
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or 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 transfer was effected for transmission to the purchaser(s) or the transferee(s).

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



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 ADOPTION OF A SHARE OPTION
INCENTIVE SCHEME;
AND
(2) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**

The Letter from the Board is set out on pages 6 to 16 of the Circular. A 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 conclusion of the A Shareholders' Class Meeting) respectively on 23 December 2020 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin. The notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular and the notice of the H Shareholders' Class Meeting is set out on pages HCM-1 to HCM-2 of this circular. Whether or not you intend to attend the meetings, you are requested to complete and return the 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.

CONTENTS

	Page
DEFINITIONS	1
LETTER FROM THE BOARD	6
I. Introduction	6
II. Proposed Adoption of A Share Option Incentive Scheme	7
III. Proposed Amendment to the Articles of Association	14
IV. EGM and Class Meetings	15
V. Recommendation	16
VI. Responsibility Statement	16
APPENDIX I A SHARE OPTION INCENTIVE SCHEME	I-1
APPENDIX II EVALUATION METHODS IN RESPECT OF THE IMPLEMENTATION OF THE 2020 SHARE OPTION INCENTIVE SCHEME OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED	II-1
APPENDIX III PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION	III-1
NOTICE OF THE EGM	EGM-1
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING	HCM-1

DEFINITIONS

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

“A Share(s)”	the ordinary shares 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 A Shareholders’ Class Meeting to be convened and held at 2:30 p.m. on 23 December 2020 by the Company for the A Shareholders to consider and approve when appropriate, inter alia, the resolutions in connection with the adoption of the Scheme, the Evaluation Methods and the authorization to the Board for handling the matters related to the Scheme;
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies* (《上市公司股權激勵管理辦法》)
“Announcement on the Scheme”	the announcement on the Scheme issued by the Company on 27 November 2020;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board”	the board of directors of the Company;
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting to be convened and held on 23 December 2020 by the Company for the Shareholders to consider and approve when appropriate, inter alia, the resolutions in connection with the adoption of the Scheme, the Evaluation Methods and the authorization to the Board for handling the matters related to the Scheme;
“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;
“Company Law”	the Company Law of the People’s Republic of China;

DEFINITIONS

“connected person(s)”	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;
“Date of Grant”	the date on which the Company grants the Share Option to the Participants, which must be a Trading Day;
“Depository and Clearing Corporation”	China Securities Depository and Clearing Corporation Limited, Shanghai Branch;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened and held at 2:00 p.m. on 23 December 2020 by the Company for the Shareholders to consider and approve when appropriate, inter alia, the resolutions relating to the adoption of the Scheme, the Evaluation Methods, the authorization of the Board to handle the matters related to the Scheme, the amendment to the Articles of Association and the change of the Company’s address;
“Evaluation Methods”	Evaluation Methods in respect of the Implementation of the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited* (《天津創業環保集團股份有限公司2020年股票期權激勵計劃實施考核管理辦法》)
“Exercise”	Pursuant to the Scheme, the Participant exercises his/her own Share Options and the exercise of rights in the Scheme means the behavior of the Participant to purchase the underlying shares according to the requirements set by the Scheme;
“Exercise Conditions”	the conditions required to be satisfied by the Participants to exercise the Share Options under the Scheme;
“Exercise Date”	the date on which the Participants can exercise the Share Options pursuant to the Scheme, which must be a Trading Day;

DEFINITIONS

“Exercise Period”	the period during which the Participants can exercise the Share Options pursuant to the Scheme;
“Exercise Price”	the price for the Participants to purchase the Company’s shares, as determined by the Company when the Participants are being granted with the Share Options in accordance with the price per share that can be subscribed when the Share Options are exercised in accordance with the terms of the Scheme
“General Meetings”	the EGM, A Shareholders’ Class Meeting, and H Shareholders’ Class Meeting to be convened and held on 23 December 2020 by the Company;
“Grant Price”	the price per share that can be subscribed to when the Company grants each Share Option to the Participant;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“H Share(s)”	the ordinary share(s) issued by the Company, with a nominal 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 H Shareholders’ Class Meeting to be convened and held at 3:00 p.m. on 23 December 2020 by the Company for the H Shareholders to consider and approve when appropriate, inter alia, the resolutions in connection with the adoption of the Scheme, the Evaluation Methods and the authorization to the Board for handling the matters related to the Scheme;
“Independent Director(s)”	the independent non-executive Director(s) of the Company;
“Latest Practicable Date”	4 December 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;

DEFINITIONS

“Participant(s)”	the persons who are granted with Share Options under the Scheme;
“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;
“Regulating Notice”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171)* (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號));
“Remuneration and Evaluation Committee”	the Remuneration and Evaluation Committee under the Board;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“Scheme” or “A Share Option Incentive Scheme”	proposed adoption of the Company’s 2020 Share Option Incentive Scheme;
“Securities Law”	the Securities Law of the People’s Republic of China;
“Share(s)”	ordinary share(s) of nominal value of RMB1.00 each in the existing share capital of the Company (including A Share(s) and H Share(s));
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company;
“Share Option(s)” or “Option(s)”	the right to be granted to a Participant by the Company to purchase a certain number of Shares of the Company under the pre-determined exercise price and conditions within a certain period of time in the future;
“SSE”	the Shanghai Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;

DEFINITIONS

“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;
“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;
“Trading Day”	a day on which Shanghai Stock Exchange is open for dealing or trading in securities;
“Trial Measures”	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175)* (《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號))
“Validity Period”	the period from the Date of Grant to the date on which all Share Options that are granted to the Participants are exercised or cancelled, and the maximum period shall not exceed 60 months;
“Vesting Period”	the interval between the Date of Grant and the first day when the rights are exercisable during which Vesting Period for the Participants under the Scheme shall be 24 months and no Exercise is permitted during the Vesting Period; and
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



Tianjin Capital Environmental Protection Group Company Limited
天津創業環保集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1065)

Executive Director:

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 Director:

Mr. Gu Wenhui

Mr. Si Xiaolong

Independent Non-executive Directors:

Mr. Di Xiaofeng

Mr. Guo Yongqing

Mr. Wang Xiangfei

8 December 2020

To the Shareholders:

(1) Proposed Adoption of A Share Option Incentive Scheme;

And

(2) Proposed Amendment to the Articles of Association

I. INTRODUCTION

Reference is made to the announcement of the Company dated 27 November 2020 in relation to proposed adoption of A Share Option Incentive Scheme and the announcement dated 27 November 2020 in relation to the proposed amendment to the Articles of Association.

At the Board meeting held on 27 November 2020, the resolutions in respect of the proposed adoption of A Share Option Incentive Scheme and the proposed amendment to the Articles of Association have been approved by the Board. The above resolutions shall take effect upon the approval by the Shareholders by way of special resolutions.

The purpose of this circular is to provide you with, among other things, further details of the A Share Option Incentive Scheme, the proposed amendment to the Articles of Association, as well as the notice of the EGM and the notice of the H Shareholders' Class Meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve (among other things) the resolutions in relation to the aforementioned matters.

LETTER FROM THE BOARD

II. PROPOSED ADOPTION OF A SHARE OPTION INCENTIVE SCHEME

(i) Introduction

Please refer to **Appendix I** and **Appendix II** to this circular for full details of the key information contained in this section and the Scheme, which include but not limited to the scope of eligible Participants, the number of the Share Options proposed to be granted to each Participant, Validity Period, the Exercise Conditions and the performance assessment indicators of the Participants, the Evaluation Methods, the Exercise Price and adjustments, the Exercise Period and circumstances under which the Share Options shall lapse.

(ii) Purpose of the Implementation of the A Share Option Incentive Scheme

In order to further improve the corporate governance structure of the Company, promote the establishment and improvement of the incentive and constraints mechanism, fully mobilize the initiative, responsibility and sense of mission of the Directors, senior management, other members of the leadership team, the core management staff, core technical personnel, and business backbone staff of the Company and its holding subsidiaries, effectively align the interests of shareholders, the Company and the operators, and attract common attention and joint efforts to the long-term development of the Company, the Scheme is formulated in accordance with the relevant provisions of the Company Law, the Securities Law, the Trial Measures, the Regulating Notice and the Administrative Measures, and based on the current compensation system, performance appraisal system and other management systems implemented in the Company.

(iii) Source and number of the underlying shares in respect of the Share Options to be granted

The source of underlying shares of the Scheme are A ordinary shares issued by the Company to the Participants. Only new A ordinary shares will be issued upon Exercise of the Share Options granted under the Scheme, and no H shares will be issued under the Scheme.

The number of Share Options proposed to be granted under the Scheme is 14,270,000 and the corresponding number of underlying shares is 14,270,000 A shares, representing not more than 1.0% of the Company's total issued share capital of 1,427,228,430 shares as at the Latest Practicable Date; where 12,170,000 options will be granted for the first time (**the "Share Options Granted for the First Time"**), representing approximately 0.85% of the total issued capital (1,427,228,430 Shares) of the Company as at the Latest Practicable Date, and approximately 85.28% of the total number of the current Share Options granted; and 2,100,000 options will be reserved (**the "Reserved Share Options"**), representing approximately 0.15% of the total issued capital (1,427,228,430 Shares) of the Company as at the Latest Practicable Date, and 14.72% of the total number of the current Share Options granted.

LETTER FROM THE BOARD

The nature of the underlying shares is A ordinary Shares in RMB. The source of the underlying shares is issuance of new shares by the Company to the Participants. The cumulative number of the underlying shares of the Company involved in the Scheme during the Validity Period shall not exceed 10.00% of the total issued share capital of the Company as at the Latest Practicable Date and the date on which the Scheme is approved by the General Meetings. None of the Participants of the Scheme shall be granted more than 1.00% of the total issued share capital of the Company as at the Latest Practicable Date and the date on which the Scheme is approved by the General Meetings through the Scheme during the Validity Period.

Subject to the fulfilment of the Exercise Conditions, each Share Option entitles the Participants to acquire one A Share at the Exercise Price during the Validity Period, which shall enjoy all rights and fulfil all obligations as ordinary Shareholders of the Company.

(iv) Exercise Period

During the Exercise Period, if the Exercise Conditions stipulated in the Scheme are met, the Participants shall Exercise the Options in three phases in the next 36 months after the expiration of 24 months from the Date of Grant (including the Share Options Granted for the First Time and Reserved Share Options). The exercise arrangement is as follows:

Exercise period	Exercise time	Proportion of exercise
First Exercise Period	From the first Trading Day after 24 months has passed since the Date of Grant to the last Trading Day within 36 months from the Date of Grant	1/3
Second Exercise Period	From the first Trading Day after 36 months has passed since the Date of Grant to the last Trading Day within 48 months from the Date of Grant	1/3
Third Exercise Period	From the first Trading Day after 48 months has passed since the Date of Grant to the last Trading Day within 60 months from the Date of Grant	1/3

The Participants must exercise within the Exercise Period. Where the Exercise Conditions cannot be fulfilled, the current Share Options shall not be exercised. Where the Exercise Conditions are fulfilled, such part of the Share Options that are not fully exercised during the aforementioned Exercise Period will be cancelled by the Company.

LETTER FROM THE BOARD

(v) Distribution Details of the Share Options

There are no more than 155 Participants for the Scheme, including the Directors, senior management (excluding the Independent Directors, external directors and Supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company.

The Participants of the Scheme do not include Supervisors, Independent Directors, and shareholders or actual controllers who hold more than 5% of the Company's issued Shares individually or in aggregate, as well as their spouses, parents and children.

The distribution details of the Share Options of each Participant are set out in the following table:

Name	Title	Number of Share Options granted (In 10,000 options)	Percentage to the total number of Share Options granted under the Scheme	Percentage to the total share capital as at the Latest Practicable Date
Liu Yujun	Executive Director, Chairman	30.00	2.10%	0.0210%
Tang Fusheng	General Manager	30.00	2.10%	0.0210%
Wang Jing	Executive Director	25.00	1.75%	0.0175%
Zhao Yi	Deputy General Manager	25.00	1.75%	0.0175%
Zhang Jian	Deputy General Manager	25.00	1.75%	0.0175%
Li Yang	Deputy General Manager	25.00	1.75%	0.0175%
Li Jinhe	Deputy General Manager, Chief Engineer	25.00	1.75%	0.0175%
Peng Yilin	Chief Accountant	25.00	1.75%	0.0175%
Niu Bo	Executive Director, Secretary to the Board	18.00	1.26%	0.0126%
Reserved options		210.00	14.72%	0.1472%
Other Participants (no more than 146 persons)		989.00	69.31%	0.6931%
Total		1,427.00	100.00%	1.0000%

Note: If there is any difference between the total number and the sum of the details in the above table, it is caused by rounding off the results.

LETTER FROM THE BOARD

(vi) Performance targets on which the exercise of the Share Options granted is conditional

Pursuant to the A Share Option Incentive Scheme, the exercise of Share Options by the Participants is conditional upon the fulfillment of certain performance targets by the Company and the Participants. The details are provided in the Evaluation Methods as set out in **Appendix I** and **Appendix II** to this circular.

(vii) Adjustment to the Exercise Price and number of A shares subject to Share Options

A Share Option Incentive Scheme has a mechanism for adjustment of the Exercise Price and/or the number of A shares subject to Share Options to be granted under the Grant in the event of capitalisation issue, bonus issue, share subdivision or share consolidation, rights issue and dividend distribution of the Company. The details of such adjustments are set out in the section headed “Methods of and procedures for adjustment of the Scheme” in **Appendix I** to this circular.

(viii) Conditions of the A Share Option Incentive Scheme

The proposed A Share Option Incentive Scheme has been approved by the Directors at the Board Meeting held on 27 November 2020. The proposed A Share Option Incentive Scheme shall take effect upon Shareholders’ approval at the EGM and the Class Meetings.

(ix) Implications under the Listing Rules

The Scheme constitutes a share option scheme pursuant to Chapter 17 of the Listing Rules, which is subject to the announcement and Shareholders’ approval requirements. Pursuant to Rule 14A.92(3)(a) of the Listing Rules, the grant of Share Options to any Participants who are connected persons of the Company under the Scheme is exempted from reporting, announcement, circular and independent Shareholders’ approval requirements.

Since the Share Options proposed to be granted under the Scheme involve A Shares only, and the Exercise Price is determined based on the relevant PRC laws and regulations, in respect of the Exercise Price of the Share Options which may be granted, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules regarding the basis of determination of the Exercise Price and Rule 17.03(13) of the Listing Rules regarding the adjustment of Exercise Price in the event of dividend distribution.

According to the Scheme, the Directors who are intended to be the Participants or related to the Scheme shall abstain from voting during the process of the Board resolution. Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo have abstained from voting on the Board resolutions in relation to the Scheme.

LETTER FROM THE BOARD

(x) Waivers from strict compliance with the Listing Rules

(1) Waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules regarding the basis of determination of the Exercise Price

Note (1) to Rule 17.03(9) of the Listing Rules requires that the Exercise Price must be at least the higher of: (i) the closing price of the securities on the date of granting the options; and (ii) the average closing price of the securities for the 5 business days immediately preceding the date of granting the options. However, the relevant PRC laws and regulations require that the Exercise Price of A Share Option Incentive Scheme shall be the higher of: (i) the average trading price of the A shares on the trading day immediately preceding the date of announcement of the A Share Option Incentive Scheme; and (ii) the average trading price of the A shares for the 20 trading days immediately preceding the date of announcement of the A Share Option Incentive Scheme.

Since (i) the Share Options proposed to be granted under the Scheme involve A shares only; (ii) the Exercise Price must be determined based on the relevant PRC laws and regulations; and (iii) implementation of the proposed adoption of A Share Option Incentive Scheme is subject to the Shareholders' approval at the EGM and the Class Meetings. H Shareholders will have the opportunity to fully review and assess the terms of the Scheme based on their merits at the General Meetings without impairing the interests of H Shareholders, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules.

For details of the Exercise Price and the basis of determination, see the section headed "A Share Option Incentive Scheme – 6. The Exercise Price and Determination Method of the Scheme" in **Appendix I** to this circular.

(2) Waiver from strict compliance with Rule 17.03(13) of the Listing Rules regarding the adjustment of Exercise Price in the event of dividend distribution

Rule 17.03(13) of the Listing Rules requires that the scheme document must include a provision for adjustment of the Exercise Price or the number of securities subject to options already granted and to the scheme in the event of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital.

On the basis of the following factors, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rule 17.03(13) of the Listing Rules regarding the adjustment of Exercise Price in the event of dividend distribution: (i) according to the PRC legal advisers to the Company, the calculation method of the adjustment of the Exercise Price for the dividend distribution and the internal approval procedures to be performed for adjusting the Exercise Price in the Scheme are in compliance with the relevant PRC laws and

LETTER FROM THE BOARD

regulations and the applicable regulations and requirements of the PRC regulatory authorities. According to the Regulating Notice, if the dividend distribution of the Company occurs before the Exercise, the Company shall adjust the Exercise Price of the Scheme accordingly. If the Scheme formulated by the Company does not incorporate the provision in relation to the adjustment of the Exercise Price for the dividend distribution, it will fail to be in compliance with the requirements under the Regulating Notice, which may result in the Scheme formulated by the Company not being approved by its superior level of the state-owned assets supervision and management authorities; (ii) the number of A Share Options proposed to be granted under the Scheme is 14,270,000, not exceeding 1.0% of the total issued share capital of the Company as at the Latest Practicable Date. The dilutive impact of the Scheme is minimal; (iii) the A shares, being the underlying shares of the Share Options, have been trading at a premium over the H Shares. Taking into account the deviation in the trading prices of the A Shares and H Shares, the adjusted Exercise Price of the Share Options in the event of dividend distribution is expected to remain higher than the then prevailing trading price of the H Shares; and (iv) the implementation of the Scheme is subject to the Shareholders' approval at the EGM and the Class Meetings. H Shareholders will have the opportunity to fully review and assess the terms of the Scheme based on their merits at the General Meetings without impairing the interests of H Shareholders.

For details of the adjustment of Exercise Price in the event of dividend distribution, see the section headed "A Share Option Incentive Scheme – 8. Adjustment Methods and Procedures of the Scheme" in **Appendix I** to this circular.

(xi) Documents available for inspection

Copies of the following documents will be available from the date of this circular to (and including) the date of the EGM and the Class Meetings during normal office hours at the office of Li & Partners at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong:

- (a) A Share Option Incentive Scheme; and
- (b) Evaluation Methods.

LETTER FROM THE BOARD

(xii) Matters to be authorized by Shareholders to the Board in connection with the Scheme

To ensure the smooth implementation of the Scheme, it is proposed by the Company to the General Meetings to authorize the Board to deal with all issues in relation to the Scheme at their full discretion, among which the Directors who are proposed to be the Participants should abstain from the determination and execution of the mandates below, including but not limited to:

- (i). to determine the Date of Grant of the Scheme;
- (ii). on the occurrence of capitalisation issue, bonus issue, share subdivision or share consolidation or right issues, to make corresponding adjustments to the number of the Share Options in accordance with the methods stipulated in the Scheme considered and approved by the General Meetings;
- (iii). on the occurrence of capitalisation issue, bonus issue, share subdivision or share consolidation or rights issue, to make corresponding adjustments to the Exercise price in accordance with the methods stipulated in the Share Option Scheme;
- (iv). to grant Share Options to the Participants when he/she meets the conditions and to deal with all matters required related to such grant, including signing the relevant agreements in relation to the equity incentives with the Participants;
- (v). to examine and confirm whether the Participants are qualified to Exercise and whether the Participants fulfill the grant conditions, to authorize the Board to grant such rights to the Remuneration and Assessment Committee;
- (vi). to determine whether the Participants are able to Exercise;
- (vii). to deal with all necessary matters in relation to the Exercise, including but not limited to submission of the Exercise application to the SSE, application to the Depository and Clearing Corporation for registration and settlement, amendments to the Articles of Association and registration of changes in the registered capital of the Company;
- (viii). to deal with the matters in relation to the changes and termination of the Scheme, including but not limited to the cancellation of Exercise qualification of the Participants, cancellation of the granted Share Options that are not Exercised by the Participants yet, dealing with succession issues in respect to the Share Options that are not Exercised by Participants who met the Exercise Conditions but are already dead; and to determine whether to withdraw the interests of the Participants obtained from the Exercise in accordance with the Share Option Scheme;

LETTER FROM THE BOARD

- (ix). to manage the Scheme, and to formulate or amend the management and implementation requirements of the Scheme from time to time on the premise that it is consistent with the terms of the Scheme; However, if the laws, regulations and relevant regulatory authorities require such amendments to be approved by the General Meeting or/and relevant regulatory authorities, the amendments of the Board must be approved accordingly;
- (x). other necessary matters in relation to the execution of the Scheme, except that the rights of the General Meeting clearly stipulated in relevant documents; and
- (xi). to handle procedures for consideration, registration, filling, approval, consent, etc. of the Scheme with relevant governments and institutions; signing, implementing, modifying and completing documents submitted to relevant governments, institutions, organizations and individuals; amendments of the Articles of Association, changes of the registered capital of the Company and all actions it considers necessary, appropriate or suitable in relation to the Scheme.

The validity period of the above authorization is consistent with the Validity Period of the Scheme.

III. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend the current Articles of Association and refine and adjust the Company's address pursuant to the Company Law of the People's Republic of China, the Regulations of the PRC on the Administration of Company's Registration and the Guidance for the Articles of Association of Listed Companies, as well as in compliance with the relevant requirements of the industrial and commercial registration of the PRC and based on the actual situation of the Company.

The proposed change of the Company's address is subject to the approval of the Shareholders at the EGM by way of an ordinary resolution; and the proposed amendment to the Articles of Association is subject to the approval of the Shareholders at the EGM by way of a special resolution.

Details of the proposed amendment to the Articles of Association are set out in **Appendix III** to this Circular.

LETTER FROM THE BOARD

IV. THE EGM AND THE CLASS MEETINGS

The notice of the EGM to be held at 2:00 p.m. on Wednesday, 23 December 2020 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC is set out on pages EGM-1 to EGM-5 of this circular. Shareholders will vote by poll at the EGM.

The notice of the H Shareholders' Class Meeting to be held at 3:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting) on Wednesday, 23 December 2020 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC is set out on pages HCM-1 to HCM-2 of this circular. H Shareholders will vote by poll at the H Shareholders' Class Meeting.

Whether or not you intend to attend the meetings, you are requested to complete and return the 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.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting of the Company shall be taken by poll unless 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. Announcement of the poll results will be made by the Company after the EGM and the H Shareholders' Class Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Please note that Mr. Di Xiaofeng, an Independent Director, has issued a proxy form of the Independent Director to vote on the special resolutions in respect of the A Share Option Incentive Scheme and related matters at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting in accordance with the relevant PRC laws and regulations. If you would like to appoint Mr. Di Xiaofeng as your proxy to vote on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions in respect of the A Share Option Incentive Scheme and related matters, please complete the Proxy Form of the Independent Director.

After making all reasonable enquiries, to the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the resolutions relating to the proposed adoption of A Share Option Incentive Scheme and the proposed amendment to the Articles of Association, and therefore no Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

LETTER FROM THE BOARD

V. RECOMMENDATION

The Directors (including Independent Directors) consider that the resolutions regarding the proposed adoption of the A Share Option Incentive Scheme are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including Independent Directors) recommend all the Shareholders to vote in favor of all relevant resolutions in relation to the A Share Option Incentive Scheme proposed at the EGM and the Class Meetings.

The Directors (including Independent Directors) consider that the proposal of the amendment to the Articles of Association and the change of the Company's address are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including Independent Directors) recommend all the Shareholders to vote in favor of all relevant resolutions in relation to the proposed amendment to the Articles of Association and change of the Company's address proposed at the EGM.

VI. RESPONSIBILITY STATEMENT

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 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.

By order of the Board
**Tianjin Capital Environmental
Protection Group Company Limited**
Liu Yujun
Chairman

All principal terms of the A Share Option Incentive Scheme are summarized below.

PROPOSED ADOPTION OF A SHARE OPTION INCENTIVE SCHEME

1. Purpose of the Scheme

In order to further improve the corporate governance structure of the Company, promote the establishment and improvement of the incentive and constraints mechanism, fully mobilize the initiative, responsibility and sense of mission of the Directors, senior management, other members of the leadership team, the core management staff, core technical personnel, and business backbone staff of the Company and its holding subsidiaries, effectively align the interests of shareholders, the Company and the operators, and attract common attention and joint efforts to the long-term development of the Company, the Scheme is formulated in accordance with the relevant provisions of the Company Law, the Securities Law, the Trial Measures, the Regulating Notice and the Administrative Measures, and based on the current compensation system, performance appraisal system and other management systems implemented in the Company.

2. Basis for Determination and the Scope of the Participants

(1) Legal basis for determining the Participants

The Participants of the Scheme are determined according to the relevant provisions of the Company Law, the Securities Law, the Trial Measures, the Regulating Notice, the Administrative Measures and the Articles of Association based on the actual situations of the Company.

(2) Position basis for determining the Participants

The Participant must have an employment or labor relationship with the Company or its Controlling Subsidiaries during the appraisal period of the Scheme. The Participants of the Scheme include Directors, senior management, other members of the leadership team and core management, technology and business backbones identified by the Board as having a direct impact on the Company's business performance and future development; but exclude the Independent Directors, Supervisors and shareholders or actual controllers who hold more than 5% of the Company's shares individually or in aggregate, as well as their spouses, parents and children.

(3) Scope of the Participants

There are no more than 155 Participants for the Scheme, including the Directors, senior management (excluding the Independent Directors, external directors and Supervisors), other members of the leadership team and core technology, management, business and skills backbones of the Company.

The Participants of the Scheme do not include Supervisors, Independent Directors, and shareholders or actual controllers who hold more than 5% of the Company's shares individually or in aggregate, as well as their spouses, parents and children.

Among the Participants, the Directors must be elected by the general meetings, and senior management must be appointed by the Board. All Participants must have an employment or labor relationship with the Company or its branches/subsidiaries at the time of the receipt of incentive benefits.

A Participant shall not fall into the following circumstances which prevent him/her from becoming a Participant:

- (i) being considered as an ineligible candidate by the stock exchange within the last 12 months;
- (ii) being considered as an ineligible candidate by the CSRC and its delegated agencies within the last 12 months;
- (iii) being administratively punished or banned from entering the market by the CSRC and its delegated agencies within the last 12 months due to serious violation of laws and regulations;
- (iv) other circumstances in which he/she is not allowed to serve as a director or senior executive according to the Company Law;
- (v) other circumstances in which he/she is not allowed to participate in the share option incentive schemes of listed companies as required by laws and regulations;
- (vi) other circumstances specified by the CSRC;
- (vii) other circumstances determined by the Board that seriously violate the relevant regulations of the Company or seriously damage the interests of the Company.

(4) *Verification of the Participants*

- (i) After the Scheme is approved by the Board, the respective names and positions of the Participants shall be publicized within the Company before the general meeting is held, and the publicity period shall be no less than 10 days.
- (ii) The Company shall conduct a self-examination on the trading of the Company's shares and their derivatives by persons with inside information within 6 months prior to the date of the Announcement on the Scheme to check for any insider trading. Those who buy or sell shares of the Company with inside information shall not be the Participants, except that the relevant

transactions do not belong to insider trading according to the relevant laws, administrative regulations and judicial interpretations. Those who disclose the inside information and result in insider trading shall not be the Participants.

- (iii) The Supervisory Committee will review the list of Participants, fully listen to the public opinions, and disclose the explanation of the Supervisory Committee on the review and publicity of the list of Participants 5 days before the Scheme is deliberated by the General Meetings. The list of Participants adjusted by the Board shall also be verified by the Supervisory Committee.

3. The Source and Quantity of Shares in the Scheme

(1) *The source of shares*

The source of underlying shares of the Scheme are A shares issued by the Company to the Participants.

Only new A ordinary Shares will be issued upon exercise of the Share Options granted under the Scheme, and no H ordinary Shares will be issued under the Scheme.

(2) *The number of the Share Options*

The number of Share Options proposed to be granted under the Scheme is 14,270,000 and the corresponding number of underlying shares is 14,270,000 A shares, representing not more than 1.0% of the Company's total issued share capital of 1,427,228,430 shares as at the date of the Announcement on the Scheme; where 12,170,000 options will be granted for the first time (the "**Share Options Granted for the First Time**"), representing approximately 0.85% of the total issued capital (1,427,228,430 shares) of the Company as at the date of the Announcement on the Scheme, and approximately 85.28% of the total amount of the current Share Options granted; and 2,100,000 options will be reserved (the "**Reserved Share Options**"), representing approximately 0.15% of the total issued capital (1,427,228,430 shares) of the Company as at the date of the Announcement on the Scheme, and 14.72% of the total amount of the current Share Options granted.

The nature of the underlying shares is A ordinary Shares in RMB. The source of the underlying shares is issuance of new shares by the Company to the Participants. The cumulative amount of the underlying shares of the Company involved in the Scheme during the Validity Period shall not exceed 10.00% of the total issued share capital of the Company as at the date of the Announcement on the Scheme. None of the Participants of the Scheme shall be granted more than 1.00% of the total issued share capital of the Company as at the date of the Announcement on the Scheme through the Scheme during the Validity Period. The Share Option rights granted by the Scheme to directors and management shall not exceed 40% of their total salary level during the same period.

Subject to the fulfilment of the Exercise Conditions, each Share Option entitles the Participants to acquire one A Share at the Exercise Price during the Validity Period, which shall enjoy all rights and fulfil all obligations as ordinary Shareholders of the Company.

4. Distribution Details of the Share Options

The distribution details of the Share Options of each Participant are set out in the following table:

Name	Title	Number of Share Options granted (In 10,000 options)	Percentage to the total number of Share Options granted under the Scheme	Percentage to the total share capital as at the date of the Announcement on the Scheme
Liu Yujun	Executive Director, Chairman	30.00	2.10%	0.0210%
Tang Fusheng	General Manager	30.00	2.10%	0.0210%
Wang Jing	Executive Director	25.00	1.75%	0.0175%
Zhao Yi	Deputy General Manager	25.00	1.75%	0.0175%
Zhang Jian	Deputy General Manager	25.00	1.75%	0.0175%
Li Yang	Deputy General Manager	25.00	1.75%	0.0175%
Li Jinhe	Deputy General Manager, Chief Engineer	25.00	1.75%	0.0175%
Peng Yilin	Chief Accountant	25.00	1.75%	0.0175%
Niu Bo	Executive Director, Secretary to the Board	18.00	1.26%	0.0126%
Reserved options		210.00	14.72%	0.1472%
Other Participants (no more than 146 persons)		989.00	69.31%	0.6931%
Total		1,427.00	100.00%	1.0000%

Note: If there is any difference between the total number and the sum of the details in the above table, it is caused by rounding off the results.

5. The Validity Period, Date of Grant, Vesting Period, Exercise Period and Exercise Date and Lock-up Period of the Scheme

(1) Validity period

The Validity Period of the Scheme shall commence from the Date of Grant of the Share Options, and end on the date on which all the Share Options granted under the Scheme have been exercised or cancelled, and shall not be longer than 60 months.

(2) *Date of Grant*

The Date of Grant shall be determined after the Board submits the Scheme to Tianjin Investment Group for approval and after it is deliberated and approved by the General Meetings. The date of the first grant shall be within 60 days from the date when the Scheme is deliberated and approved by the General Meetings. At that time, the Company will convene a board meeting to grant the Options to the Participants, and complete the relevant registration and announcement procedures. The Date of Grant of the reserved options shall be separately determined by the Board within 12 months after the Scheme is approved by the General Meetings. The Date of Grant must be a Trading Day.

(3) *Vesting period*

The Vesting Period is the interval between the Date of Grant and the first Exercise Date. The Vesting Period of the Share Options granted to the Participants under the Scheme is 24 months, and the exercise of options is not allowed during the Vesting Period.

(4) *Exercise Period and Exercise Date*

The Participants of the Scheme shall not Exercise the Options until the expiration of the Vesting Period. The Exercise Date must be a Trading Day within the Validity Period of the Scheme, provided that Exercise is not allowed in the following periods:

- (i) the period from the date of 30 days prior to the announcements of the periodic reports of the Company to 2 Trading Days after such announcement, provided that if the announcement date of the periodic report is delayed due to special reasons, it shall be calculated from 30 days prior to the pre-determined announcement date;
- (ii) the period from the date of 10 days prior to the announcement of the results forecast and preliminary results of the Company to 2 Trading Days after such announcement;
- (iii) the period from the date of the major transaction or major event decision process to 2 Trading Days after the announcement of the event;
- (iv) the period from the date of occurrence of other material events that may affect the stock price to 2 Trading Days after the announcement.

The aforementioned “major transaction”, “major event” and “material events that may affect the stock price” are transaction or other major event that should be disclosed by the Company in accordance with the Listing Rules of the Shanghai Stock Exchange.

During the Exercise Period, if the Exercise Conditions stipulated in the Scheme are met, the Participants shall Exercise the Options in three phases in the next 36 months after the expiration of 24 months from the Date of Grant (including the Share Options Granted for the First Time and Reserved Share Options). The Exercise arrangement is as follows:

Exercise period	Exercise time	Percentage of exercise
First Exercise Period	From the first Trading Day after 24 months has passed since the Date of Grant to the last Trading Day within 36 months from the Date of Grant	1/3
Second Exercise Period	From the first Trading Day after 36 months has passed since the Date of Grant to the last Trading Day within 48 months from the Date of Grant	1/3
Third Exercise Period	From the first Trading Day after 48 months has passed since the Date of Grant to the last Trading Day within 60 months from the Date of Grant	1/3

The Participants must exercise within the Exercise Period. Where the Exercise Conditions cannot be fulfilled, the current Share Options shall not be exercised. Where the Exercise Conditions are fulfilled, such part of the Share Options that are not fully exercised during the aforementioned Exercise Period will be cancelled by the Company.

(5) Lock-up period

The restrictions under the Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, administrative regulations, normative documents and the Articles of Association, the details of which are set out below:

- (i) if the Participants are Directors and senior management of the Company, the shares transferred each year during their tenure of office shall not exceed 25% of the total Shares of the Company held by them; and they shall not transfer the Company's Shares held by them within half a year after leaving the Company;
- (ii) if the Participants are Directors and senior management of the Company, and they sell their shares of the Company within 6 months after the purchase, or purchase the shares again within 6 months after the sale, the proceeds shall be owned by the Company and collected by the Board;

- (iii) the Share Options of not less than 20% of the total Share Options granted to a Director or senior management can only be exercised after such Participant has reached a pass grade or above in the performance appraisal for his/her term of office. If the term of office of a Participant who is a Director or senior management has not ended upon expiry of the relevant Validity Period of the Scheme, the Exercise Conditions shall be determined with reference to his/her appraisal results of the year during which the relevant Validity Period expires, and Exercise shall be conducted within the Validity Period;
- (iv) if there is any change to the provisions of the Company Law, the Securities Law and other relevant laws, administrative regulations, normative documents and the Articles of Association regarding the transfer of shares held by the Directors and senior management during the Validity Period of the Scheme, the transfer of the Company's Shares held by such Participants shall comply with the revised provisions of the Company Law, Securities Law and other relevant laws, administrative regulations, normative documents and the Articles of Association.

6. The Exercise Price and Determination Method of the Scheme

(1) Exercise price

The Exercise Price of the Share Option granted under the Scheme is RMB6.98 per Share, that is, each Share Option granted to the Participant carries the right to purchase one A Share of the Company at RMB6.98 per Share during the Validity Period, subject to the fulfillment of the Exercise Conditions.

The Exercise Price of Reserved Share Options is RMB6.98 per Share.

(2) The determination method for Exercise Price

The Exercise Price of Share Options granted under the Scheme shall not be lower than the par value of A Share and shall not be lower than the higher of:

- (i) The average trading price of the A Shares of the Company on the Trading Day immediately before the date of the Announcement on the Scheme, being approximately RMB6.98 per A Share;
- (ii) The average trading price of the A Shares of the Company for the 20 Trading Days immediately before the date of the Announcement on the Scheme, being approximately RMB6.98 per A Share.

The method for determining the Exercise Price of Reserved Share Options is consistent with the method for determining the Exercise Price of the Share Options Granted for the First Time.

(3) *Adjustment of the Exercise Price*

During the period from the date of the Announcement on the Scheme to the completion of the Exercise of Share Options by the Participants, the Exercise Price of the Share Options shall be adjusted accordingly in the event of any capitalization issue, bonus issue, share subdivision or share consolidation, rights issue, issuance of new shares, dividend distribution, etc. For details of the adjustment methods and procedures of the number and Exercise Price of Share Options, please refer to “Adjustment Methods and Procedures of the Scheme” in this circular.

7. The Grant Conditions and Exercise Conditions of Share Options

(1) *The grant conditions of Share Options*

If the following conditions are met at the same time, the Company shall grant the Participants the Share Options. Otherwise, if any of the following conditions are not met, the Participants shall not be granted the Share Options.

- (i) The Company does not fall into any of the following circumstances:
 - (a) a certified public accountant issues an auditor’s report which contains negative opinion or in which no opinion can be expressed for the financial accounting report of the Company in the recent fiscal year;
 - (b) a certified public accountant issues an auditor’s report which contains negative opinion or in which no opinion can be expressed for the internal control on financial report of the Company in the recent fiscal year;
 - (c) the Company makes any profit distribution which is in violation of the laws and regulations, the Articles of Association or any undertaking publicly made within the recent 36 months after being listed;
 - (d) other circumstances in which the Company is not allowed to implement equity incentives according to laws and regulations;
 - (e) other circumstances as specified by the CSRC.
- (ii) The Participant does not fall into any of the following circumstances:
 - (a) being considered as an ineligible candidate by the stock exchange within the last 12 months;
 - (b) being considered as an ineligible candidate by the CSRC and its delegated agencies within the last 12 months;

- (c) being administratively punished or banned from accessing into the market by the CSRC and its delegated agencies within the last 12 months for serious violations of laws and regulations;
 - (d) other circumstances in which he/she is not allowed to serve as a Director or senior executive according to the Company Law;
 - (e) other circumstances in which he/she is not allowed to participate in the equity incentives schemes of listed companies as required by laws and regulations;
 - (f) other circumstances as specified by the CSRC;
 - (g) other circumstances determined by the Board that seriously violate the relevant regulations of the Company or seriously damage the interests of the Company.
- (iii) The Company has reached the performance assessment criteria if it has met the following conditions:
- (a) The operating revenue growth rate in 2019 shall not be lower than 16.50%, and shall not be lower than the industry average performance level; the average weighted rate of return on common Shareholder's equity in 2019 is no less than 8.48%, and shall not be lower than the industry average performance level.

(2) The Exercise Conditions of Share Options

The Share Options granted to the Participant can be exercised only when both the Company and the Participant meet the following conditions during the Exercise Period:

- (i) The Company does not fall into any of the following circumstances:
 - (a) a certified public accountant issues an auditor's report which contains negative opinion or in which no opinion can be expressed for the financial accounting report of the Company in the recent fiscal year;
 - (b) a certified public accountant issues an auditor's report which contains negative opinion or in which no opinion can be expressed for the internal control on financial report of the Company in the recent fiscal year;
 - (c) the Company makes any profit distribution which is in violation of the laws and regulations, the Articles of Association or any undertaking publicly made within the recent 36 months after being listed;

- (d) other circumstances in which the Company is not allowed to implement equity incentives schemes under the laws and regulations;
 - (e) other circumstances as specified by the CSRC.
- (ii) The Company reaches the performance assessment criteria:

During the Exercise Period of the Scheme, performance indicators of the Company shall be assessed every year, with the achievement of assessment targets serving as the Exercise Condition for the Participant in the respective years. The performance conditions for exercising the Share Options granted under the Scheme are shown in the table below:

Exercise Period	Performance assessment criteria
First Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2021 shall not be lower than 35%, and shall not be lower than the industry average level in 2021; (2) The average weighted rate of return on common Shareholder's equity in 2021 shall not be lower than 7.50%, and shall not be lower than the industry average level in 2021; (3) The proportion of main business revenue shall not be lower than 93.00% in 2021.
Second Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2022 shall not be lower than 50%, and shall not be lower than the industry average level in 2022; (2) The average weighted rate of return on common Shareholders' equity in 2022 shall not be lower than 7.75%, and shall not be lower than the industry average level in 2022; (3) The proportion of main business revenue shall not be lower than 93.00% in 2022.

Exercise Period	Performance assessment criteria
Third Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2023 shall not be lower than 70%, and shall not be lower than the industry average level in 2023; (2) The average weighted rate of return on common Shareholders' equity in 2023 shall not be lower than 8.00%, and shall not be lower than the industry average level in 2023; (3) The proportion of main business revenue shall not be lower than 93.00% in 2023.

Notes:

1. The financial indicators in the above table shall be subject to the audited and announced financial reports of the Company for the respective years;
2. In case of significant changes in business structure or extreme values of excessive deviation in performance of the industry peer samples, the Board will remove or replace the samples in the assessment;
3. During the Validity Period of the Scheme, if the Company conducts public offering or non-public offering in the current year and in the future, which will affect the net assets, the newly increased net assets shall not be included in the net assets of the current year and the corresponding future year in the performance assessment;
4. In the calculation of average weighted rate of return on common Shareholders' equity, the cost caused by equity incentive is added back.

According to the industry classification of the CSRC, the Company belongs to the industry of “electricity, heat, gas and water production and supply – water production and supply”. The peer enterprises in the industry are all domestic A-share listed companies (including the Company) in the water production and supply sector. If the industry classification or the industry constituent stock is adjusted during the Validity Period of the Scheme, the Company shall adopt the latest updated industry classification data for the assessment in the respective year. In addition, if there are any significant changes in main businesses or extreme values or abnormal values of excessive deviations in performance of the industry peer samples, the Board may remove the relevant samples according to the actual situations.

(iii) The Participant meets the personal performance assessment requirements:

According to the Evaluation Methods, the individual performance assessment of Participants shall meet the following requirements: during the three Exercise Periods, the upper limit of each Exercise that the Participant can apply for is respectively 1/3, 1/3 and 1/3 of the number of Share Options granted under the

Scheme. The actual number of Options for Exercise is linked to the performance evaluation results of the Participant in the previous year. The limit of the actual number of Options for Exercise in the current year = the Percentage of Exercise by individual Participant × the Exercise limit of the individual Participant in the current year, as detailed below:

Assessment result (S)	S≥90	90>S≥80	80>S≥60	S<60
Individual year-end performance	Excellent (A)	Good (B)	Pass (C)	Fail (D)
Percentage of Exercise by individual Participant	1.0	1.0	0.9	0

(3) *Description of scientifically and reasonability in the setting of performance assessment indicators by the Company*

- (i) Weighted average rate of return on common Shareholders' equity is the return of the Company's operation, which can directly reflect the Company's operating results and the value of the return to Shareholders. At the same time, the Company needs to better ensure the Company to obtain reasonable profits on the basis of continuous improvement of business scale in the future, which is an important prerequisite for improving Shareholders' return.
- (ii) When setting the performance assessment indicators, the Company mainly considers the prospect of the industry, the future performance level and the strategic development direction of the Company. From the perspective of being conducive to the sustainable development of the Company, as well as being feasible and realizable, the Company reasonably sets the performance assessment indicators of the Scheme. The above performance indicators of the Company are in line with the current operation situation and future development plan of the Company, which is conducive to strengthening the profitability of the Company and maximizing the interests of all Shareholders.

8. Adjustment Methods and Procedures of the Scheme

(1) *Method for adjusting the number of Share Options*

If the Company has issuance such as capitalization issue, bonus issue, share subdivision, share consolidation, rights issue or additional issue of the Company prior to any Exercise, the number of Share Options that have not been exercised shall be adjusted accordingly. The adjustment methods are as follows:

- (i) In case of capitalization issue, bonus issue, share subdivision:

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 is the number of Share Options before adjustment; n is the ratio of increase per Share resulting from capitalization issue, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization issue, bonus issue or share subdivision); Q is the number of Share Options after adjustment.

- (ii) In case of rights issue:

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 is the number of Share Options before adjustment; P_1 is the closing price of the Share Options on the registration date; P_2 is the subscription price of rights issue; n is the proportion of rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); Q is the number of Share Options after adjustment.

- (iii) In case of share consolidation:

$$Q = Q_0 \times n$$

Where: Q_0 is the number of Share Options before adjustment; n is the ratio of consolidation of Shares (i.e. one Share of the Company be consolidated into n shares); Q is the number of Share Options after adjustment.

(2) *Method for adjusting the exercise price of Share Options*

If the Company has issuance such as dividend distribution, capitalization issue, bonus issue, share subdivision, share consolidation, rights issue or additional issue of the Company prior to any Exercise, the Exercise Price shall be adjusted accordingly. The adjustment methods are as follows.

- (i) In case of capitalization issue, bonus issue, share subdivision:

$$P = P_0 \div (1 + n)$$

Where: P_0 is the Exercise Price before adjustment; n is the ratio of increase per share resulting from the capitalization issue, bonus issue or Share Option subdivision; P is the Exercise Price after adjustment.

- (ii) In case of rights issue:

$$P = P_0 \times (P_1 + P_2 \times n) / [P_0 \times (1 + n)]$$

Where: P_0 is the Exercise Price before adjustment; P_1 is the closing price of the Share Options on the registration date; P_2 is the subscription price of rights issue; n is the proportion of rights issue (the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); P is the Exercise Price after adjustment.

- (iii) In case of share consolidation:

$$P = P_0 \div n$$

Where: P_0 is the Exercise Price before adjustment; n is the ratio of share consolidation; P is the Exercise Price after adjustment.

- (iv) In case of dividend distribution:

$$P = P_0 - V$$

Where: P_0 is the Exercise Price before adjustment; V is the dividend per share; P is the Exercise Price after adjustment.

(3) *The adjustment procedures of the Scheme*

The General Meetings authorize the Board to adjust the number or Exercise Price of the Share Options for the reasons listed above. After the Board adjusts the Exercise Price or the number of Share Options in accordance with the above provisions, it shall make an announcement as and when appropriate and inform the Participants in a timely manner. The Company shall employ a lawyer to give professional advice to the Board on whether the above adjustment is in accordance with the Administrative Measures, the Articles of Association and the provisions of the Scheme. If it is necessary to adjust the number of the Share Options, Exercise Price or other terms for other reasons, a resolution shall be made by the Board and reviewed and approved by the General Meetings of the Company.

If any adjustment is made in accordance with Rule 17.03(13) of the Listing Rules, the Company must ensure that the Participant must be given the same proportion of the equity capital to which that person was previously entitled before the adjustment, but any adjustment shall not cause the issue price of shares to be lower than the par value. For any adjustment made in compliance with Rule 17.03(13) of the Listing Rules (except for any adjustment made at the time of capitalization issue), the auditor of the Company will confirm to the Directors in writing that the adjustment complies with the requirements set out in the note to Rule 17.03(13) of the Listing Rules.

9. Accounting Treatment of the Scheme***(1) The accounting principles in respect of the Share Options***

Pursuant to the “Accounting Standards for Business Enterprises” and their application guidelines, the Company’s main accounting principles for granting Share Options to the Participants are as follows:

- (i) if the equity-settled share-based payment is exchanged for the Participants to provide services, it shall be measured by the fair value of the equity instruments granted to the Participants;
- (ii) for equity-settled share-based payment in exchange for Participants’ services after completing the services within the Vesting Period or meeting the prescribed performance conditions, on each balance sheet date within the Vesting Period, based on the best estimate of the number of feasible equity instruments, the services obtained in the current period are included in the relevant asset costs or current expenses according to the fair value of the equity instruments on the Date of Grant, which are charged in the recurring profit and loss and included in the capital reserve at the same time.

(2) The accounting treatment in respect of the Share Option

- (i) accounting treatment on the Date of Grant: since Share Options cannot be exercised on the Date of Grant, there is no need to carry out relevant accounting treatment;
- (ii) accounting treatment during the Vesting Period: on each balance sheet date during the Vesting Period, based on the best estimate of the number of exercisable Share Options, according to the fair value of Share Options on the Date of Grant, the services obtained in the current period are included in the relevant asset costs or current expenses, and also included in the capital reserve;
- (iii) accounting treatment after the Exercise Date: the confirmed cost and total owner’s equity will not be adjusted. On each balance sheet date, the option cost that should be borne in the current period will be amortized;
- (iv) accounting treatment for the Exercise: share capital and share premium shall be recognized with reference to the actual exercise of the Share Options, and carry forward the capital reserve confirmed during the Vesting Period.

(3) The selection and estimation of the model of Share Options

The Company uses Black-Scholes Model (B-S Model) to calculate the fair value of the Share Options to be granted, and it is predicted that the value of each Share Option of the Company is RMB2.11 and the total value of Share Options granted are RMB30,109,700 by using this model. The valuation results of Share Options here are not used as the basis for accounting treatment. The fair value of Share Options used to calculate accounting costs will be re-estimated after the actual completion of the grant by collecting real-time market data at the Date of Grant. Relevant valuation inputs and results are set out in the below table:

Parameter inputs	Parameter values	Definition
Expected volatility	33.00%	Historic volatility in recent 4 years of the Company
Expected dividend rate	0.00%	The Scheme to adjust the grant of Share Options for ex-rights, ex-dividends, etc. on target shares
Risk-free interest rate	2.42%	On linear extrapolation, being the interest rate of the national debt with same expected period as the Share Options
Expected period	4 years	Expected period = $0.5 \times (\text{weighted expected period} + \text{total Validity Period})$
Exercise price	6.98	Exercise Price determined in accordance with the Scheme
Share market price	7.05	The closing price of the Company's Share on the valuation date
Valuation results	2.11	Share Option per Share granted based on the calculation of Black-Scholes valuation model

(4) Amortization method of Share Option expenses

According to the relevant requirements of Accounting Standards for Business Enterprises No. 11 – Share based Payments, the Company will update the expected amount of Share Options exercisable on each balance sheet date during the Vesting Period based on subsequent information such as the latest available number of Participants who are entitled to Exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserve based on the fair value of the Share Options on the Date of Grant.

According to Chinese Accounting Standards, assuming that the Company grants Share Options on 31 December 2020, the amortization of Share Options costs from 2020 to 2024 is as follows:

<i>Unit: RMB0' 000</i>					
Total of Costs of the Share Options	2020	2021	2022	2023	2024
2,668.49	80.30	963.62	926.56	494.16	203.84

Influenced by the estimation of the number of Share Options exercised and the prediction of the fair value of the Share Options on the Date of Grant, there is a difference between the total estimated cost of Share Options and the total cost of Share Options actually granted. The actual accounting cost shall be revalued according to the actual Share price, volatility and other parameters on the Date of Grant determined by the Board and confirmed by the auditor.

Based on the current information, the Company preliminarily estimates that without considering the stimulation of the Scheme on the Company's performance, the amortization of the Share Option expenses will have an impact on the net profit each year within the Validity Period, but the impact is not significant. Taking into account the positive effect of the Scheme on the Company's development, which stimulates the enthusiasm of management and business teams, improves operating efficiency, and reduces operating costs, the improvement of the performance of the Company brought by the Scheme will be higher than the increase in costs caused by it.

10. Implementation Procedures, Grant Procedures and Exercise Procedures of the Scheme

(1) Implementation procedures of the Scheme

- (i) Remuneration and Evaluation Committee of the Board shall be responsible for preparing the Scheme and submitting it to the Board for consideration.
- (ii) The Board shall make a resolution on the Scheme in accordance with the law. When the Board is deliberating the Scheme, Directors who are the proposed Participants or related to the Participants shall abstain from voting.
- (iii) The Independent Directors and the Supervisory Committee shall express their opinions on whether the Scheme will benefit the sustainable development of the Company and whether there are any circumstances that are obviously detrimental to the interests of the Company and all Shareholders.

- (iv) The Scheme can only be implemented after the approval by Tianjin Investment Group and the consideration and approval by the General Meetings. The respective names and positions of the Participants shall be publicized through the website of the Company or by other means before the General Meetings, and the publicity period shall be no less than 10 days. The Supervisory Committee shall review the list of the Participants, fully listen to the public opinions, and disclose the explanation of the Supervisory Committee on the review and publicity of the list of the Participants 5 days before the Scheme is considered by the General Meetings.
- (v) When voting on the Scheme at the General Meetings, the Independent Directors shall collect proxy voting rights regarding the Scheme from all Shareholders, and the Company shall provide both the methods of on-site voting and online voting. The contents of the Share Option Incentive Scheme shall be voted at the General Meetings as stipulated in Article 9 of the Administrative Measures, and shall be passed with at least two-thirds of the voting rights held by the Shareholders present at the General Meetings. The votes of Shareholders other than the Directors, Supervisors, senior management and other Shareholders who individually or collectively hold at least 5% of the Company's shares shall be separately calculated and disclosed. When the General Meetings are deliberating the Scheme, Shareholders who are the proposed Participants or related to the Participants shall abstain from voting.
- (vi) After the Scheme has been approved by the Shareholders at the General Meetings and in compliance with the evaluation provisions of the Scheme, the Company will grant Share Options to the Participants within a specified period of time. The Date of Grant must be a Trading Day and comply with the regulations.

(2) *Grant procedures of the Scheme*

- (i) After the General Meetings approved the Scheme, the Company and the Participants shall sign the Share Option Grant Agreement to agree on the rights and obligations of both parties. The Board shall handle specific matters concerning the grant of Share Options in accordance with the authorization of the General Meetings.
- (ii) Before the Company grants rights to the Participants, the Board shall review and make announcement on whether the conditions set by the Scheme for the Participants to be granted are fulfilled.
- (iii) The Independent Directors and the Supervisory Committee shall simultaneously express clear opinions. The law firm shall issue a legal opinion on whether the conditions for the Participants to be granted are fulfilled.

- (iv) The Supervisory Committee shall verify the Date of Grant of the Share Options and the list of the Participants and express their opinions.
- (v) When there is a difference between the Company's grant of rights to the Participants and the arrangement of the Share Option Incentive Scheme, the Independent Directors, Supervisory Committee (when the Participants change), law firm and independent financial adviser shall simultaneously express clear opinions.
- (vi) After the Scheme is approved by the General Meetings, the Company shall grant Share Options to the Participants and complete the announcement and registration within 60 days. The Board shall disclose the relevant implementation in a timely manner after the completion of registration of the granted Share Options. If the Company fails to complete the above work within 60 days, the implementation of the Scheme shall be terminated, and the Board shall disclose the reasons for the incompleteness in a timely manner and shall not deliberate the Share Option Incentive Scheme again within 3 months.
- (vii) After the Company grants the rights, it shall make an application with the stock exchange, and the Depository and Clearing Corporation shall handle the registration and settlement matters after confirmation by the stock exchange. The Participants must cooperate with the Company in handling registration procedures in accordance with the relevant regulations of the CSRC, stock exchange, and the Depository and Clearing Corporation.

(3) *Exercise procedures of the Scheme*

- (i) Before the Exercise Date, the Company shall confirm whether the Participants meet the Exercise Conditions. The Board shall review whether the Exercise Conditions of the Scheme are fulfilled, and the Independent Directors and the Supervisory Committee shall simultaneously express clear opinions. The law firm shall issue a legal opinion on whether the Exercise Conditions for the Participants are fulfilled.
- (ii) The Remuneration and Evaluation Committee of the Board shall review and confirm the applicant's limit of the number of Options for Exercise, Exercise qualification and Exercise Conditions.
- (iii) Before the Exercise of the Share Options, the Company shall make an application for Exercise to the SSE and issue Shares to the Participants according to the number of the Exercise applied for.
- (iv) After confirmation by the stock exchange, the Depository and Clearing Corporation shall handle the registration and settlement matters.

- (v) The Company shall conduct the procedures of industrial and commercial change registration with the company registration authority. The Company can provide the Participants with a unified or independent method of Exercise based on the actual situation.

11. Amendment and Termination of the Scheme

(1) Amendment of the Scheme

The Company may amend the Scheme prior to its consideration and approval at the General Meetings, which require the consideration and approval of the Board.

If the Company intends to amend the Scheme after it is considered and approved at the General Meetings, the Company shall announce and submit to the General Meetings for consideration in a timely manner (except for matters authorized by the General Meetings to be resolved by the Board), given that such amendment shall not result in the following: accelerating the Exercise or lifting restrictions in transfer in advance; lowering the Exercise Price or Grant Price.

If the Company intends to amend the Scheme, the Company should promptly disclose the Board resolution as well as the reason for the amendment, the content of the amendment and the opinions of Independent Directors, the Supervisory Committee and the law firm of the Company by way of announcement after the resolutions on the amendment are considered and approved by the Board.

Independent Directors and the Supervisory Committee shall express their independent opinions on whether the amended Scheme will benefit the sustainable development of the Company and whether there are any circumstances that are obviously detrimental to the interests of the Company and all Shareholders. Law firm shall give their professional opinions on whether the amended Scheme complies with relevant laws and regulations and whether there are any circumstances that are obviously detrimental to the interests of the Company and all Shareholders.

(2) Termination of the Scheme

During the Validity Period, if the following circumstances occur in the Company, the Company will terminate the implementation of the Scheme and shall not continue to grant new Share Options to the Participants. Share Options having been granted to the Participants under the Scheme to exercise but not yet exercised shall cease to be exercised and be cancelled, and Share Options not having been approved shall lapse forthwith:

- (i) issuance of the auditors' report with an negative opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial accounting report of the Company for its most recent accounting year;

- (ii) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
- (iii) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;
- (iv) the imposition of administrative penalties by the CSRC due to material non-compliance of laws and regulations by the Company;
- (v) operational loss of the Company leading to indefinite suspension of trading of the shares of the Company, delisting, winding-up or dissolution of the Company;
- (vi) the delisting of the Company as a result of its failure to meet the listing requirements due to repurchase and cancellation of the Shares of the Company;
- (vii) prohibition from implementation of share option incentives by laws, administrative regulations and departmental rules;
- (viii) other circumstances specified by the CSRC.

If the Company intends to terminate the implementation of the Scheme before the consideration of the Scheme by the General Meetings, it shall be considered and approved by the Board. If the Company intends to terminate the implementation of the Scheme after the consideration and approval of the Scheme by the General Meetings, it shall be considered and determined by the General Meetings. Since the date of the approval of the resolution of the General Meetings, Share Options having been granted to the Participants to exercise but not yet exercised shall cease to be exercised and be cancelled, and Share Options not having been approved shall lapse forthwith.

The law firm shall provide professional opinions on whether the termination of the implementation of the Scheme by the Company complies with the Administrative Measures and relevant laws and regulations, and whether there are any circumstances that are obviously detrimental to the interests of the Company and all Shareholders.

If the implementation of the Scheme is terminated, the Company shall apply to the stock exchange or the Depository and Clearing Corporation for the cancellation of the granted Share Options in a timely manner after performing corresponding deliberation procedures.

12. Rights and Obligations of the Company/Participants***(1) Rights and obligations of the Company***

- (i) the Company is entitled to interpret and execute the Scheme, to conduct performance assessment of the Participants, to supervise and review whether the Participants possess the qualifications to continue to exercise Share Options;
- (ii) the Company shall exert timely efforts to fulfill its reporting and disclosure obligations of the Scheme in compliance with relevant regulations;
- (iii) the Company is entitled to require Participants to work for the Company according to the requirements of their positions. Where a Participant is incompetent for his/her current position or fails the appraisal, the unexercised Share Options held by such Participant may be cancelled in accordance with the requirements of Administrative Measures, Trial Measures and the Scheme, subject to the approval of the Board;
- (iv) where a Participant seriously damaged the interests or reputation of the Company as a result of violating laws or professional ethics, divulging confidential information of the Company, neglecting his/her duty or malfeasance, the unexercised Share Options held by such Participant may be cancelled, subject to the approval of the Board;
- (v) the Company withholds individual income tax and other taxes payable by Participants according to the requirements of relevant national tax laws and rules;
- (vi) the Company will not provide loans and financial support in other forms, including providing guarantee for loans, for Participants to obtain relevant Share Options under the Scheme;
- (vii) the Company will calculate and ascertain the fair value of Share Options concerned under the Scheme in accordance with the accounting standards for business, and will conduct financial and accounting treatment in accordance with the relevant regulations of the accounting standards for business;
- (viii) the Company shall actively support the Participants who have fulfilled the Exercise Conditions to Exercise in accordance with the relevant requirements including those of the Scheme, CSRC, SSE, Depository and Clearing Corporation. However, the Company disclaims any liability for any loss of Participants arising from the incapability to Exercise as they desire as a result of CSRC, SSE and Depository and Clearing Corporation;
- (ix) other relevant rights and obligations required by laws and regulations.

(2) Rights and obligations of the Participants

- (i) the Participants shall comply with the requirements of their positions stipulated by the Company, and they shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company;
- (ii) the Participants are entitled to exercise Share Options according to the terms of the Scheme and lock the shares according to relevant regulations;
- (iii) share Options granted to the Participants shall not be transferred or used as guarantee or repayment of debts;
- (iv) source of capital of Exercise stipulated under the Scheme shall be self-financed by the Participants;
- (v) any gains of the Participants generated from the Scheme are subject to individual income tax and other taxes according to the national tax laws;
- (vi) the Participants shall undertake that where false statements or misleading statements in or material omissions from the information disclosure documents of the listed Company resulting in non-compliance with arrangements for the grant or exercise of Share Options, the Participants shall return to the Company all gains obtained from the Scheme after false statements or misleading statements in or material omissions from the information disclosure documents have been confirmed;
- (vii) other relevant rights and obligations required by laws and regulations.

13. Treatment under Special Circumstances***(1) Changes of the Company***

- (i) The Board shall be authorized by the General Meetings to determine the continuation, amendment, suspension or termination of the Scheme in the event of any of the following circumstances, except for those rights expressly required to be exercised by the General Meetings under relevant laws, administrative regulations, departmental rules or regulatory documents:
 - a. change in control of the Company;
 - b. circumstances including merger and demerger of the Company;
 - c. other material changes of the Company.

- (ii) where any of the following circumstances occurs, the Scheme shall be terminated, the Share Options granted to the Participants but not yet exercised shall be void and not be exercised retrospectively, and be withdrawn and cancelled by the Company without any compensation:
- a. issuance of the auditors' report with an negative opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial accounting report of the Company for its most recent accounting year;
 - b. issuance of the auditors' report with an negative opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - c. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;
 - d. the imposition of administrative penalties by the CSRC due to material non-compliance of laws and regulations by the Company;
 - e. operational loss of the Company leading to indefinite suspension of trading of the shares of the Company, delisting, winding-up or dissolution of the Company;
 - f. the delisting of the Company as a result of its failure to meet the listing requirements due to repurchase and cancellation of the shares of the Company;
 - g. prohibition from implementation of share option incentives by laws, administrative regulations and departmental rules;
 - h. other circumstances determined by the CSRC.

(2) Changes of personal particulars of the Participants

- (i) Where the position of a Participant changes due to the work requirements through the Company's arrangement, but still remains in the Company (including those working in the Company's branches and subsidiaries and those assigned by the Company), the options granted to him/her will be in full compliance with the procedures set forth in the Scheme prior to the change of position, and the individual performance appraisal will be carried out in accordance with the performance appraisal plan for the new position.

- (ii) In the event of any of the following circumstances occurring to the Participants, the Options granted to the Participants but not yet exercised shall be void; with respect to the exercised portion of the Shares, the Company may require the Participants to return the proceeds from the A Share Option Incentive Scheme:
 - a. violation of national laws and regulations, the Articles of Association or the internal management rules of the Company, or the occurrence of acts of neglecting his/her duty or malfeasance as stipulated in the labor contract, which seriously damage the Company's interests or reputation or cause direct or indirect economic losses to the Company;
 - b. dismissal of the Participants for violating the Company's rules and for serious breach of discipline in accordance with the Company's regulations on the management of employee rewards and punishments;
 - c. occurrence of illegal and undisciplined actions of the Participant in office which can be proven by the Company with sufficient evidence, including taking bribery, soliciting bribery, corruption, theft, leakage of business and technical secrets, damaging the interest and reputation of the Company and causing direct or indirect economic losses to the Company;
 - d. the Participant is held criminally responsible for his criminal acts;
 - e. violation of relevant laws and regulations or the Articles of Association, causing undue damage to the Company;
 - f. being placed on probation within the Party or administrative dismissal or above;
 - g. being responsible for the direct leadership in the failure to complete the major reform and development projects deployed by the Party Committee at the higher level.
- (iii) For cessation of service to the Group due to retirement, the Options granted to the relevant Participant shall be dealt with in accordance with the terms and provisions of the Scheme set out above in the same manner as before the retirement save that the Board may determine the attainment of performance targets may no longer form a condition of the exercise of the Options granted to the Participant from the occurrence date of such event.
- (iv) If the Participant resigns, the Company layoffs, or the labor relationship is terminated due to personal reasons, the Share Options that have been granted to the Participants but not exercised shall not be exercised and shall be cancelled by the Company.

- (v) When the Participant becomes a person who cannot hold the Company's Share Options, such as an Independent Director or a Supervisor, the Share Options that have been granted but not exercised by the Participant shall not be exercised and shall be cancelled by the Company.
- (vi) In the event that a Participant becomes incapacitated for work and resigns, it should be dealt with according to the following two situations:
 - a. when a Participant becomes incapacitated for work and resigns, all outstanding Options granted thereto shall be dealt with pursuant to the terms and provisions of the Scheme in the same manner as prior to the death, and the Board may determine not to take his/her personal performance targets as Exercise Conditions from the occurrence date of such event.
 - b. for a Participant who falls incapacitated and resigns for reasons otherwise, all outstanding Options granted thereto shall not be exercised and shall lapse accordingly.
- (vii) In the event that a Participant becomes deceased, it should be dealt with according to the following two situations:
 - a. if a Participant becomes deceased in the course of his or her engagement for performance of work duties, all outstanding Options granted thereto shall be dealt with pursuant to the terms and provisions of the Scheme in the same manner as prior to the death, save that the attainment of performance targets may no longer form a condition of the exercise of the Participants' outstanding Options and that the Options may be exercised by the heir of the estate or statutory successor of the Participant.
 - b. for the death of a Participant for reasons otherwise, all outstanding Options granted thereto and not exercised shall lapse accordingly.
- (viii) In the event of any of the following circumstances of the Participants, all the Options that have been granted to the Participants but not exercised will be withdrawn and cancelled by the Company without compensation:
 - a. being considered as an ineligible candidate by the stock exchange within the last 12 months;
 - b. being considered as an ineligible candidate by the CSRC and its local offices within the last 12 months;

- c. being administratively penalised or banned from entering the market by the CSRC and its local offices within the last 12 months for serious violations of laws and regulations;
 - d. the circumstance in which he/she is not allowed to serve as a Director or senior executive according to the Company Law;
 - e. he/she is not allowed to participate in the equity incentives of listed companies;
 - f. other circumstances specified by the CSRC.
- (ix) Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Evaluation Committee of the Board.

14. Proposed Mandate to the Board

To ensure the smooth implementation of the Scheme, it is proposed to the General Meetings to authorize the Board to deal with all issues in relation to the Scheme in their full discretion, among which the Directors who are proposed to be the Participants should abstain from the determination and execution of the mandates below, including but not limited to:

- (i) to determine the Date of Grant of the Scheme;
- (ii) on the occurrence of capitalization issue, bonus issue, share subdivision or share consolidation or rights issue, to make corresponding adjustments to the number of the Share Options in accordance with the methods stipulated in the Scheme considered and approved by the General Meetings;
- (iii) on the occurrence of capitalization issue, bonus issue, share subdivision or share consolidation or rights issue, to make corresponding adjustments to the Exercise price in accordance with the methods stipulated in the Share Option Scheme;
- (iv) to grant Share Options to Participants when they meet the conditions and to deal with all matters required related to such grant, including signing the relevant agreements in relation to the equity incentives with the Participants;
- (v) to examine and confirm whether the Participants are qualified to Exercise and whether the Participants fulfill the Exercise Conditions, to authorize the Board to grant such rights to the Remuneration and Evaluation Committee;
- (vi) to determine whether the Participants are able to Exercise;

- (vii) to deal with all necessary matters in relation to the Exercise, including but not limited to submission of the Exercise application to the SSE, application to the Depository and Clearing Corporation for registration and settlement, amendments to the Articles of Association and registration of changes in the registered capital of the Company;
- (viii) to deal with the matters in relation to the changes and termination of the Scheme, including but not limited to the cancellation of Exercise qualification of the Participants, cancellation of the granted Share Options that are not Exercised by the Participants yet, dealing with succession issues in respect to the Share Options that are not Exercised by Participants who met the Exercise Conditions but are already dead; and to determine whether to withdraw the interests of the Participants obtained from the Exercise in accordance with the Scheme;
- (ix) to manage the Scheme, and to formulate or amend the management and implementation requirements of the Scheme from time to time on the premise that it is consistent with the terms of the Scheme. However, if the laws, regulations and relevant regulatory authorities require such amendments to be approved by the General Meetings or/and relevant regulatory authorities, the amendments of the Board must be approved accordingly;
- (x) other necessary matters in relation to the execution of the Scheme, except that the rights of the General Meetings clearly stipulated in relevant documents; and
- (xi) to handle procedures for consideration, registration, filling, approval, consent, etc. of the Scheme with relevant governments and institutions; signing, implementing, modifying and completing documents submitted to relevant governments, institutions, organizations and individuals; amendments of the Articles of Association, changes of the registered capital of the Company and all actions it considers necessary, appropriate or suitable in relation to the Scheme.

The validity period of the above authorization is consistent with the Validity Period of the Scheme.

APPENDIX II EVALUATION METHODS IN RESPECT OF THE IMPLEMENTATION OF THE 2020 SHARE OPTION INCENTIVE SCHEME OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

The Evaluation Methods are formulated in accordance with the relevant regulations of the country and the actual conditions of the Company, in order to ensure the smooth implementation of the 2020 Share Option Incentive Scheme (“**Share Option Incentive Scheme**” or the “**Scheme**”) of Tianjin Capital Environmental Protection Group Company Limited (“**the Company**”), further optimize the corporate governance structure, form a good and balanced value distribution system, motivate the Directors, senior managers, middle management personnel and core backbone staff of the Company to work honestly and diligently, ensure the steady improvement of the Company’s performance, and ensure the realization of the Company’s development strategy and business objectives.

I. PURPOSE OF ASSESSMENT

To further optimize the corporate governance structure, establish and improve the incentive and restraint mechanism of the Company, ensure the smooth implementation of the Share Option Incentive Scheme, and maximize the role of equity incentive to the greatest extent, so as to ensure the realization of the Company’s development strategy and business objectives.

II. PRINCIPLES OF ASSESSMENT

Appraisal and assessment shall be made in the principles of impartiality, openness and fairness, strictly according to the Evaluation Methods and based on the performance of the Participants, in order to align the Share Option Incentive Scheme closely to the performance and contribution of the Participants, thus enhancing management performance, and maximize the interests of the Company and all Shareholders.

III. SCOPE OF ASSESSMENT

The Evaluation Methods are applicable to all the Participants of the Scheme, including Directors, senior management personnel, other members of the leading group, middle management personnel and core backbone personnel of the Company, excluding Independent Directors and Supervisors of the listed company.

IV. ASSESSMENT AGENCY

The Remuneration and Evaluation Committee of the Board is responsible for leading and organizing the assessment work, and is responsible for the assessment of Participants such as Directors and senior managers.

**APPENDIX II EVALUATION METHODS IN RESPECT OF THE IMPLEMENTATION OF
THE 2020 SHARE OPTION INCENTIVE SCHEME OF TIANJIN CAPITAL
ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED**

V. PERFORMANCE ASSESSMENT INDICATORS AND STANDARDS

(I) The performance conditions for the grant of Share Options

The operating revenue growth rate of the Company in 2019 shall not be lower than 16.50%, and shall not be lower than the industry average performance level; the average weighted rate of return on common Shareholder's equity in 2019 shall not be lower than 8.48%, and shall not be lower than the industry average performance level.

(II) The performance conditions for the exercise of Share Options

During the Exercise Period of the Scheme, performance indicators of the Company shall be assessed every year, with the achievement of assessment targets serving as the Exercise Conditions for the Participant in the respective years. The performance conditions for exercising the Share Options granted under the Scheme are shown in the table below:

Exercise period	Performance assessment criteria
First Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2021 shall not be lower than 35%, and shall not be lower than the industry average level in 2021; (2) The average weighted rate of return on common Shareholder's equity in 2021 shall not be lower than 7.50%, and shall not be lower than the industry average level in 2021; (3) The proportion of main business revenue shall not be lower than 93.00% in 2021.
Second Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2022 shall not be lower than 50%, and shall not be lower than the industry average level in 2022; (2) The average weighted rate of return on common Shareholder's equity in 2022 shall not be lower than 7.50%, and shall not be lower than the industry average level in 2022; (3) The proportion of main business income shall not be lower than 93.00% in 2022.

**APPENDIX II EVALUATION METHODS IN RESPECT OF THE IMPLEMENTATION OF
THE 2020 SHARE OPTION INCENTIVE SCHEME OF TIANJIN CAPITAL
ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED**

Exercise period	Performance assessment criteria
Third Exercise Period	(1) Based on the results in 2019, the operating revenue growth rate in 2023 shall not be lower than 70%, and shall not be lower than the industry average level in 2023; (2) The average weighted rate of return on common Shareholder's equity in 2023 shall not be lower than 8.00%, and shall not be lower than the industry average level in 2023; (3) The proportion of main business income shall not be lower than 93.00% in 2023.

Notes:

1. The financial indicators in the above table shall be subject to the audited and announced financial reports of the Company for the respective years; 2. In case of significant changes in business structure or extreme values or excessive deviation in performance of the peer samples, the Board will remove or replace the samples in the assessment; 3. During the Validity Period of the Share Option Incentive, if the Company conducts public offering or non-public offering in the current year and in the future, which will affect the net assets, the newly increased net assets shall not be included in the net assets of the current year and the corresponding future year in the performance assessment; 4. In the calculation of return on common Shareholders' equity, the cost caused by equity incentive is added back.

According to the industry classification of the CSRC, the Company belongs to the industry of "electricity, heat, gas and water production and supply – water production and supply". The peer enterprises in the industry are all domestic A-share listed companies (including TCEP) in the water production and supply sector. If the industry classification or the industry constituent stock is adjusted during the Validity Period of the Scheme, the Company shall adopt the latest updated industry classification data for the assessment in the respective year. In addition, if there are any significant changes in main businesses or extreme values or abnormal values of excessive deviations in performance of the industry peer samples, the Board may remove the relevant samples according to the actual situations.

2. The Participant meets the personal performance assessment requirements:

The individual performance assessment of Participants shall meet the following requirements: During the three Exercise Periods, the upper limit of each Exercise that the Participant can apply for is respectively 1/3, 1/3 and 1/3 of the number of Share Options granted under the Scheme. The actual number of Options for Exercise is linked to the performance evaluation results of the Participant in the previous year, as detailed below:

Assessment result (S)	S≥90	90>S≥80	80>S≥60	S<60
Personal year-end performance	Excellent (A)	Good (B)	Pass (C)	Fail (D)
Individual percentage of exercise	1.0	1.0	0.9	0

The limit of the actual number of Options for Exercise in the current year = the Percentage of Exercise by individual Participant × the Schedule Exercise limit of the individual Participant in the current year.

The Share Options that cannot be exercised by the Participants for the year shall be cancelled by the Company.

**APPENDIX II EVALUATION METHODS IN RESPECT OF THE IMPLEMENTATION OF
THE 2020 SHARE OPTION INCENTIVE SCHEME OF TIANJIN CAPITAL
ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED**

VI. PERIOD AND FREQUENCY OF ASSESSMENT

(I) Period of Assessment

The accounting year prior to each period of Share Option being granted to or exercised by the Participants

(II) Frequency of Assessment

The assessment for the exercise of the Share Option Incentive Scheme shall be conducted once a year.

VII. ASSESSMENT PROCEDURES

The human resources department of the Company is responsible for the specific assessment under the guidance of the Remuneration and Evaluation Committee and keeping the assessment results. A performance assessment report shall be prepared and submitted to the Remuneration and Evaluation Committee on this basis.

VIII. MANAGEMENT OF ASSESSMENT RESULTS

(I) Feedback and appeal of assessment results

The personnel subject to assessment is entitled to know the assessment results. The direct supervisor of the employees shall inform the personnel the assessment results within 5 working days after the completion of the assessment. If the personnel subject to assessment has objections against the assessment results, he or she can communicate with the human resources department to resolve. If the objections cannot be resolved through communication, the personnel subject to assessment may appeal to the Remuneration and Evaluation Committee, which shall review and determine the final assessment results or grades within 10 working days.

(II) Filing of assessment results

Upon the completion of the assessment, the assessment results shall be kept as confidential information.

IX. SUPPLEMENTARY PROVISIONS

- (I) The Evaluation Methods shall be interpreted and revised by the Board.
- (II) The Evaluation Methods shall be implemented upon the consideration and approval by the General Meetings of the Company after the Share Option Incentive Scheme becomes effective.

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

Article 4:

Original Article 4:	Company's address:	No. 76, Weijing South Road, Nankai District, Tianjin City, the People's Republic of China
	Postal Code:	300381
	Telephone.:	(8622)23930000
	Fax:	(8622)23930100
Amended Article 4:	Company's address:	12/F, TCEP Building, No. 76 Weijin South Road, Nankai District, Tianjin City, the People's Republic of China
	Postal Code:	300381
	Telephone.:	(8622)23930000
	Fax:	(8622)23930100

NOTICE OF THE EGM

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



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 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 second 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 23 December 2020 (Wednesday) 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 27 November 2020 in relation to the proposed adoption of A Share Option Incentive Scheme, the announcement dated 27 November 2020 in relation to the (1) proposed issuance of Green Corporate Bonds; and (2) proposed issuance Of Corporate Bonds, and the announcement dated 27 November 2020 in relation to the (1) proposed change of the Company's address; and (2) proposed amendment to the Articles of Association (the “Announcements”).

As Special Resolutions:

1. To consider and approve the 2020 Share Option Incentive Scheme (draft) of Tianjin Capital Environmental Protection Group Company Limited and its summary.
2. To consider and approve the Evaluation Methods in respect of the Implementation of the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.
3. To consider and approve the Administrative Measures in respect of the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.
4. To consider and approve the authorization to the Board for handling the matters related to the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.
5. To consider and approve the application by the Company for the registration in respect of the issuance of Green Corporate Bonds with the CSRC and the SSE.

NOTICE OF THE EGM

6. To consider and approve the proposal of issuance of Green Corporate Bonds:
 - 6.1 Issue size of the Green Corporate Bonds: Principal amount of not more than RMB2,000,000,000.
 - 6.2 Term of the Green Corporate Bonds: Not more than ten years (subject to flexible adjustment according to market and capital requirements).
 - 6.3 Interest rate of the Green Corporate Bonds: Adopt fixed rate, which shall be determined by book building.
 - 6.4 Guarantee for the Green Corporate Bonds: No guarantee.
 - 6.5 Credit rating: The credit rating of Green Corporate Bonds is expected to be AA+, and the credit rating of the issuer is expected to be AA+.
 - 6.6 Use of proceeds: To be used for repaying the Company's interest-bearing liabilities, replenishing working capital, project construction, acquisition capital and for other investable purposes (not less than 70% of the proceeds to be used for the Company's business development in the green industry).
 - 6.7 Source of funds for the repayment of principal and the payment of interests: The Company's stable operating income, future cash flow from operating activities and smooth financing channels.
7. To consider and authorize the general manager office of the Company to be fully responsible for the matters relating to the issuance of the Green Corporate Bonds:
 - (i) to the extent permitted by laws and regulations and based on market conditions and the needs of the Company, to decide on the specific plan of issuance of the Green Corporate Bonds and amendments thereto, and to adjust the terms for issuance of the Green Corporate Bonds, including but not limited to the issuance size, number of tranches, time of issuance, term of the issuance, issue rate, way of underwriting, type of guarantee and use of proceeds and all other relevant matters;
 - (ii) to engage underwriting agencies and other intermediary agencies in respect of the application for the issuance of the Green Corporate Bonds;
 - (iii) to be responsible for the revision, signing and reporting of contracts, agreements and related legal documents in connection with the application for the issuance of the Green Corporate Bonds, and the handling of the reporting and registration procedures thereof;
 - (iv) should there be any changes to the regulatory policies or market conditions, to make corresponding adjustments to relevant matters such as the specific plan of the issuance of the Green Corporate Bonds in accordance with the opinions of the regulatory authorities;

NOTICE OF THE EGM

- (v) to fulfill the information disclosure obligations in a timely manner;
 - (vi) to handle other matters in relation to the issuance of the Green Corporate Bonds;
 - (vii) to specifically handle matters relating to the issuance of the Green Corporate Bonds and execution of relevant documents; and
 - (viii) the above authorization remains valid during the effective period of the registration notice of the Green Corporate Bonds.
8. To consider and approve the application by the Company for the registration in respect of the issuance of Corporate Bonds with the CSRC and the SSE.
9. To consider and approve the proposal of issuance of the Corporate Bonds:
- 9.1 Issue size of the Corporate Bonds: Principal amount of not more than RMB2,000,000,000.
 - 9.2 Term of the Corporate Bonds: No more than ten years (subject to flexible adjustment according to market and capital requirements).
 - 9.3 Interest rate of the Corporate Bonds: Adopt fixed rate, which shall be determined by book building.
 - 9.4 Guarantee for the Corporate Bonds: No guarantee.
 - 9.5 Credit rating: The credit rating of Corporate Bonds is expected to be AA+, and the credit rating of the issuer is expected to be AA+.
 - 9.6 Use of proceeds: To be used for repaying the Company's interest-bearing liabilities, replenishing working capital, project construction, acquisition capital and for other investable purposes.
 - 9.7 Source of funds for the repayment of principal and the payment of interests: The Company's stable operating income, future cash flow from operating activities and smooth financing channels.
10. To consider and authorize the general manager office of the Company to be fully responsible for the matters relating to the issuance of the Corporate Bonds:
- (i) to the extent permitted by laws and regulations and based on market conditions and the needs of the Company, to decide on the specific plan of issuance of the Corporate Bonds and amendments thereto, and to adjust the terms for issuance of the Corporate Bonds, including but not limited to the issuance size, number of tranches, time of issuance, term of the issuance, issue rate, way of underwriting, type of guarantee and use of proceeds and all other relevant matters;

NOTICE OF THE EGM

- (ii) to engage underwriting agencies and other intermediary agencies in respect of the application for the issuance of the Corporate Bonds;
- (iii) to be responsible for the revision, signing and reporting of contracts, agreements and related legal documents in connection with the application for the issuance of the Corporate Bonds, and the handling of the reporting and registration procedures thereof;
- (iv) should there be any changes to the regulatory policies or market conditions, to make corresponding adjustments to relevant matters such as the specific plan of the issuance of the Corporate Bonds in accordance with the opinions of the regulatory authorities;
- (v) to fulfill the information disclosure obligations in a timely manner;
- (vi) to handle other matters in relation to the issuance of the Corporate Bonds;
- (vii) to specifically handle matters relating to the issuance of the Corporate Bonds and signing of relevant documents; and
- (viii) the above authorization remains valid during the effective period of the registration notice of the Corporate Bonds.

11. To consider and amend the Articles of Association of the Company.

As Ordinary Resolutions:

1. To consider the change of the Company's address.

(For details of the above resolutions, please refer to the Announcements)

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
2 December 2020

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

NOTICE OF THE EGM

Notes:

- (1) The holders of shares (the “**Shareholders**”) whose names appear on the register of members at 4:30 p.m. on 17 December 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 18 December 2020 to 23 December 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on 17 December 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 17 December 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 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 proxy form) to attend the EGM. The proxy form shall be signed by the principal or his/her authorized person. In the event that the proxy form is signed by the attorney of the principal, the power of attorney or other authorization documents must be notarised by notary public.

Mr. Di Xiaofeng, an independent non-executive Director of the Company, has issued a proxy form for the Independent Director to solicit votes from Shareholders on the special resolutions in respect of the A Share Option Incentive Scheme and related matters at the EGM, the 2020 Second A Shareholders’ Class Meeting and the 2020 Second H Shareholders’ Class Meeting in accordance with the relevant PRC laws and regulations. If you would like to appoint Mr. Di Xiaofeng as your proxy to vote on your behalf at the EGM on the special resolutions in respect of the 2020 Share Option Incentive Scheme and related matters, please complete the proxy form of the independent non-executive Director (the “**Proxy Form of the Independent Director**”). On the contrary, if you would like to appoint any person other than Mr. Di Xiaofeng as your proxy to vote on your behalf at the EGM on the special resolutions in respect of the 2020 Share Option Incentive Scheme and related matters, you should duly fill in and return the proxy form and ignore the Proxy Form of the Independent Director. The report for seeking votes by Independent Directors prepared by Mr. Di Xiaofeng has also been published in the announcement of the Company dated 2 December 2020.

Please note that if you fill in and return the proxy form and the Proxy Form of the Independent Director at the same time, but give different voting instructions on the relevant resolutions on the proxy form and the Proxy Form of the Independent Director, the voting instructions you give on the Proxy Form of the Independent Director will be counted as your vote for or against the resolutions.

To be valid, the proxy form, Proxy Form of the Independent Director (if any) and notarised power of attorney or other authority 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 signed by the principal or his attorney.
- (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 THE H SHAREHOLDERS' CLASS MEETING

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



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 Second H Shareholders' Class Meeting

NOTICE IS HEREBY GIVEN that the 2020 second 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, People's Republic of China (**"the PRC"**) on 23 December 2020 (Wednesday) at 3:00 pm (or immediately after the conclusion of the 2020 second A shareholders' class meeting of the Company to be held at the same place and on the same date) for the purpose of considering the resolutions as listed below:

*Unless otherwise indicated, capitalized terms used herein shall have the same meanings as these defined in the announcement dated 27 November 2020 in relation to the proposed adoption of A Share Option Incentive Scheme (**"the Announcement"**).*

As Special Resolutions:

1. To consider and approve the 2020 Share Option Incentive Scheme (draft) of Tianjin Capital Environmental Protection Group Company Limited and its summary.
2. To consider and approve the Evaluation Methods in respect of the Implementation of the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.
3. To consider and approve the Administrative Measures in respect of the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.
4. To consider and authorize the Board to handle the matters related to the 2020 Share Option Incentive Scheme of Tianjin Capital Environmental Protection Group Company Limited.

For details of the above resolutions, please refer to the Announcement of the Company.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
2 December 2020

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

NOTICE OF THE 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 17 December 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 18 December 2020 to 23 December 2020 (both days inclusive). 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on 17 December 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 17 December 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 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 proxy form) to attend the H Shareholders’ Class Meeting. The proxy form shall be signed by the principal or his/her authorized person. In the event that the proxy form is signed by the attorney of the principal, the power of attorney or other authorization documents must be notarised by notary public.

Mr. Di Xiaofeng, an independent non-executive Director of the Company, has issued a proxy form for the Independent Director to solicit votes from Shareholders on the special resolutions in respect of the 2020 Share Option Incentive Scheme and related matters at the 2020 Second EGM, the 2020 Second A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting in accordance with the relevant PRC laws and regulations. If you would like to appoint Mr. Di Xiaofeng as your proxy to vote on your behalf at the H Shareholders’ Class Meeting on the special resolutions in respect of the A Share Option Incentive Scheme and related matters, please complete the proxy form of the independent non-executive Director (the “**Proxy Form of the Independent Director**”). On the contrary, if you would like to appoint any person other than Mr. Di Xiaofeng as your proxy to vote on your behalf at the H Shareholders’ Class Meeting on the special resolutions in respect of the A Share Option Incentive Scheme and related matters, you should duly fill in and return the proxy form and ignore the Proxy Form of the Independent Director. The report for seeking votes by Independent Directors prepared by Mr. Di Xiaofeng has also been published in the announcement of the Company dated 2 December 2020.

Please note that if you fill in and return the proxy form and the Proxy Form of the Independent Director at the same time, but give different voting instructions on the relevant resolutions on the proxy form and the Proxy Form of the Independent Director, the voting instructions you give on the Proxy Form of the Independent Director will be counted as your vote for or against the resolutions.

To be valid, the proxy form, Proxy Form of the Independent Director (if any) and notarised power of attorney or other authority 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 signed by the principal or his/her authorized person.
- (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

Facsimile: 86-22-23930126