Company meet its business development needs, enhance its overall strength and profitability, improve its subsequent financing capabilities and sustainable development capabilities, and lay a foundation for achieving its strategic development objectives. Therefore, it is in the interest of the Company and shareholders as a whole.

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

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Board of Directors
Tianjin Capital Environmental Protection Group Company Limited
13 July 2020

Tianjin Capital Environmental Protection Group Company Limited**Shareholders' Return Plan For the Next Three Years (2020 – 2022)**

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 (2020 – 2022) (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 “No. 7 Memorandum on Periodic Report of Listed Company – Matters Related to Cash Dividend Distribution in Preparation of Annual Report” (《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 various factors into consideration, 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 minority 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 (2020-2022), subject to the satisfaction of conditions of cash dividend distribution, the Company will adhere to adopting the distribution of cash dividends as priority 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 of the Company 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 shareholders' meeting for consideration after being considered and approved by the Board.

**IV. THE SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS
(2020-2022)**

- (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
 1. 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 subsequent sustained operations;
 2. The accounting firm issues a standard unqualified audit report on the Company's financial report for that year;
 3. Where 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), other than the projects using proceeds raised, the Company shall distribute dividend in 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 proportion of dividend 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 various factors into full account, 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 the 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

(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, 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 Board meeting, 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 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 of the Company 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 minority shareholders through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms). The Company shall make internet voting available 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.

Board of Directors

Tianjin Capital Environmental Protection Group Company Limited

13 July 2020

Stock code: 600874	Stock short name: 創業環保	Announcement No.: Lin 2020-032
Bond code: 136801	Bond short name: 16津創01	
Bond code: 143609	Bond short name: 18津創01	

**The Announcement of Risk Reminders and Relevant Precautionary Measures of
Tianjin Capital Environmental Protection Group Company Limited in Relation to the
Immediate Return Dilution Resulting from the Non-public Issuance of A Shares**

The board of directors of the Company and all directors warrant that there are no false representations or misleading statements contained in, or material omissions from this announcement, and severally and jointly accept responsibilities for the truthfulness, accuracy and completeness of this announcement.

According to the relevant requirements of the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110) (《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》(國辦發(2013)110號)), the China Securities Regulatory Commission-Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (the CSRC Announcement [2015] No.31) (中國證監會《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》(證監會公告[2015]31號)) as well as other laws, regulations, rules and other regulatory documents, the Company has analyzed the influence of the Non-public Issuance of A Shares on ordinary shareholders' equity and immediate return, and proposed mitigation and remediation measures based on the actual situations, while the relevant parties have made commitments to ensure the fulfillment of the mitigation and remediation measures, details of which are as follows:

**I. IMPACT OF THE IMMEDIATE RETURN DILUTION RESULTING FROM THE
NON-PUBLIC ISSUANCE ON THE KEY FINANCIAL INDEXES OF THE
COMPANY**

(I) Calculation assumptions

1. It is assumed that there are no major adverse changes in the macroeconomic environment and conditions of the stock market as well as the operating environment of the Company.
2. It is assumed that the Non-public Issuance is expected to be completed in November 30, 2020, for which it is only an assumption, and does not constitute a commitment to the actual completion date. Investors should not make investment decisions based on this assumptive completion date, otherwise, the Company shall be held no liable for any losses arising from such investment;

3. The number of shares under this Non-public Issue is 323,741,007 (which is an estimate and subject to the number approved by the CSRC and actually issued); the total proceeds from this Non-public Issue is RMB1.8 billion, without considering the impact of deducting the issue expenses.
4. It is assumed that except for the Non-public Issuance, there will be no other circumstances that will cause changes in the Company's share capital in 2020.
5. It is assumed that the influence on the business operation and financial position of the Company (such as operating revenue, financial expense, investment income, etc.) upon receipt of the proceeds from the Non-public Issuance is not taken into account;
6. It is assumed that the net profit of the Company for 2020 will be calculated based on the following 3 circumstances (which are not indicative of the judgment of the Company on its operating conditions and trends for 2020 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company for 2020 is the same as that for 2019;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2020 is 10% higher than that for 2019;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2020 is 10% lower than that for 2019;

7. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company nor the issuance expense of the calculation;

The above assumptions and the calculation on the impact of the immediate return dilution influence of the Non-public Issuance of A Shares on the Company's key financial indexes do not represent the Company's judgment on its operating conditions and trends for 2020 and do not constitute a profit forecast of the Company. Investors should not make investment decisions in reliance thereon. If investors make investment decision based on this assumption analysis and suffer loss, the Company shall not be liable.

(II) Influence on the key financial indexes

- I. Impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indexes of the Company is calculated based on the assumptions above as follows:

Item	For the year 2019/as at 31 December 2019	For the year 2020/as at 31 December 2020	
		Before the Issuance	After the Issuance
Total share capital (shares)	1,427,228,430.00	1,427,228,430.00	1,750,969,437.00
Assumption 1: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 is in line with that in 2019			
Net profits attributable to ordinary shareholders of listed company (RMB in 10 thousand)	50,710.70	50,710.70	50,710.70
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB in 10 thousand)	38,445.20	38,445.20	38,445.20
Basic earnings per share (RMB/share)	0.36	0.36	0.35
Diluted earnings per share (RMB/share)	0.36	0.36	0.35
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.27	0.26
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.27	0.26

Item	For the year	For the year 2020/as at	
	2019/as at	31 December 2020	
	31 December	Before the	After the
	2019	Issuance	Issuance
Assumption 2: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 increase by 10% as compared to 2019			
Net profits attributable to ordinary shareholders of listed company (RMB in 10 thousand)	50,710.70	55,781.77	55,781.77
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB in 10 thousand)	38,445.20	42,289.72	42,289.72
Basic earnings per share (RMB/share)	0.36	0.39	0.38
Diluted earnings per share (RMB/share)	0.36	0.39	0.38
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.30	0.29
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.30	0.29
Assumption 3: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2020 decrease by 10% as compared to 2019			
Net profits attributable to ordinary shareholders of listed company (RMB in 10 thousand)	50,710.70	45,639.63	45,639.63

Item	For the year 2019/as at 31 December 2019	For the year 2020/as at 31 December 2020	
		Before the Issuance	After the Issuance
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB in 10 thousand)	38,445.20	34,600.68	34,600.68
Basic earnings per share (RMB/share)	0.36	0.32	0.31
Diluted earnings per share (RMB/share)	0.36	0.32	0.31
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.24	0.24
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.27	0.24	0.24

Note: The basic earnings per share and diluted earnings per share are calculated based on Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Rate of Return on Common Shareholders' Equity and Earnings Per Share (《公開發行證券的公司信息披露編報規則第 9 號--淨資產收益率和每股收益的計算及披露》).

II. SPECIAL RISK REMINDER FOR IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE

After the completion of the Non-public Issuance, the Company's total share capital and net assets will increase in size, and the use of proceeds raised and the relevant benefits delivery will take a certain period. With the increase in the Company's total share capital and net assets, there will be a dilution risk on the Company's immediate returns for the year after the completion of the Non-public Issuance if the Company's profits do not increase correspondingly. In addition, once the assumptions of the aforementioned analysis or the Company's operating conditions have changed significantly, the immediate return dilution resulting from the Non-public Issuance may change.

The investors are reminded especially to make rational investments, and be alert of the risk that the Non-public Issuance may dilute the immediate return.

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

The Non-public Issuance is in line with the Company's overall strategic direction in the future and conducive to improve the Company's core competitiveness, which provides a very solid foundation for the future growth of the Company and complies with interests of the listed company and its shareholders as a whole. For more details, please see *Planned Non-Public Issuance of A Shares for 2020 of Tianjin Capital Environmental Protection Group Company Limited*.

IV. THE RELATIONSHIP BETWEEN THE PROJECTS FUNDED BY THE PROCEEDS RAISED AND THE EXISTING BUSINESSES OF THE COMPANY, AS WELL AS THE TALENT, TECHNOLOGY AND MARKET RESERVE OF THE COMPANY FOR SUCH PROJECTS

The proceeds raised by the Company from the Non-public Issuance, after deducting the relevant issuance costs, will be used to repay the interest-bearing liabilities and replenish working capital, which will help the Company expand its business scale, increase market share, and enhance its risk resistance capacity, thereby further improving its profitability and core competitiveness.

Upon the completion of the Non-public Issuance of A Shares, the Company's business scope remains unchanged.

V. THE MEASURES OF THE COMPANY WITH RESPECT TO THE IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE

In order to protect the interests of general investors and reduce the possible dilution impact of the Non-public Issuance of A Shares on the immediate return, the Company intends to take a variety of measures to ensure the effective use of proceeds raised in the Non-public Issuance of A Shares and prevent the risks of immediate return dilution, so as to provide higher immediate returns to shareholders. The specific measures the Company intends to take are as follows:

(I) Enhance the operation management and internal control to improve the operation efficiency and profitability

The Company will continue to improve its business model and consolidate its preponderant business. On the one hand, the Company will continue to promote technological progress and control costs by providing necessary technical supports to its subsidiaries; on the other hand, the Company will strengthen project follow-up and risk management. By exploiting its own potential, the subsidiaries will strengthen energy saving and consumption reduction as well as cost management, and actively carry out necessary facility and process improvement and technology upgrade. At the same time, the Company will strengthen its daily operation management and internal control, continuously improve the corporate governance structure, strengthen budget and investment management, so as to comprehensively improve the Company's daily operation efficiency, reduce its operating costs, and improve operating performance.

(II) Enhance the management and usage of the proceeds raised to prevent the risks in connection with the use of proceeds.

To standardize the management and usage of proceeds raised and ensure the standard, safe and efficient usage of the proceeds raised, the Company has formulated the Management Method on the Proceeds Raised and the relevant internal control systems in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Regulatory Guidelines for Listed Companies No.2-Regulatory Requirements for the Management and Usage of Funds Raised by 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.

Upon the completion of the Non-public Issuance, the Company will deposit the proceeds in a special account designated by the Board for the proceeds only in accordance with the regime requirements, and use the proceeds only for their specific purposes, to ensure a reasonable and standardized use of proceeds and prevent the risks in connection with the use of proceeds. In the future, the Company will strive to improve the fund utilization efficiency. To this end, the Company will improve and strengthen the investment decision-making process, design more reasonable fund use plans, and rationally use various financing tools and channels to control the fund cost, improve the fund utilization efficiency, save the Company's various expenses, and then comprehensively and effectively control the Company's operations and control risks, improve operating efficiency and profitability.

(III) To constantly improve corporate governance and provide institutional guarantee for the development of the Company

The Company will strictly comply with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shanghai Stock Exchange and other relevant laws, regulations and normative documents, continuously improve the corporate governance structure, and ensure that shareholders can fully exercise their rights, that the Board of directors can exercise its functions and powers in accordance with the provisions of laws, regulations and articles of association, make scientific, prompt and prudent decisions, and that independent directors can earnestly perform their duties. The Company will safeguard the overall interests of the Company, especially the legitimate rights and interests of minority shareholders, and ensure that the board of supervisors can independently and effectively exercise the right to supervise and inspect the directors, managers and other senior managers and the Company's financial affairs, so as to provide institutional guarantee for the development of the Company.

(IV) Continuously improve the profit distribution system to strengthen the investor return mechanism

The Company attaches great importance to the reasonable return on investment of shareholders while paying attention to the Company's own development. To this end, it has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) in accordance with the relevant requirements in the Notice on Further Implementation of Matters in Relation to the Cash Dividend 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-Cash Dividends of Listed Companies (《上市公司監管指引第3號-上市公司現金分紅》) issued by the CSRC and the relevant provisions regarding profit distribution policies in the Articles of Association. The Company will strictly implement the dividend policy and shareholder return plan formulated by the Company, and strive to provide higher investment returns to shareholders.

Investors should note that formulating mitigation and remediation measures does not mean guaranteeing the Company's future profits. The Company will disclose the completion status of the mitigation and remediation measures and the performance of the commitments by the relevant undertakers in the subsequent regular reports.

Given all that, after the completion of the Non-public Issuance, the Company will strengthen internal management, consolidate its main business, rationally use the proceeds raised, improve the fund utilization efficiency, take various measures to continuously improve operating performance, and actively promote the profit distribution to shareholders upon the satisfaction of the conditions for profit distribution, so as to improve the Company's ability to return to its investors, and effectively reduce the risks faced by the shareholders in connection with immediate return dilution.

**VI. THE COMPANY'S DIRECTORS AND SENIOR MANAGEMENT'S
COMMITMENTS TO EFFECTIVELY PERFORM THE COMPANY'S
MITIGATION AND REMEDIATION MEASURES**

All the directors and senior management of the Company made the following commitments with respect to mitigation and remediation to immediate return dilution resulting from the Non-public Issuance:

- “1. I undertake not to transfer benefits to other entities or individuals for free or on inequitable conditions, and not to damage the Company's interests otherwise;
2. I undertake to restrain my consumptions in a capacity as director or senior management of the Company;

3. I undertake not to use the Company's assets to engage in any investment or consumption unrelated to the performance of my duties;
4. I undertake to link the compensation system formulated by the Board of Directors or its compensation and audit committee with the implementation of remediation measures to compensate the immediate return dilution;
5. If the Company implements any equity incentive scheme in the future, I undertake that the vesting conditions of the equity incentive to be released will be linked to the implementation of remediation measures to compensate the immediate return dilution;

If PRC and securities regulatory departments puts forth other new regulatory requirements on remedial measures to compensate the immediate return dilution of the listed companies in the period from the date of these undertakings to the completion of the Non-public Issuance, and the undertakings above cannot meet such new requirements of PRC and securities regulatory departments, I undertake that I will make additional undertakings in accordance with the latest requirements of PRC and securities regulatory departments.

If I, as a relevant party responsible for the mitigation and remediation measures, violate or refuse to perform the undertakings above, I will agree that PRC and securities regulatory authorities may punish or take relevant regulatory measures against me in accordance with the relevant regulations and rules formulated or promulgated by PRC or such authorities."

VII. COMMITMENTS OF COMPANY'S CONTROLLING SHAREHOLDER AND INDIRECT CONTROLLING SHAREHOLDER

The Company's controlling shareholder Tianjin Municipal Investment Company Limited and indirect controlling shareholder Tianjin City Infrastructure Construction and Investment Group Company Limited made commitments for the implementation of the relevant mitigation and remediation measures in accordance with the relevant regulations of CSRC:

"Not to interfere with Tianjin Capital Environmental Protection Group Company Limited's operation or management activities beyond their authority, and not to embezzle its interests.

If we violate or refuse to perform the undertakings above, we agree to bear corresponding legal responsibilities in accordance with the laws and regulations as well as the relevant stipulations of securities regulatory authorities."

**VIII. THE MITIGATION AND REMEDIAL MEASURES FOR THE IMMEDIATE
RETURN DILUTION RESULTING FROM THIS NON-PUBLIC ISSUANCE AND
THE PROCEDURES OF CONSIDERING THE UNDERTAKING**

The Board has considered and approved the mitigation and remedial measures for the immediate return dilution and the undertakings at the 32nd meeting of the eight session of the Board of Directors, and will submit it to the general meeting of shareholders of the Company for consideration.

(This page is left blank and is an execution page of the The Announcement of Risk Reminders and Relevant Precautionary Measures of Tianjin Capital Environmental Protection Group Company Limited in Relation to the Immediate Return Dilution Resulting from the Non-public Issuance of A Shares)

The Board of Tianjin Capital Environmental Protection Group Company Limited

13 July 2020

1. 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 or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', Supervisors' and the Company's chief executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Company/name of associated corporations	Capacity	Number and class of securities (Note)	Approximate percentage in the total issued share capital of the Company/ associated corporations
Deputy general manager Zhang Jian	Company	Beneficial owner	822 domestic shares (non-restricted circulating shares) (L)	0.000058%

Note: The letter "L" represents the person's long positions in the shares, underlying shares and debentures of the Company or its associated corporations.

(b) Substantial Shareholders' interests or short positions in the Shares

As at the Latest Practicable Date, so far as was known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interest or short position in the Shares or underlying Shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number and class of Shares (Note)	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	65.82%	50.14%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
Citigroup Inc.	Approved lending agent	17,695,581 H Shares (L)	5.20%	1.24%

Note: The letter “L” represents the person’s long position in the shares. The letter “S” represents the person’s short position in the shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executive of the Company, no other person (other than the Directors, Supervisors or chief executive of the Company) had interest or short position in the Shares or underlying Shares (including options) of the Company which would fall to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executives of the Company, the following Directors, Supervisors and senior management are the directors or employees of the substantial Shareholders listed above:

Name of Director/ Supervisors/chief executives	Name of substantial shareholder’s entity	Position held in shareholder’s entity
Han Wei	TMICL	Director
Li Zongqiang	TMICL	Head of the risk management department
Gu Wenhui	TMICL	Chairman of the board of directors General Manager

(c) Competing interests

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. LITIGATION

So far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

6. DIRECTORS' AND SUPERVISORS' INTEREST

None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advices which are contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited statements of the Group were made up).

8. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Cho Yee Yung, Mona.
- (b) The registered office of the Company is located at No. 45 Guizhou Road, Heping District, Tianjin, the PRC. The principal place of business of the Company is TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC.
- (c) The Hong Kong H share registrar and transfer office of the Company is Hong Kong Registrars Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of Messrs. Li & Partners, at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong from the date of this circular and up to and including the date of EGM and the Class Meetings:

- (a) Articles of Association of the Company;
- (b) TMICL Subscription Agreement;
- (c) Strategic Investor Subscription Agreement;
- (d) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (f) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Gram Capital” in this circular;
- (g) the written consent referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix; and
- (h) this circular.

The proposed amendment to the Articles of Association are set out below:

Introduction

Original Introduction:	The Articles of Association was formulated and amended according to such laws, regulations, normative documents as the Company Law of the People's Republic of China (Company Law for short), the Securities Law of the People's Republic of China (Securities Law for short), Provisions of State Council on IPO at Overseas Market, Essential to Articles of Overseas-Listing Company, Letter of Opinions on Additional Changes to Articles of Association of Companies Listing in Hong Kong, (Haihan of CSRS [1995] No. 1, Haihan of CSRS for short), Guideline for Listing Company (the Announcement of China Securities Regulatory Commission (2014) No.19, Guideline for short), the Rules Governing the Listing of Securities on the SEHK, etc..
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Introduction of the amended Articles of Association:	The Articles of Association was formulated and amended according to such laws, regulations, normative documents as the Company Law of the People's Republic of China (Company Law for short), the Securities Law of the People's Republic of China (Securities Law for short), Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97), Special Regulations of the State Council on the Overseas Share Offering and Listing of Shares by Joint Stock Limited Companies (Decree No.189 of the State Council), the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (Zheng Wei Fa [1994] No. 21, Mandatory Provisions for short), Letter of Opinions on Additional Changes to Articles of Association of Companies Listing in Hong Kong, (Haihan of CSRS [1995] No. 1, Haihan of CSRS for short), Guidelines for the Articles of Association of Listed Companies (the Announcement of China Securities Regulatory Commission (2019) No.10, Guideline for short), the Rules Governing the Listing of Securities on the SEHK (Main Board), etc..
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Article 44

Original Article 44:	No change may be made in the register of members as a result of a transfer of shares within 30 days prior to the date of general meeting or within 5 days before the record date set by the Company for the purpose of distribution of dividends.
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Article 44 of the amended Articles of Association: Where laws, regulations, securities transaction rules and other regulatory documents have provisions on the period of suspension of the share transfer registration procedures prior to the date of the general meeting or before the record date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.

Article 47

Original Article 47: If the share certificate (the “original certificate”) held by any person who is a registered shareholder or who claims to be entitled to have his/her/its name (title) entered in the register of members is lost, such person may apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).

Application by a holder of domestic shares, who has lost his/her/its share certificate, for a replacement share certificate, shall be dealt with in accordance with Article 144 of the Company Law.

Application by a holder of overseas-listed foreign-invested shares, who has lost his/her/its share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of members for holders of overseas-listed foreign-invested shares is maintained, the rules of the stock exchange or other relevant regulations.

Application for a replacement share certificate by holders of overseas-listed foreign-invested shares that are listed in Hong Kong who has lost his/her/its share certificate, the issuance of a replacement share certificate shall comply with the following requirements:

- (1) The applicant shall submit an application to the Company in a prescribed form accompanied by a notarized certificate or a statutory declaration, of which the contents shall include the grounds upon which the application is made and the circumstances and evidence of the loss, and the declaration showing that no other person is entitled to have his/her/its name entered in the register of members in respect of the Relevant Shares.
- (2) The Company has not received any declaration made by any person other than the applicant declaring that his/her/its name shall be entered in the register of members in respect of such shares before it decides to issue a replacement share certificate to the applicant.

- (3) The Company shall, if it intends to issue a replacement share certificate to the applicant, publish a notice of its intention to do so at least once every 30 days within a period of 90 days in such newspapers as prescribed by the Board of Directors.
- (4) The Company shall, prior to publication of its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published and may publish the notice upon receipt of confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of the stock exchange for a period of 90 days.

In the case of an application which is made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the notice to be published.

- (5) If, by the expiration of the 90-day period referred to in items (iii) and (iv) of this article, the Company has not received any objection from any person in respect of the issuance of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his/her/its application.
- (6) Where the Company issues a replacement share certificate pursuant to this article, it shall forthwith cancel the original share certificate and document the cancellation of the original share certificate and issuance of a replacement share certificate in the register of members accordingly.
- (7) All expenses relating to the cancellation of an original share certificate and issuance of a replacement share certificate shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable guarantee is provided by the applicant.

Article 47 of
the amended
Articles of
Association:

If the share certificate (the “original certificate”) held by any person who is a registered shareholder or who claims to be entitled to have his/her/its name (title) entered in the register of members is lost, such person may apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).

Application by a holder of domestic shares, who has lost his/her/its share certificate, for a replacement share certificate, shall be dealt with in accordance with Article 143 of the Company Law.

Application by a holder of overseas-listed foreign-invested shares, who has lost his/her/its share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of members for holders of overseas-listed foreign-invested shares is maintained, the rules of the stock exchange or other relevant regulations.

Application for a replacement share certificate by holders of overseas-listed foreign-invested shares that are listed in Hong Kong who has lost his/her/its share certificate, the issuance of a replacement share certificate shall comply with the following requirements:

- (1) The applicant shall submit an application to the Company in a prescribed form accompanied by a notarized certificate or a statutory declaration, of which the contents shall include the grounds upon which the application is made and the circumstances and evidence of the loss, and the declaration showing that no other person is entitled to have his/her/its name entered in the register of members in respect of the Relevant Shares.
- (2) The Company has not received any declaration made by any person other than the applicant declaring that his/her/its name shall be entered in the register of members in respect of such shares before it decides to issue a replacement share certificate to the applicant.
- (3) The Company shall, if it intends to issue a replacement share certificate to the applicant, publish a notice of its intention to do so at least once every 30 days within a period of 90 days in such newspapers as prescribed by the Board of Directors.
- (4) The Company shall, prior to publication of its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published and may publish the notice upon receipt of confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of the stock exchange for a period of 90 days.

In the case of an application which is made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the notice to be published.

- (5) If, by the expiration of the 90-day period referred to in items (iii) and (iv) of this article, the Company has not received any objection from any person in respect of the issuance of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his/her/its application.
- (6) Where the Company issues a replacement share certificate pursuant to this article, it shall forthwith cancel the original share certificate and document the cancellation of the original share certificate and issuance of a replacement share certificate in the register of members accordingly.
- (7) All expenses relating to the cancellation of an original share certificate and issuance of a replacement share certificate shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable guarantee is provided by the applicant.

Article 67

Original
Article 67:

When the Company convene a general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 20 business days before the date of meeting and when the Company convene an extraordinary general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 15 business days before the date of meeting and inform the registered shareholders of the matters to be considered, the date and place of the meeting. The business day set out in the Articles of Association refers to any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities. Calculation of the above commencement date and period shall not include the date of notice and the date of the meeting.

In principle, the general meeting is held in the Company. The general meeting sets out the venue, and it is an on site meeting. The Company shall provide convenience for shareholders to attend the general meeting by various means, including providing internet voting platform and other modern information technology means, as long as the general meeting is legal and valid. Shareholders who attend the general meeting by the aforementioned ways are regarded as present. A voting right can only choose one way of the voting of on-the-spot voting, internet voting or others means. The closing time of on site general meeting shall not be earlier than that of the internet voting and others means.

Article 67 of the amended Articles of Association: When the Company convene a general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 20 business days before the date of meeting and when the Company convene an extraordinary general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 15 natural days or not less than 10 business days (whichever is longer) before the date of meeting and inform the registered shareholders of the matters to be considered, the date and place of the meeting. The business day set out in the Articles of Association refers to any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities. Calculation of the above commencement date and period shall not include the date of notice and the date of the meeting.

In principle, the general meeting is held in the Company. The general meeting sets out the venue, and it is an on site meeting. The Company shall provide convenience for shareholders to attend the general meeting by various means, including providing internet voting platform and other modern information technology means, as long as the general meeting is legal and valid. Shareholders who attend the general meeting by the aforementioned ways are regarded as present. A voting right can only choose one way of the voting of on-the-spot voting, internet voting or others means. The closing time of on site general meeting shall not be earlier than that of the internet voting and others means.

Article 71

Original Article 71: Notice of a general meeting shall be served on each shareholder, (regardless whether they are entitled to vote thereat) by a personal delivery or pre-paid mail or fax. The address or fax number of addressees shall refer to that in the register of members. As for holders of domestic shares, the notice of general meeting may be given by announcement.

The announcement referred to in the preceding paragraph shall be published in one or several newspapers designated by the securities authority of the State Council 20 business days before the date of annual general meeting and 15 business days before the date of the extraordinary general meeting, respectively. Once it is published, all shareholders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

Article 71 of the amended Articles of Association: Notice of a general meeting shall be served on each shareholder, (regardless whether they are entitled to vote thereat) by a personal delivery or pre-paid mail or fax. The address or fax number of addressees shall refer to that in the register of members. As for holders of domestic shares, the notice of general meeting may be given by announcement.

The announcement referred to in the preceding paragraph shall be published in one or several newspapers designated by the securities authority of the State Council not less than 20 business days before the date of annual general meeting and not less than 15 natural days or not less than 10 business days (whichever is longer) before the date of the extraordinary general meeting, respectively. Once it is published, all shareholders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

Article 105

Original Article 105: A written notice of a class meeting in the form of announcement or other form (if necessary) as provided by the Articles of Association shall be given 20 business days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting.

Article 105 of the amended Articles of Association: A written notice of a class meeting in the form of announcement or other form (if necessary) as provided by the Articles of Association shall be given with reference to the time limit of notice required in Article 71 of the Articles of Association regarding the convening of the general meeting before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting.

Article 247 “Company Law”

Original Article 247 “Company Law”: Company Law of the People’s Republic of China adopted at the 5th Session of the Standing Committee of the 8th National People’s Congress on December 29, 1993 and implemented as of July 1, 1994; first amendment adopted at the 13th Session of the Standing Committee of the 9th National People’s Congress on December 25, 1999; second amendment adopted at the 11th Session of the Standing Committee of the 10th National People’s Congress on August 28, 2004; third amendment adopted at the 18th Session of the Standing Committee of the 10th National People’s Congress and promulgated on October 27, 2005.

Article 247 “Company Law” of the amended Articles of Association:	Company Law of the People’s Republic of China adopted at the 5th Session of the Standing Committee of the 8th National People’s Congress on December 29, 1993 and implemented as of July 1, 1994; first amendment adopted at the 13th Session of the Standing Committee of the 9th National People’s Congress on December 25, 1999; second amendment adopted at the 11th Session of the Standing Committee of the 10th National People’s Congress on August 28, 2004; third amendment adopted at the 18th Session of the Standing Committee of the 10th National People’s Congress and promulgated on October 27, 2005; fourth amendment adopted at the 6th Session of the Standing Committee of the 12th National People’s Congress on December 28, 2013; fifth amendment adopted at the 6th Session of the Standing Committee of the 13th National People’s Congress and promulgated on October 26, 2018.
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Article 247 “Securities Law”

Original Article 247 “Securities Law”:	Securities Law of the People’s Republic of China, adopted at the 6th Meeting of the Standing Committee of the Ninth National People’s Congress of the People’s Republic of China on December 29, 1998, and implemented as of July 1, 1999; first amendment adopted at the 11th Session of the Standing Committee of the 10th National People’s Congress on August 28, 2004; second amendment adopted at the 18th Session of the Standing Committee of the 10th National People’s Congress and promulgated on October 27, 2005.
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Article 247 “Securities Law” of the amended Articles of Association:	Securities Law of the People’s Republic of China, adopted at the 6th Meeting of the Standing Committee of the Ninth National People’s Congress of the People’s Republic of China on December 29, 1998, and implemented as of July 1, 1999; first amendment adopted at the 11th Session of the Standing Committee of the 10th National People’s Congress on August 28, 2004; first amendment adopted at the 18th Session of the Standing Committee of the 10th National People’s Congress on October 27, 2005; second amendment adopted at the 3rd Session of the Standing Committee of the 12th National People’s Congress on June 29, 2013; third amendment adopted at the 10th Session of the Standing Committee of the 12th National People’s Congress on August 31, 2014; second amendment adopted at the 15th Session of the Standing Committee of the 13th National People’s Congress on December 28, 2019.
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Details of the proposed amendments to the Shareholders Meeting Rules are set out below:

Article 2

Original Article 2: The general meeting shall be the authority of the Company and shall exercise the following functions and powers according to laws:

- (I) to determine the business objectives and investment plans of the Company;
- (II) to elect and replace directors and to decide on matters relating to the remuneration of directors;
- (III) to elect and replace supervisors who are not the employee representative and to determine matters relating to the remuneration of the supervisors;
- (IV) to examine and approve the reports of the board;
- (V) to examine and approve the reports of the supervisory committee;
- (VI) to examine and approve the Company's annual budgets and final accounts;
- (VII) to examine and approve the Company's profit distribution proposals and loss recovery proposals;
- (VIII) to resolve on the increase or reduction of the Company's registered capital;
- (IX) to resolve on the merger, division, dissolution, liquidation or transformation of the Company;
- (X) to resolve on the issue of the Company's debt securities;
- (XI) to resolve on the proposal for appointment, removal or non-reappointment of the Company's accounting firm;
- (XII) to amend the Articles of Association;
- (XIII) to consider motions raised by the shareholder(s) who individually or jointly hold(s) more than 3% of the total equity of the Company;
- (XIV) to consider matters relating to the guarantees as stipulated in Rule 3 of this Shareholders Meeting Rules;

(XV) to consider the Company's purchase or sale of major assets within one year with the transaction amount exceeding 30% of the latest audited total assets of the Company;

(XVI) to consider and approve matters relating to the changes in the use of proceeds from share offerings;

(XVII) to consider share incentives schemes;

(XVIII) to resolve on other matters which, in accordance with the laws, administrative regulations, department rules and Articles of Association, must be approved by a general meeting."

Article 2 of
the amended
Shareholders
Meeting
Rules:

The general meeting shall be the authority of the Company and shall exercise the following functions and powers according to laws:

(I) to determine the business objectives and investment plans of the Company;

(II) to elect and replace directors and to decide on matters relating to the remuneration of directors;

(III) to elect and replace supervisors who are not the employee representative and to determine matters relating to the remuneration of the supervisors;

(IV) to examine and approve the reports of the board;

(V) to examine and approve the reports of the supervisory committee;

(VI) to examine and approve the Company's annual budgets and final accounts;

(VII) to examine and approve the Company's profit distribution proposals and loss recovery proposals;

(VIII) to resolve on the increase or reduction of the Company's registered capital;

(IX) to resolve on the merger, division, dissolution, liquidation or transformation of the Company;

(X) to resolve on the issue of the Company's debt securities;

- (XI) to resolve on the proposal for appointment, removal or non-reappointment of the Company's accounting firm;
- (XII) to amend the Articles of Association;
- (XIII) to consider motions raised by the shareholder(s) who individually or jointly hold(s) more than 3% of the total equity of the Company;
- (XIV) to consider matters relating to the guarantees as stipulated in Rule 3 of this Shareholders Meeting Rules;
- (XV) to consider the Company's purchase or sale of major assets within one year with the transaction amount exceeding 30% of the latest audited total assets of the Company;
- (XVI) to consider and approve matters relating to the changes in the use of proceeds from share offerings;
- (XVII) to consider and approve employee stock ownership, share option incentive, and other mid and long-term incentive plans;
- (XVIII) to resolve on other matters which, in accordance with the laws, administrative regulations, department rules and Articles of Association, must be approved by a general meeting."

Article 18

Original
Article 18:

When a company convenes a general meeting of shareholders, it shall issue a written notice 45 days before the meeting is held to inform all registered shareholders of the matters to be considered, the date and place of the meeting. Shareholders who intend to attend the general meeting shall deliver a written reply to the Company 20 days before the date of meeting.

Article 18 of the amended Shareholders Meeting Rules: When the Company convene the annual general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 20 business days before the date of meeting and when the Company convene an extraordinary general meeting, a notice in the form of announcement or other form (if necessary) provided by the Articles of Association shall be given not less than 15 natural days or less than 10 business days (whichever is longer) before the date of meeting and inform the registered shareholders of the matters to be considered, the date and place of the meeting. The business day set out in the Articles of Association refers to any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities. Calculation of the above commencement date and period shall not include the date of notice and the date of the meeting.

Article 19

Original Article 19: The notice of the general meeting shall meet the following requirements:

- (I) in written form;
- (II) specifying the venue, date and time of the meeting;
- (III) describing the matters to be discussed at the meeting;
- (IV) providing shareholders with materials and explanations necessary for them to make sensible decisions in respect of the matters to be discussed, including (but not limited to) specific terms and contract (if any) for a proposed transaction, and a detailed explanation of its reason and consequence where the Company proposes a merger, share redemption, share capital restructuring or other form of restructuring; Where the matters to be discussed require independent directors to express their opinions, the notice shall also disclose the independent directors' opinions and reasons;
- (V) where any Director, supervisor, general manager and other senior management member have a material interest in respect of the matters to be discussed, then the nature and extent of that interest shall be disclosed; where the impact of the matters to be discussed on such Director, supervisor, general manager and other senior management personnel who are shareholders is different from the impact on other shareholders of the same type, then that difference shall be illustrated;

- (VI) containing the full text of any special resolution proposed to be passed at the meeting;
- (VII) providing a clear text description stating that all shareholders who have the right to attend and vote at the general meeting have the right to entrust one or more proxies, who does not need to be shareholders of the Company, to attend and vote at the meeting;
- (VIII) stating the deadline and place for the delivery of proxy letter of the meeting;
- (IX) date of determining the shareholders who have the right to attend the meeting (No change may be made in the register of members as a result of a transfer of shares within 30 days prior to the date of general meeting);
- (X) name and phone number of the contact person for the meeting affairs.

Article 19 of
the amended
Shareholders
Meeting
Rules:

The notice of the shareholders meeting shall meet the following requirements:

- (I) in written form;
- (II) specifying the venue, date and time of the meeting;
- (III) describing the matters to be discussed at the meeting;
- (IV) providing shareholders with materials and explanations necessary for them to make sensible decisions in respect of the matters to be discussed, including (but not limited to) specific terms and contract (if any) for a proposed transaction, and a detailed explanation of its reason and consequence where the Company proposes a merger, share redemption, share capital restructuring or other form of restructuring; Where the matters to be discussed require independent directors to express their opinions, the notice shall also disclose the independent directors' opinions and reasons;
- (V) where any Director, supervisor, general manager and other senior management member have a material interest in respect of the matters to be discussed, then the nature and extent of that interest shall be disclosed; where the impact of the matters to be discussed on such Director, supervisor, general manager and other senior management personnel who are shareholders is different from the impact on other shareholders of the same type, then that difference shall be illustrated;

- (VI) containing the full text of any special resolution proposed to be passed at the meeting;
- (VII) providing a clear text description stating that all shareholders who have the right to attend and vote at the general meeting have the right to entrust one or more proxies, who does not need to be shareholders of the Company, to attend and vote at the meeting;
- (VII) stating the deadline and place for the delivery of proxy letter of the meeting;
- (IX) date of determining the shareholders who have the right to attend the meeting. (The date of determining the shareholders shall comply with relevant laws, administrative regulations, departmental rules, regulatory documents, and relevant stock exchanges or regulatory agencies in the place where the company's shares are listed, once the date of determining the shareholders is confirmed, it shall not be changed);
- (X) name and phone number of the contact person for the meeting affairs.

Article 20

Original
Article 20:

Notice of a general meeting shall be served on each shareholder, (regardless whether they are entitled to vote thereat) by a personal delivery or pre-paid mail. The address of addressees shall refer to that in the register of members. As for holders of domestic shares, the notice of general meeting may be given by announcement.

The announcement referred to in the preceding paragraph shall be published in one or several newspapers designated by the securities authority of the State Council within 45 to 50 days before the meeting. Once it is published, all shareholders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

Article 20 of the amended Shareholders Meeting Rules: Notice of a general meeting shall be served on each shareholder, (regardless whether they are entitled to vote thereat) by a personal delivery or pre-paid mail. The address of addressees shall refer to that in the register of members. As for holders of domestic shares, the notice of general meeting may be given by announcement.

The announcement referred to in the preceding paragraph shall be published in one or several newspapers designated by the securities authority of the State Council at least 20 business days before the date of annual general meeting and at least 15 natural days or not less than 10 business days (whichever is longer) before the date of the extraordinary general meeting, respectively. Once it is published, all shareholders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

Article 25

Delete original Article 25: The Company shall calculate the number of voting shares represented by shareholders who intend to attend the general meeting based upon the written reply received 20 days before the date of the meeting. If the number of voting shares represented by shareholders who intend to attend the meeting amounts to half or above of the total number of voting shares of the Company, the Company may convene a general meeting. Otherwise, the Company shall within 5 days give the shareholders further notice of the matters to be considered at the meeting as well as the date and venue of the meeting by way of a public announcement. The Company may convene a general meeting when such announcement is made.

Article 26

Original Article 26: Where the matters to be discussed require independent directors to express their opinions, the notice shall also disclose the independent directors' opinions and reasons.

The general meeting shall set out the venue, and it is an on site meeting. The Company shall provide convenience for shareholders to attend the general meeting by providing safe, economical, convenient network or other methods. Shareholders who attend the general meeting by the aforementioned ways are regarded as present.

Shareholders may attend the general meeting of shareholders in person and exercise their voting rights, or entrust others to attend and exercise their voting rights within the scope of authorization.

Article 25 of the amended Shareholders Meeting Rules:	In principle, the general meeting is held in the Company. The general meeting shall set out the venue, and it is an on site meeting. The Company shall provide convenience for shareholders to attend the general meeting by various means, including providing internet voting platform and other modern information technology means, as long as the general meeting is legal and valid. Shareholders who attend the general meeting by the aforementioned ways are regarded as present. A voting right can only choose one way of the voting of on-the-spot voting, internet voting or others means. The closing time of on site general meeting shall not be earlier than that of the internet voting and others means. Shareholders may attend the general meeting of shareholders in person and exercise their voting rights, or entrust others to attend and exercise their voting rights within the scope of authorization.
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Article 36

Original Article 36:	If individual shareholders attend the meeting in person, they shall present their share certificate (stock account card), identity card or other documents that can prove their identity; if they entrust others to attend the meeting, they should present their share certificate (stock account card), identity card or other documents that can prove their identity and the proxy form. Legal representatives or proxy appointed by legal representatives of the corporate shareholders may attend the meeting. Legal representative attending the meetings shall present the share certificate (stock account card), his or her ID card, and valid certificate that can prove his or her qualifications as a legal representative; while agent entrusted to attend the meetings shall present the share certificate (stock account card), his or her ID card, and written power of attorney legally issued by the legal representative of such corporate shareholder.
Article 35 of the amended Shareholders Meeting Rules:	If individual shareholders attend the meeting in person, they shall present their share certificate (stock account card), valid identity card or other documents that can prove their identity; if they entrust others to attend the meeting, they should present their share certificate (stock account card), valid identity card or other documents that can prove their identity and the proxy form.

Legal representatives or proxy appointed by legal representatives of the corporate shareholders may attend the meeting. Legal representative attending the meetings shall present his or her ID card, and valid certificate that can prove his or her qualifications as a legal representative; while agent entrusted to attend the meetings shall present his or her ID card, and written power of attorney legally issued by the legal representative of such corporate shareholder.

Article 40

Original
Article 40:

The Board, independent non-executive Directors, and shareholders satisfying relevant conditions required can solicit the voting rights at general meetings from the shareholders of the Company. The voting rights shall be solicited without payment of any compensation, and the information shall be fully disclosed to the persons solicited. Public solicitation of voting rights from the shareholders of the Company by solicitors shall be conducted in accordance with the relevant implementation measures. The Company shall not impose any restrictions on the minimum shareholding ratio for the solicitation of voting rights.

The votes of medium and small investors shall be counted separately where any major issue that affect the interests of medium and small investors is considered at a general meeting. The results of separate vote counting shall be publicly disclosed in a timely manner.

Article 39 of
the amended
Shareholders
Meeting
Rules:

The Board, independent non-executive Directors, and shareholders satisfying relevant conditions required can solicit the voting rights at general meetings from the shareholders of the Company. The voting rights shall be solicited without payment of any compensation, and information shall be fully disclosed to the persons solicited. It is prohibited to solicit voting rights from shareholders with any compensation or the similar. Public solicitation of voting rights from the shareholders of the Company by solicitors shall be conducted in accordance with the relevant implementation measures. The Company and the convener of shareholders meeting shall not impose any restrictions on the minimum shareholding ratio for the solicitation of voting rights.

The votes of medium and small investors shall be counted separately where any major issue that affect the interests of medium and small investors is considered at a general meeting. The results of separate vote counting shall be publicly disclosed in a timely manner.

Article 45

Original
Article 45: The following matters shall be approved by a special resolution at a general meeting:

- (I) Increase or decrease of the Company's share capital and issuance of any type of stocks, warrants and other similar securities of the Company;
- (II) Issuance of bonds of the Company;
- (III) Division, merger, dissolution, liquidation or change of corporate form of the Company;
- (IV) Amendment of the Company's Articles of Association;
- (V) Where the assets purchased or sold or guarantee amount provided by the Company exceed 30% of the Company's total assets audited for its latest period;
- (VI) Equity incentive plans;
- (VII) Other matters that would have a significant impact on the Company as determined at a general meeting by an ordinary resolution and need to be approved by a special resolution.

Article 44 of
the amended
Shareholders
Meeting
Rules:

The following matters shall be approved by a special resolution at a general meeting:

- (I) Increase or decrease of the Company's share capital and issuance of any type of stocks, warrants and other similar securities of the Company;
- (II) Issuance of bonds of the Company;
- (III) Division, merger, dissolution, liquidation or change of corporate form of the Company;
- (IV) Amendment of the Company's Articles of Association;
- (V) Where the assets purchased or sold or guarantee amount provided by the Company exceed 30% of the Company's total assets audited for its latest period;

- (VI) Mid-long term incentive plans such as employee stock ownership and equity incentive plans;
- (VII) Other matters as required by laws, administrative regulations or the Articles of Association, as well as those would have a significant impact on the Company as determined at a general meeting by an ordinary resolution and need to be approved by a special resolution.

Article 47

Original Cumulative voting method may be applicable when electing directors and
Article 47: supervisors who are not employee representatives at general meetings.

The “cumulative voting method” mentioned above means that the number of voting rights entitled to shareholders with respect to each share they held is equivalent to the number of directors or supervisors to be elected at the general meeting, and the voting rights owned by shareholders can be used collectively.

At a general meeting for election of directors and supervisors, the secretary of the Board shall explain to shareholders the specific content and voting rules of the cumulative voting method, and inform the number of voting rights per share in such meeting for election of directors and supervisors.

During the implementation of cumulative voting method, shareholders making their votes shall indicate on a ballot all the directors and supervisors they elected, and shall mark the number of voting rights they used for each director or supervisor they elected beside their respective names. A ballot shall be invalid if the total number of voting rights used by the shareholder on the ballot exceeds the number of voting rights legally owned by such shareholder. A ballot shall be valid if the total number of voting rights used by the shareholder on the ballot does not exceed the number of voting rights legally owned by such shareholder.

Article 46 of Cumulative voting system shall apply when electing directors and
the amended supervisors who are not employee representatives at general meetings.
Shareholders

Meeting The “cumulative voting system” means that the number of voting rights
Rules: entitled to shareholders with respect to each share they held shall be equal
to the number of directors or supervisors to be elected at the general
meeting, and the voting rights owned by shareholders can be used
collectively. The Board shall disclose the resumes and basic information of
candidate directors and supervisors to shareholders.

The specific implementation methods for the cumulative voting system are as follows:

- (I) Election of directors: make separate votes for candidates of non-independent directors and independent directors, respectively.

When voting for election of non-independent directors, the number of votes that a shareholders can cast is equal to the product of the number of shares held by that shareholder multiplied by the number of non-independent directors to be elected. A shareholder can cast all of his or her votes collectively to one or several candidates who will win or lose the election of non-independent directors in the order as determined by the number of votes he or she got.

When voting for election of independent directors, the number of votes that a shareholders can cast is equal to the product of the number of shares held by that shareholder multiplied by the number of independent directors to be elected. A shareholder can cast all of his or her votes collectively to one or several candidates of independent directors who will win or lose the election of independent directors in the order as determined by the number of votes he or she got. The votes in favor obtained by each elected director shall not be less than half of the total number of shares held by shareholders attending the general meeting with all voting rights.

- (II) Election of supervisors: When voting for election of supervisors by shareholders, the number of votes that a shareholders can cast is equal to the product of the number of shares held by that shareholder multiplied by the number of supervisors to be elected. A shareholder can cast all of his or her votes collectively to one or several candidates who will win or lose the election of supervisors in the order as determined by the number of votes he or she got; The votes in favor obtained by each elected supervisor shall not be less than half of the total number of shares held by shareholders attending the general meeting with all voting rights.

- (III) If two or more candidates of directors and supervisors obtained the same number of voting rights, and the number of such voting rights is the minimum among those of the directors and supervisors who should be elected, where the number of elected directors and supervisors will exceed the number of directors and supervisors to be elected by such general meeting due to that all of the above-mentioned candidates of directors and supervisors with equal voting rights are elected, re-election for such candidates shall be conducted according to the above procedures until the number of directors and supervisors that should be elected by the general meeting are elected.
- (IV) At a general meeting for election of directors and supervisors, the secretary of the Board shall explain to shareholders the specific content and voting rules of the cumulative voting system, and inform the number of voting rights per share in such meeting for election of directors and supervisors.
- (V) During the implementation of cumulative voting system, shareholders casting their votes shall indicate on a ballot all the directors and supervisors they elected, and shall mark the number of voting rights they casted for each director or supervisor they elected beside their respective names. A ballot shall be invalid if the total number of voting rights used by the shareholder on the ballot exceeds the number of voting rights legally owned by such shareholder. A ballot shall be valid if the total number of voting rights used by the shareholder on the ballot does not exceed the number of voting rights legally owned by such shareholder.

The cumulative voting system shall not be applicable if the Company elects only one director or supervisor at a general meeting; and it should be indicated whether the election of directors and supervisors adopts the cumulative voting system at the notice of the general meeting.

Article 51

Delete original
Article 51:

On a poll taken at a meeting, a shareholder (including his/her/its proxy) who is entitled to two or more votes needs not cast all his/her/its votes in the same way.

Article 56

Original
Article 56: During business hours of the Company, shareholders may inspect the copies of meeting minutes free of charge. If any shareholder wishes to obtain copy of the minutes of meeting of the Company, the Company shall deliver such copy within 7 days after receipt of reasonable fees.

Article 54 of
the amended
Shareholders
Meeting
Rules: During business hours of the Company, shareholders may inspect the copies of meeting minutes free of charge. If any shareholder wishes to obtain copy of the minutes of meeting of the Company, the Company shall deliver such copy within 7 days after verification of the shareholder's identity and receipt of reasonable fees. When shareholders inspect or request for the copy of the minutes of meeting, they shall provide the relevant proof in accordance with the Articles of Association.

Article 61

Original
Article 61: Resolutions of the general meeting which violate laws or administrative regulations shall be deemed invalid.

If the procedure of convening or the way of voting at the general meeting violate laws, administrative regulations or the Articles of Association, or the content of resolutions violates the Articles of Association, shareholders shall have the right to request the people's court to revoke such resolutions within 60 days since the date it was resolved. Shareholders of overseas-listed foreign-invested shares shall settle the disputes in the manner set out in the Articles of Association.

Article 59 of
the amended
Shareholders
Meeting
Rules: Resolutions of the general meeting which violate laws or administrative regulations shall be deemed invalid.

Controlling shareholders and actual controllers of the Company shall not restrict or obstruct small and medium-sized investors from legally exercising their voting rights, and shall not damage the legitimate rights and interests of the Company and such investors.

If the procedure of convening or the way of voting at the general meeting violate laws, administrative regulations or the Articles of Association, or the content of resolutions violates the Articles of Association, shareholders shall have the right to request the people's court to revoke such resolutions within 60 days since the date it was resolved. Shareholders of overseas-listed foreign-invested shares shall settle the disputes in the manner set out in the Articles of Association.

Article 62

Original
Article 62:

Result of resolutions of the general meeting shall be promptly announced. The announcement shall include but not limited to the number of the shareholders and proxies attending the meeting, the total number of voting shares they held and its percentage over the total number of the Company's voting shares, the way of voting, identity of the scrutinizers, the voting results of each motion and details of each of the resolutions passed.

Where the stock exchange has more specific provisions and requirements on the announcement of the resolutions of the general meeting, the Company shall make an announcement pursuant thereto.

Article 60 of
the amended
Shareholders
Meeting
Rules:

Result of resolutions of the general meeting shall be promptly announced. The announcement shall include but not limited to the number of the shareholders and proxies attending the meeting, the total number of voting shares they held and its percentage over the total number of the Company's voting shares, the way of voting, the voting results of each motion and details of each of the resolutions passed.

Where the stock exchange has more specific provisions and requirements on the announcement of the resolutions of the general meeting, the Company shall make an announcement pursuant thereto.

Article 70

Original
Article 70:

A written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. Shareholders who intend to attend the class meeting shall deliver a written reply to the Company 20 days before the date of the class meeting.

If the number of shares carrying voting rights at the class meeting represented by the shareholders who intend to attend the meeting reaches more than one half of the voting shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after such publication of notice.

Article 68 of
the amended
Shareholders
Meeting
Rules:

A written notice of a class meeting in the form of announcement or other form (if necessary) as provided by the Articles of Association shall be given with reference to Article 18 of the Shareholders Meeting Rules to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting.

NOTICE OF EGM

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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)

NOTICE OF 2020 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 first extraordinary general meeting (the “EGM”) 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 7 September 2020 at 2:00 p.m. for the purpose of considering the resolutions as listed below:

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcement dated 13 July 2020 (the “**Announcement**”) of the Company.

As special resolutions:

1. To consider and approve the proposal in relation to the Non-public Issuance of A Shares (2020), the major details of which are as follows (each to be considered and approved by way of separate special resolution):
 - 1.1 Class and par value of shares to be issued;
 - 1.2 Method and time of issuance;
 - 1.3 Target of issuance and method of subscription;
 - 1.4 Issue price and pricing principle;
 - 1.5 Number of shares issued, amount of funds raised and subscription;
 - 1.6 Use of proceeds;
 - 1.7 Lock-up arrangement;
 - 1.8 Place of listing;
 - 1.9 Arrangement relating to the accumulated undistributed profits; and
 - 1.10 Validity period of the resolution.

NOTICE OF EGM

2. To consider and approve the proposal in relation to the proposed Non-public Issuance of A Shares (2020).
3. To consider and approve the proposal in relation to feasibility report on the use of proceeds from the Non-public Issuance of A Shares.
4. To consider and approve the proposal in relation to the Shareholders' Return Plan for the coming three years (2020-2022) of the Company.
5. To consider and approve the proposal in relation to the introduction of Yangtze Ecology and Three Gorges Capital as the Strategic Investors of the Company by the Company, the major details of which are as follows (each to be considered and approved by way of separate special resolution):
 - 5.1 The proposal in relation to the introduction of Yangtze Ecology as the Strategic Investor of the Company; and
 - 5.2 The proposal in relation to the introduction of Three Gorges Capital as the Strategic Investor of the Company.
6. To consider and approve the proposal in relation to the conditional agreement on introduction of Strategic Investors and subscription of Non-public Issuance of Shares entered into between the Company, Yangtze Ecology and Three Gorges Capital.
7. To consider and approve the proposal in relation to the conditional agreement for subscription of Non-public Issuance of A Shares entered into between the Company and TMICL.
8. To consider and approve the proposal in relation to the risk alert on the dilution of the current returns due to the Non-public Issuance of A shares and the relevant remedial measures.
9. To consider and approve the proposal in relation to the authorization granted to the Board and its authorized representative(s) to deal with matters related to the Non-public Issuance of A Shares:

“THAT

the Board and its authorized representative(s) be and are hereby granted the authorization to handle all matters relating to the Non-public Issuance of A Shares, including but not limited to:

- (i) 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;

NOTICE OF EGM

- (ii) 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;
- (iii) 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;
- (iv) 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 document;
- (v) 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;
- (vi) 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 circumstance;
- (vii) 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);
- (viii) 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;
- (ix) 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;
- (x) To submit the application to the China Securities Regulatory Commission (CSRC) to terminate the Non-public Issuance of A Shares and withdraw the application documents pursuant to the laws and regulations, or changes in the policies and market conditions in relation to the non-public issuance of shares of relevant regulatory authorities; and

NOTICE OF EGM

- (xi) 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.

The above authorization shall be valid for 12 months from the date of passing the resolution at the EGM.”

As ordinary resolutions:

1. To consider and approve the proposal in relation to the satisfaction of the criteria for Non-public Issuance of A Shares.
2. To consider and approve the proposal in relation to the undertakings of the controlling shareholders, indirect controlling shareholders, the Directors and the senior management of the Company in relation to implementation of the measures to fill the diluted current returns.
3. To consider and approve the proposals of the Non-public Issuance of A Shares which constitute connected transactions (as defined in Shanghai Listing Rules), the details of which are as follows (each to be considered and approved by way of separate ordinary resolution):
 - 3.1 The proposal in relation to the Proposed Introduction of the Strategic Investor Subscription which constitutes connected transaction (as defined in the Shanghai Listing Rules); and
 - 3.2 The proposal in relation to the Proposed TMICL Subscription which constitutes connected transaction (as defined in the Shanghai Listing Rules).

(For details of the above resolutions, please refer to the Announcement and the relevant overseas regulatory announcements of the Company dated 13 July 2020.)

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
24 July 2020

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

NOTICE OF EGM

Notes:

- (1) The holders of shares (the “**Shareholders**”) whose names appear on the register of members at 4:30 p.m. on 7 August 2020 will be entitled to attend the EGM. 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 August 2020 to 7 September 2020, 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 Share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 August 2020. The holder of H Shares and whose name appears on the register of members of the Company’s H Shares at 4:30 p.m. on 7 August 2020 or his/her proxy may attend the EGM by bringing his/her own identity card or passport.
- (2) Each Shareholder having the rights to attend and vote at the EGM 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 EGM. 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). 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 H Share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, or 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 EGM.
- (4) Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the form of proxy.
- (5) The EGM is expected to last for about half a day. The Shareholders and their proxies attending the EGM 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

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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)

NOTICE OF 2020 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2020 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 7 September 2020 at 3:00 p.m. (or immediately after the 2020 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 indicated, capitalized terms used herein shall have the same meanings as those defined in the announcement dated 13 July 2020 (the **"Announcement"**) of the Company.

As special resolutions:

1. To consider and approve the proposal in relation to the Non-public Issuance of A Shares (2020), the major details of which are as follows (each to be considered and approved by way of separate special resolution):
 - 1.1 Class and par value of shares to be issued;
 - 1.2 Method and time of issuance;
 - 1.3 Target of issuance and method of subscription;
 - 1.4 Issue price and pricing principle;
 - 1.5 Number of shares issued, amount of funds raised and subscription;
 - 1.6 Use of proceeds;
 - 1.7 Lock-up arrangement;
 - 1.8 Place of listing;
 - 1.9 Arrangement relating to the accumulated undistributed profits; and
 - 1.10 Validity period of the resolution.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

2. To consider and approve the proposal in relation to the proposed Non-public Issuance of A Shares (2020).
3. To consider and approve the proposal in relation to feasibility report on the use of proceeds from the Non-public Issuance of A Shares.
4. To consider and approve the proposal in relation to the Shareholders' Return Plan for the coming three years (2020-2022) of the Company.
5. To consider and approve the proposal in relation to the introduction of Yangtze Ecology and Three Gorges Capital as the Strategic Investors of the Company by the Company, the major details of which are as follows (each to be considered and approved by way of separate special resolution):
 - 5.1 The proposal in relation to the introduction of Yangtze Ecology as the Strategic Investor of the Company; and
 - 5.2 The proposal in relation to the introduction of Three Gorges Capital as the Strategic Investor of the Company.
6. To consider and approve the proposal in relation to the conditional agreement on Introduction of Strategic Investors and subscription of Non-public Issuance of Shares entered into between the Company, Yangtze Ecology and Three Gorges Capital.
7. To consider and approve the proposal in relation to the conditional agreement for subscription of Non-public Issuance of A Shares entered into between the Company and TMICL.
8. To consider and approve the proposal in relation to the risk alert on the dilution of the current returns due to the Non-public Issuance of A Shares and the relevant remedial measures.

For details of the above resolutions, please refer to the Announcement and the relevant overseas regulatory announcements of the Company dated 13 July 2020.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
24 July 2020

As at the date of this notice, the Board comprises three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; three non-executive Directors: Mr. Gu Wenhui, Mr. Han Wei and Mr. Si Xiaolong; and three independent non-executive Directors: Mr. Di Xiaofeng, 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 at 4:30 p.m. on 7 August 2020 will be entitled to attend the H Shareholders' Class Meeting. The register of members of the Company's H Shares will be closed from 8 August 2020 to 7 September 2020, 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 Shops 1712 -1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 August 2020. The holder of H Shares and whose name appears on the register of members of the Company's H Shares at 4:30 p.m. on 7 August 2020 or his/her proxy may attend the H Shareholders' Class Meeting by bringing his/her own identity card or passport.
- (2) Each 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 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). 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 H Share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or 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 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.
- (5) The H Shareholders' Class Meeting is expected to last for about half a day. The Shareholders and their proxies attending the H Shareholders' Class 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

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SUPPLEMENTAL NOTICE OF EGM

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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)

SUPPLEMENTAL NOTICE OF 2020 FIRST EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of 2020 first extraordinary general meeting of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) dated 24 July 2020 (the “**EGM Notice**”) which sets out the resolutions to be considered by the shareholders of the Company (the “**Shareholders**”) at the 2020 first extraordinary general meeting (the “**EGM**”) to be held at 2:00 p.m. on 7 September 2020 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**”).

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the relevant announcements dated 19 August 2020 of the Company.

In accordance with Article 69 of the Articles of Association of the Company, Shareholders holding, individually or jointly, 3% or more of the Company's shares can submit a temporary motion and present a written proposal to the conveners within ten days before the date of meeting. Conveners shall issue a supplemental notice of the meeting and announce the content of the temporary motions within two days after receiving the proposal.

On 19 August 2020, the board of directors of the Company (the “**Board**”) received temporary motion from Tianjin Municipal Investment Company Limited* (天津市政投資有限公司) (the “**TMICL**”), the controlling shareholder of the Company, requesting the Board to table the same for consideration at the EGM. Pursuant to the relevant provisions of laws and regulations and the Articles of Association of the Company, the Board will present 2 additional special resolutions and 1 additional ordinary resolution at the EGM for the Shareholders' consideration and approval.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM, which will be held as originally scheduled, will consider and, if thought fit, pass the following 2 additional special resolutions and 1 additional ordinary resolution submitted by the TMICL in addition to the resolutions set out in the EGM Notice:

SUPPLEMENTAL NOTICE OF EGM

As special resolutions:

10. To consider and approve the provision of guarantee for the loan granted to Karamay Tianchuang Capital Water Company Limited* (克拉瑪依天創水務有限公司); and
11. To consider and approve the amendment to the Articles of Association of the Company.

As ordinary resolution:

4. To consider and approve the amendment to the Shareholders Meeting Rules.

(For details of the above resolutions, please refer to the relevant announcements of the Company dated 19 August 2020.)

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
20 August 2020

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

* For identification purpose only

Notes:

- (1) A revised form of proxy is enclosed with this supplemental notice. Whether or not you are able to attend the EGM, you are requested to complete the accompanying revised form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or principal office of the Company at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the revised form of proxy will not preclude the Shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof.
- (2) Please refer to the EGM Notice for details in respect of the eligibility for attending the EGM, appointment of proxy, registration procedures, closure of register of members and other relevant matters.