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Tianjin Capital Environmental Protection Group Company Limited

天津創業環保集團股份有限公司

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

(Stock Code: 1065)

INSIDE INFORMATION

(1) REGARDING ADJUSTMENTS TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES;

(2) REGARDING ADJUSTMENTS TO THE PROPOSED INTRODUCTION OF THE STRATEGIC INVESTOR SUBSCRIPTION;

AND

(3) REGARDING CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF A SHARES BY THE CONTROLLING SHAREHOLDER

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement and overseas regulatory announcements of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) dated 13 July 2020, the circular dated 21 August 2020 (the “**Circular**”), the announcement on the resolutions passed at the 2020 first extraordinary general meeting, the 2020 first H shareholders’ class meeting and the 2020 first A shareholders’ class meeting dated 7 September 2020, the overseas regulatory announcements dated 28 August 2020, 29 September 2020, 30 October 2020, 17 November 2020 and 28 January 2021 and the inside information announcement dated 28 January 2021, in relation to, among other things, the proposed Non-public Issuance of A Shares and connected transaction relating to the proposed subscription of A Shares by the controlling shareholder. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular.

The Board is pleased to announce that at the Board meeting held on 13 July 2020, the Board has approved the proposed issuance of 323,741,007 new A Shares (inclusive) to 3 specific target investors (i.e. TMICL, Yangtze Ecology and Three Gorges Capital). It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive). The Issue Price of Non-public Issuance of A Shares is RMB5.56/share, and the price is not lower than 80% of the average trading price of the Company’s A Shares over the 20 trading days preceding the Price Determination Date. All relevant resolutions in relation to the Non-public Issuance of A Shares have been considered and approved by the Independent Shareholders in the EGM and Class Meetings held on 7 September 2020.

At the forty-seventh meeting of the eighth Board of Directors held on 30 March 2021, the Board considered and approved the relevant resolutions in relation to the adjustments to the proposed Non-public Issuance of A Shares and the adjustments to the Proposed Introduction of the Strategic Investor Subscription (the “**Adjustments**”), details of which are set out below:

I. RESOLUTION REGARDING THE PLAN FOR ADJUSTMENTS TO THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY 2020

In view of the current changes in the capital market environment and comprehensive consideration of the Company's actual situation, development plans and many other factors, after careful analysis and repeated communication with the relevant parties, the Company proposes to make adjustments to the Plan for the Non-public Issuance of A Shares (the "Plan"). Pursuant to Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Detailed Implementing Rules for the Non-Public Offering of Stocks of Listed Companies (《上市公司非公開發行股票實施細則》), Q&A on Issuance Supervision Requirements for the Introduction of Strategic Investors of the Non-Public Offering of Stocks of Listed Companies (《發行監管問答－關於上市公司非公開發行股票引入戰略投資者有關事項的監管要求》) and the authorization of the EGM and the Class Meetings of the Company, the Board has considered and approved the corresponding amendments and adjustments to the Plan.

The specific amendments and adjustments to the Plan are as follows:

Items	Before adjustment	After adjustment
(III) Target subscribers and subscription method	The non-public issuance is intended for 3 target subscribers: Yangtz Ecology, Three Gorges Capital, and TMICL. All target subscribers shall subscribe for the A Shares to be issued through the non-public issuance in cash.	The non-public issuance is intended for 2 target subscribers: Yangtz Ecology and TMICL. All target subscribers shall subscribe for the A Shares to be issued through the non-public issuance in cash.
(V) The offering quantity, amount of funds raised and subscription	The number of shares offered through the non-public issuance shall be calculated by dividing the total amount of funds raised through the non-public issuance by the final offering price, with the remainder of less than 1 share discarded, and the number of shares issued shall not exceed 30% of the total capital of the Company prior to the non-public issuance, that is, no more than 428,168,529 shares (inclusive of 428,168,529 shares). The number of shares offered through the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance. The final offering quantity shall be determined by the board of directors of the issuer or the authorized person of the board of directors authorized by the general meeting and the sponsor (lead underwriter) of this offering according to the offering plan approved by the CSRC and the authorization of the general meeting.	The number of shares offered through the non-public issuance shall be calculated by dividing the total amount of funds raised through the non-public issuance by the final offering price, with the remainder of less than 1 share discarded, and the number of shares issued shall not exceed 30% of the total capital of the Company prior to the non-public issuance, that is, no more than 428,168,529 shares (inclusive of 428,168,529 shares). The number of shares offered through the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance. The final offering quantity shall be determined by the board of directors of the issuer or the authorized person of the board of directors authorized by the general meeting and the sponsor (lead underwriter) of this offering according to the offering plan approved by the CSRC and the authorization of the general meeting.

Items	Before adjustment			After adjustment				
	According to the Strategic Investor Subscription Agreement and the TMICL Subscription Agreement signed by the target subscribers and the Company, the subscription for the shares offered in this non-public issuance shall be arranged as follows:			According to the Strategic Investor Subscription Agreement, the TMICL Subscription Agreement, the Agreement for Partial Termination on the Terms of the Strategic Investor Subscription Agreement and the Supplemental Agreement to the Strategic Investor Subscription Agreement signed by the target subscribers and the Company, the subscription for the shares offered in this non-public issuance shall be arranged as follows:				
	SN	Name of target subscriber	Number of shares to be subscribed (share)	Proposed subscription amount (RMB'0,000)	SN	Name of target subscriber	Number of shares to be subscribed (share)	Proposed subscription amount (RMB'0,000)
	1	Yangtze Ecology	179,856,115	100,000	1	Yangtze Ecology	179,856,115	100,000
	2	Three Gorges Capital	107,913,669	60,000	2	TMICL	35,971,223	20,000
	3	TMICL	35,971,223	20,000				
	Total		323,741,007	180,000	Total		215,827,338	120,000
(VI)	Use of proceeds	The gross proceeds to be raised by this Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.			The gross proceeds to be raised by this Non-public Issuance of A Shares will not exceed RMB1.2 billion (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.			
(VII)	Lock-up period arrangement	The shares subscribed by the target subscribers shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.			The shares subscribed by Yangtze Ecology shall not be transferred within 36 months from the closing date of the offering, while the shares subscribed by TMICL shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.			

Mr. Liu Yujun, an executive Director of the Company and Mr. Gu Wenhui and Mr. Si Xiaolong, non-executive Directors of the Company, are related to Tianjin Investment Group or TMICL and are deemed to be unable to independently advise the Board on the adjustments to the Plan, therefore, they have been abstained from voting on the resolutions at the corresponding Board meeting.

II. RESOLUTION IN RELATION TO PROPOSAL FOR NON-PUBLIC ISSUANCE OF A SHARES 2020 OF THE COMPANY (REVISED VERSION)

In view of the above, Three Gorges Capital will no longer subscribe for the Non-public Issuance of A Shares 2020 of the Company. Pursuant to the Measures for Administration of the Issuance of Securities by Listed Companies, the Detailed Implementing Rules for the Non-Public Offering of Stocks of Listed Companies, Q&A on Issuance Supervision Requirements for the Introduction of Strategic Investors of the Non-Public Offering of Stocks of Listed Companies and the authorization of the EGM and the Class Meetings of the Company, the Board has considered and approved the corresponding amendments and adjustments to the Proposal for the Non-Public Issuance of A Shares 2020 (the “**Proposal**”).

Mr. Liu Yujun, an executive Director of the Company and Mr. Gu Wenhui and Mr. Si Xiaolong, non-executive Directors of the Company, are related to Tianjin Investment Group or TMICL and are deemed to be unable to independently advise the Board on the adjustments to the Proposal (revised version), therefore, they have been abstained from voting on the resolutions at the corresponding Board meeting.

III. RESOLUTION IN RELATION TO THE PARTIAL TERMINATION AGREEMENT BETWEEN THE COMPANY AND THE SUBSCRIBERS

On 30 March 2021, the Company entered into the Agreement for Partial Termination on the Terms of the Strategic Investor Subscription Agreement (《戰略投資者認購協議部分條款之終止協議》) (the “**Partial Termination Agreement**”) with Yangtze Ecology and Three Gorges Capital.

The main terms of the Partial Termination Agreement are summarised below:

Date: 30 March 2021

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

Subject matter: (1) Three Gorges Capital had voluntarily given up the subscription for the Non-public Issuance of A Shares of the Company, upon entering into the Partial Termination Agreement, the terms of the Strategic Investor Subscription Agreement in respect of the matters related to Three Gorges Capital shall be terminated automatically, and the Strategic Investor Subscription Agreement shall no longer have legal effect on Three Gorges Capital;
(2) Yangtze Ecology continues to subscribe for the Non-public Issuance of A Shares of the Company in accordance with the terms as agreed in the Strategic Investor Subscription Agreement. Save for the terms relating to the Three Gorges Capital, the other terms of the Strategic Investor Subscription Agreement shall remain unchanged and shall continue to be effective for the Company and Yangtze Ecology; and

- (3) Subsequent to the voluntary renunciation of the subscription by Three Gorges Capital, the strategic investors proposed to be introduced by the Company changed from two specific targets, namely Yangtze Ecology and Three Gorges Capital to one specific target, namely Yangtze Ecology.

IV. RESOLUTION IN RELATION TO ENTERING INTO THE SUPPLEMENTAL AGREEMENT BETWEEN THE COMPANY AND THE SUBSCRIBER

Pursuant to the adjustment to the Plan, Yangtze Ecology will continue to subscribe for the Shares under the Non-public Issuance of A shares of the Company according to the terms agreed in the Strategic Investor Subscription Agreement. In order to facilitate the smooth implementation of the Non-public Issuance of A Shares, the Company entered into a Supplemental Agreement to the Strategic Investor Subscription Agreement (the “**Supplemental Agreement**”) with Yangtze Ecology to supplement and amend the strategic cooperation terms of the Strategic Investor Subscription Agreement.

The main terms of the Supplemental Agreement are summarised below.

Date: 30 March 2021

Parties: (1) The Company; and
(2) Yangtze Ecology

Supplementary matters on strategic cooperation: (1) ***Cooperative project development***

On the premise of not violating national laws and regulations and their respective management systems, both parties shall jointly develop and construct a comprehensive water environment management project at the Yangtze river economic belt. Within 36 months from the closing date of the Non-public Issuance of A Shares, the target scale (amount) of contracts of the cooperative operation projects shall not be less than RMB7,000 million.

(2) ***Cooperative project operation***

On the premise of not violating the national laws and regulations and their respective management systems, Yangtze Ecology entrusts the Company to operate some water projects in Hubei, Chongqing, Jiangxi and other regions. Within 36 months from the closing date of the Non-public Issuance of A Shares, the target scale (amount) of contracts for the cooperative operation projects shall not be less than RMB20 million per year.

	(3) The strategic cooperation above will not affect the continued performance of the strategic cooperation provisions agreed in the Strategic Investor Subscription Agreement. The strategic cooperation provisions agreed in the Strategic Investor Subscription Agreement shall continue to be legally binding on both the Company and Yangtze Ecology. When Yangtze Ecology makes subsequent investment decisions on other projects, it will consider the resources to be allocated for this project to avoid direct competition.
The Cooperation in relation to Lock-up period	(1) Yangtze Ecology intends to hold the shares of the Company on a long-term basis and the A Shares issued by the Company under the subscription by Yangtze Ecology shall not be transferable within 36 months from the date of closing of the Non-public Issuance of A Shares. (2) Yangtze Ecology shall, in accordance with the relevant laws and regulations and the relevant provisions of the China Securities Regulatory Commission and Shanghai Stock Exchange, issue the relevant lock-up undertaking and handle the relevant lock-up matters concerning the subscribed shares in the Non-public Issuance of A Shares.
Liability for breach of contract	(1) Failure by a party to observe or perform any of the agreements, obligations or responsibilities, representations or warranties under this Supplemental Agreement shall constitute a breach. The breaching party shall bear all economic and legal liabilities arising from its breach and shall indemnify the non-breaching party for any losses caused thereby, including but not limited to intermediary agency fees and travel expenses incurred by the other party for the performance of this Supplemental Agreement; (2) In the event that the target scale (amount) of contracts as set out in clauses (1) and (2) of the supplemental matters relating to the strategic cooperation above is not completed within 36 months from the date of closing of the Non-public Issuance of A Shares due to the Company, the Company shall compensate Yangtze Ecology for all actual losses caused to Yangtze Ecology as a result; in the event that the target scale size (amount) contracts as set out in clauses (1) and (2) of the supplemental matters relating to the strategic cooperation above is not completed within 36 months from the date of closing of the Non-public Issuance of A Shares due to Yangtze Ecology, Yangtze Ecology shall compensate the Company for all actual losses caused to the Company as a result; and

- (3) Failure by any party to perform any or all of its obligations under the Supplemental Agreement due to force majeure shall not be deemed as a breach of contract, provided that all necessary remedies shall be taken to reduce losses caused by force majeure when the conditions permit. The party suffering from force majeure shall inform the other party of the event in writing as soon as possible, and within 15 days after the occurrence of the event, submit to the other party a report on its failure to perform any or all of its obligations hereunder and the reasons for delay in performance. If the force majeure lasts for more than 30 days, any party has the right to terminate the Supplemental Agreement via written notice.
- Effectiveness and termination
- (1) The Supplemental Agreement shall be established when signed and sealed by the legal representatives or authorized representatives of the relevant parties;
 - (2) The Supplemental Agreement shall automatically become effective upon the Strategic Investor Subscription Agreement becoming effective;
 - (3) Each party to the Supplemental Agreement shall have the right to terminate the Supplemental Agreement by written notice in the event that a permanent injunction, statute, rule, regulation and order of a governmental authority has jurisdiction to restrain, prohibit or abrogate the completion of the transaction or the Non-public Issuance of A Shares is final and non-appealable;
 - (4) Any other circumstances under which the Supplemental Agreement shall be terminated in accordance with the laws and regulations.

Reasons for entering into the Partial Termination Agreement and the Supplemental Agreement

In view of the current changes in the capital market environment, and comprehensive consideration of the Company's actual situation, development plans and many other factors, the Company entered into the Partial Termination Agreement with Yangtze Ecology and Three Gorges Capital. In addition, in order to bring strategic resources such as leading international and domestic markets, channels, and brands to the Company, and promote the realisation of a significant increase in the Company's sales performance, the Company and Yangtze Ecology entered into Supplemental Agreement. The Board is of the view that entering into the Partial Termination Agreement and the Supplemental Agreement is in line with the circumstances of the Company and such implementation will be conducive to the enhancement of the capital strength of the Company and in the interests of the long-term development of the Company and the Shareholders as a whole.

V. RESOLUTION IN RELATION TO FEASIBILITY REPORT ON THE USE OF PROCEEDS FROM THE COMPANY’S NON-PUBLIC ISSUANCE OF A SHARES 2020 (REVISED VERSION)

In view of the above, Three Gorges Capital will no longer subscribe for the 2020 Non-public Issuance of A Shares of the Company and the Company amended the Plan and the Proposal. Pursuant to the aforesaid amendments and the authorization of the EGM and the Class Meetings of the Company, the Board considered and approved the resolution in relation to the Feasibility Report on the use of proceeds from the Company’s Non-public Issuance of A Shares 2020 (revised version) of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保集團股份有限公司 2020 年非公開發行 A 股股票募集資金運用可行性分析報告 (修訂稿)) (the “**Feasibility Report**”).

The use of the proceeds from the Non-public Issuance of A Shares of the Company is in compliance with relevant national laws, regulations and corporate development strategies, and is conducive to strengthening the Company’s capital strength, improving the Company’s structure of assets and liabilities and enhancing its ability to resist risks; supporting the development and construction of projects and maximising the interests of the shareholders of the Company.

The specific amendments to the Feasibility Report are disclosed in the Company’s overseas regulatory announcement dated 30 March 2021.

VI. RESOLUTION IN RELATION TO THE RISK ALERT ON THE DILUTION OF CURRENT RETURNS DUE TO THE NON-PUBLIC ISSUANCE OF A SHARES AND THE RELEVANT REMEDIAL MEASURES (REVISED VERSION)

In view of the above, Three Gorges Capital will no longer subscribe for the 2020 Non-public Issuance of A Shares of the Company and the Company amended the Plan and the Proposal. In accordance with the aforesaid Proposal, the EGM and Class Meetings of the shareholders of the Company, the Board considered and approved the resolution in relation to the Risk Alert on the Dilution of Current Returns due to the Non-Public Issuance of A Shares and the Relevant Remedial Measures of Tianjin Capital Environmental Protection Group Company Limited (Revised Version) (《天津創業環保集團股份有限公司關於非公開發行A股股票攤薄即期回報的風險提示及相關防範措施 (修訂稿)》) (the “**Measures**”).

The specific amendments to the Measures are disclosed in the Company’s overseas regulatory announcement dated 30 March 2021.

VII. RESOLUTION IN RELATION TO THE RELATED PARTY TRANSACTION (AS DEFINED IN THE RULES GOVERNING THE LISTING OF STOCKS ON THE SHANGHAI STOCK EXCHANGE) (THE “SHANGHAI LISTING RULES”) INVOLVED IN THE 2020 NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY.

The Board considered and approved the related party transaction (as defined in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange) (the “**Shanghai Listing Rules**”) involved in the 2020 Non-public Issuance of A Shares of the Company.

In view of the fact that Three Gorges Capital will no longer subscribe for the Non-Public Issuance of A Shares, the related party transaction (as defined in the Shanghai Listing Rules) involved in the subject matter of Non-public Issuance of A Shares has been changed. The subscription by Yangtze Ecology and TMICL for the Non-public Issuance of A Shares constitutes a related party transaction (as defined in the Shanghai Listing Rules).

(1) The connected transaction and related party transaction (as defined in the “Shanghai Listing Rules”) of the Proposed TMICL Subscription

As part of the Non-public Issuance of A Shares, on 13 July 2020, the Company entered into Subscription Agreement with TMICL, pursuant to which TMICL conditionally agreed to subscribe for 35,971,223 A Shares to be issued under the Non-public Issuance of A Shares at no more than RMB200 million according to the Issue Price.

In view of the above, Three Gorges Capital will no longer subscribe the 2020 Non-public Issuance of A Shares of the Company, while TMICL will continue to subscribe for 35,971,223 A Shares to be issued under the Non-public Issuance of A Shares at no more than RMB200 million. Therefore, the subscription from TMICL will represent approximately 16.67% of the total number of A Shares proposed to be issued under the Non-public Issuance of A Shares under the adjusted Plan and shall represent approximately 45.74% of the total enlarged issued share capital of the Company upon completion of the Non-public Issuance of A Shares of the Company.

Save for the adjustment in relation to the percentage of shareholding of TMICL in the Company, there is no amendment and adjustment to the other matters in relation to the Proposed TMICL Subscription (including but not limited to the pricing principles) and any terms and conditions under the TMICL Subscription Agreement.

Mr. Liu Yujun, an executive Director of the Company and Mr. Gu Wenhui and Mr. Si Xiaolong, non-executive Directors of the Company, are related to Tianjin Investment Group or TMICL and are deemed to be unable to independently advise the Board on the connected transaction and related party transaction (as defined in the Shanghai Listing Rules) of the Proposed TMICL Subscription, therefore, they have been abstained from voting on the resolutions at the corresponding Board meetings.

As at the date of this announcement, TMICL directly holds 715,565,186 shares of A Shares of the Company, representing approximately 50.14% of the Company's total issued share capital. Since TMICL is the controlling shareholder of the Company, it is therefore a connected person and related party (as defined in the Shanghai Listing Rules) of the Company. According to Chapter 14A of the Listing Rules, the proposed subscription of TMICL constitutes a connected transaction of the Company; and according to the Shanghai Listing Rules, the proposed subscription of TMICL constitutes a related party transaction (as defined in the Shanghai Listing Rules) of the Company.

(2) *The subscription of Yangtze Ecology regarding the Non-public Issuance of A Shares involves related party transaction (as defined in the Shanghai Listing Rules)*

As part of the Non-public Issuance of A Shares, Yangtze Ecology proposed to subscribe for 179,856,115 A Shares under the Non-public Issuance of A Shares of the Company, accounting for approximately 83.33% of the total number of A Shares to be issued under the Non-public Issuance of A Shares and shall represent approximately 10.95% of the enlarged total issued share capital of the Company after the completion of the Non-public Issuance of A Shares of the Company.

Yangtze Ecology will hold a total of more than 5% of the enlarged total issued share capital of the Company after the completion of Non-public Issuance of A Shares of the Company. According to the relevant provisions of the Shanghai Listing Rules, Yangtze Ecology will become related party (as defined in the Shanghai Listing Rules) of the Company after the completion of Non-public Issuance of A Shares, and its subscription of A Shares pursuant to the Strategic Investor Subscription Agreement constitutes a related party transaction (as defined in Shanghai Listing Rules) of the Company.

The Directors (including the independent non-executive Directors) consider that the related party transaction (as defined in the Shanghai Listing Rules) and the connected transaction involved in the Company's Non-public Issuance of A Shares complies with the relevant laws, regulations, regulatory documents and the Articles of Association, and the price and pricing method of the related party transaction (as defined in the Shanghai Listing Rules) and the connected transaction involved are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and there is no situation that harms the interests of the Company and all Shareholders.

Impact of the adjusted Non-public Issuance of A Shares on the shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at (a) the date of the announcement; (b) immediately after the completion of the pre-adjusted Non-public Issuance of A Shares (assuming that (i) a total of 323,741,007 new A Shares will be issued to TMICL, Yangtze Ecology and Three Gorges Capital, respectively under the pre-adjusted Non-public Issuance of A Shares and (ii) since the date of the announcement onwards, save for the issuance of A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company remains unchanged); and (c) immediately after completion of the adjusted Non-public Issuance of A Shares (assuming that (i) a total of 215,827,338 new A Shares will be issued to TMICL and Yangtze Ecology, respectively under the adjusted Non-public Issuance of A Shares and (ii) since the date of the announcement onwards, save for the issuance of A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company remains unchanged):

Shareholders	As at the date of this announcement		Immediately after the completion of the Non-public Issuance of A Shares (before adjustments)		Immediately after the completion of the Non-public Issuance of A Shares(after adjustments)	
	Number of shares	Approximate percentage of the total issued shares (%)	Number of shares	Approximate percentage of the total issued shares (%)	Number of shares	Approximate percentage of the total issued shares (%)
A Shares						
– TMICL	715,565,186	50.14	751,536,409	42.92	751,536,409	45.74
– New A Shareholders under the Non-public Issuance of A Shares :						
– Yangtze Ecology	–	–	179,856,115	10.27	179,856,115	10.95
– Three Gorges Capital	–	–	107,913,669	6.16	–	–
– Other A Shareholders	371,663,244	26.04	371,663,244	21.23	371,663,244	22.62
H Shares						
Public H Shareholders	340,000,000	23.82	340,000,000	19.42	340,000,000	20.69
Total Issued Shares	1,427,228,430	100	1,750,969,437	100	1,643,055,768	100

Information of the Company, TMICL and Yangtze Ecology

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

TMICL is the controlling shareholder of the Company. As at the date of this announcement, it directly holds approximately 50.14% equity interest in the Company. TMICL is mainly engaged in the investment, operation and management of commerce, service industry, real estate industry, urban infrastructure, highway facilities and supporting facilities with its own funds; property management; self-owned housing; enterprise management consulting.

Yangtze Ecology is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Three Gorges Corporation. Yangtze Ecology is the main body of Three Gorges Corporation to carry out the greater ecological protection of Yangtze River. Relying on the construction of Yangtze River Economic Belt, it is responsible for the planning, design, investment, construction, operation, technological research and development, and products and services related to ecology, environmental protection, energy saving and clean energy. Yangtze Ecology operates corresponding state-owned assets according to law.

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

(1) Introduce important strategic investors who come from environmental protection industry to strengthen strategic synergies

The target subscribers for the Non-public Issuance of A Shares are Yangtze Ecology and TMICL. Yangtze Ecology is a wholly-owned subsidiary of Three Gorges Corporation, and is also the key player of Three Gorges Corporation to carry out the great protection of the Yangtze River. Shouldering the mission of “achieving a fundamental improvement in the water quality of the Yangtze River”, Yangtze Ecology is core member in the environmental protection industry.

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

(2) *Keep abreast of the policies to seize market opportunities*

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

(3) *Optimize capital structure to alleviate working capital pressure*

In recent years, the Company’s business scale continues to expand, and the demand for working capital increases accordingly. The current capital structure of the Company not only restricts the ability of indirect financing, but also exposes the Company to certain financial risks. The Company will raise funds through the Non-public Issuance of A Shares to repay interest-bearing liabilities and replenish working capital. On one hand, it is beneficial for reducing the asset-liability ratio, optimizing the capital structure and reducing the debt repayment risk. On the other hand, it is conducive to further expanding the Company’s financial strength, improving its anti-risk ability, financial security level and financial flexibility, and supporting its stable and rapid development.

VIII.DECISION-MAKING PROCEDURES AND OTHER MATTERS PERFORMED BY THE COMPANY

Save for the amendments and adjustments described in the announcement, there are no changes to the other matters relating to the proposed Non-public Issuance of A Shares.

As the Company has considered and approved the Resolution to propose to the shareholders’ meeting for the authorization granted to the the Board and its authorized representative(s) to deal with matters related to the Non-public Issuance of Shares (《關於提請股東大會授權董事會及其授權人士全權辦理本次非公開發行股票相關事宜的議案》) at the EGM dated 7 September 2020, pursuant to which, among other things, the Board was authorized by the Shareholders to make specific adjustments and amendments to the proposed Non-public Issuance of A Shares and the Proposed Introduction of the Strategic Investor Subscription (including but not limited to the share subscription agreements, etc.). Accordingly, all the Adjustments, after being considered and approved by the Board, do not require further consideration and approval by the Shareholders in the general meeting of the Company.

The Non-public Issuance of A Shares remains subject to the obtaining of approval from the CSRC (the “**Approval**”). There are uncertainties as to whether the Company can obtain the Approval in relation to the Non-public Issuance of A Shares. The Company will perform its obligation of information disclosure in a timely manner according to the progress of the above matter conducted by the CSRC. Therefore, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The full text of the revised Proposal is set out below. The original text of the Proposal is prepared in Chinese. In case of discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

IX. OTHER INFORMATION

Shareholders' attention is also drawn to the relevant overseas regulatory announcements which have been published on 30 March 2021 by the Company in relation to the proposed adjustments to the Non-public Issuance of A Shares of the Company.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
30 March 2021

As at the date of this announcement, 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.

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

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



**Tianjin Capital Environmental Protection
Group Company Limited**

Plan for Non-public Issuance of A shares in 2020
(Revised Version)

March 2021

Company Statement

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

IMPORTANT

1. The Plan for Non-public Issuance of Tianjin Capital Environmental Protection Group Company Limited has been deliberated and approved at the thirty-second meeting of the eighth Board of Directors and the forty-seventh meeting of the eighth Board of Directors of the Company, and has gained the approval of Tianjin SASAC. It has been considered and approved by the 2020 first extraordinary general meeting of the Company, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting, and was subject to the approval of CSRC prior to the implementation.
2. The non-public issuance is intended for 2 target subscribers: Yangtze Ecology and TMICL, complying with the provision of the CSRC that the number of target subscribers for non-public issuance shall not exceed 35. The target subscribers shall subscribe for the shares of the issuer offered through this non-public issuance in cash. The target subscribers have signed the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance, the Conditional Agreement for Subscription of Shares Offered through Private Placement, the Termination Agreement for Certain Terms of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Supplementary Agreement of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance with the Company.
3. The pricing benchmark date for the offering shall be the announcement date of the Board of Directors for the non-public issuance. The offering price is RMB5.56/share and shall not be less than 80% of the Company's average stock trading price on the 20 trading days before the price determination date (average stock trading price on the 20 trading days before the price determination date = total stock trading amount of the Company on the 20 trading days before the price determination date/total stock trading volume of the Company on the 20 trading days before the price determination date).

4. The number of shares offered through this non-public issuance shall be calculated by dividing the total amount of funds raised through the non-public issuance by the final offering price, with the remainder of less than 1 share discarded, and the number of shares issued shall not exceed 30% of the total capital of the Company prior to the non-public issuance, that is, no more than 428,168,529 shares (inclusive of 428,168,529 shares). The number of shares offered through the non-public issuance shall be adjusted accordingly in cases of ex-rights and ex-dividends matters such as dividend, bonus issuance and conversion of capital reserve into share capital during the period from the pricing benchmark date of the non-public issuance to the date of the issuance. The final offering quantity shall be determined by the board of directors of the issuer or the authorized person of the board of directors authorized by the general meeting and the sponsor (lead underwriter) of this offering according to the offering plan approved by the CSRC and the authorization of the general meeting. According to the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance, the Conditional Agreement for Subscription of Shares Offered through Non-public Issuance, the Termination Agreement for Certain Terms of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Supplementary Agreement of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance signed by the target subscribers and the Company, the subscription for the shares offered in this non-public issuance shall be arranged as follows:

SN	Target subscribers	Number of shares to be subscribed (share)	Subscription amount (RMB'0,000)
1	Yangtz Ecology and Environment	179,856,115	100,000
2	TMICL	35,971,223	20,000
	Total	215,827,338	120,000

5. The amount raised by this non-public issuance will not exceed RMB1,200 million (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.
6. The shares subscribed by Yangtz Ecology and Environment shall not be transferred within 36 months from the closing date of the offering. The shares subscribed by TMICL shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.
7. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other relevant laws and regulations and normative documents, the Articles of Association and the connected transaction management system of the Company, before the completion of this offering, there is no association between Yangtz Ecology and Environment and the Company. Upon the completion of this offering, Yangtz Ecology and Environment will hold more than 5% of the shares of the Company and become an affiliated party of the Company. The participation of Yangtz Ecology and Environment in this non-public issuance constitutes the connected transaction with the Company. TMICL is the controlling shareholder and an affiliated party of the Company. Its subscription of the A shares offered through this non-public issuance constitutes the connected transaction with the Company. The Company will strictly comply with the laws and regulations and internal rules of the Company to fulfill the approval procedures for connected transactions. When the board of directors deliberated the proposals related to this offering, the interested directors abstained from voting, and the

independent directors expressed prior approval and independent opinions on this connected transaction. When the general meeting deliberates the issues related to this non-public issuance, the interested shareholders shall abstain from voting on the relevant proposal.

8. According to the provisions of the Notice on Further Implementation of Issues Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37)(《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43)(《上市公司監管指引第3號 – 上市公司現金分紅》(證監會公告[2013]43號)) issued by the CSRC, the Company has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) to further improve the profit distribution policy. For the profit distribution policy and dividends of the Company in the recent three years, please refer to “Chapter 6 Profit Distribution Policy and Implementation” of the Plan.
9. According to the relevant requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market issued by the State Council (Guo Fa [2014] No.17)(《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110)(《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No.31)(《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company has developed the mitigation and remedial measures for the immediate return dilution resulting from this non-public issuance. In addition, the controlling shareholder, indirect controlling shareholder, directors and senior managers of the Company have made corresponding commitments for the implementation of the relevant mitigation and remedial measures. For details of the relevant measures and commitments, please refer to “Chapter 7 Description of the Immediate Return Dilution Resulting from This Offering and the Mitigation and Remedial Measures Adopted by the Company” of this Plan.
10. The controlling shareholder and actual controller of the Company will not be changed, and the shares of the Company will not be disqualified of the listing status upon the completion of the non-public issuance.
11. Upon completion of the non-public issuance, both existing and new Shareholders will be entitled to share in the Company’s accumulated undistributed profits prior to the non-public issuance.

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Definitions

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

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

The Termination Agreement for Certain Terms of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance	means	he Termination Agreement for Certain Terms of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance between Tianjin Capital Environmental Protection Group Company Limited and Yangtz Ecology and Environment Co., Ltd. and Three Gorges Capital Holdings Co., Ltd.
The Supplementary Agreement of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance	means	The Supplementary Agreement of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance between Tianjin Capital Environmental Protection Group Company Limited and Yangtz Ecology and Environment Co., Ltd. and Three Gorges Capital Holdings Co., Ltd.
The Measures for Administration	means	The Measures for Administration of the Issue of Securities by Listed Companies (revised in 2020)
The Detailed Implementing Rules	means	The Detailed Implementing Rules for the Non- Public Offering of Stocks of Listed Companies (revised in 2020)
Company Law	means	Company Law of the People’s Republic of China
Securities Law	means	Securities Law of the People’s Republic of China
Articles of Association	means	The Articles of Association of Tianjin Capital Environmental Protection Group Company Limited
RMB	means	RMB

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

CHAPTER 1 OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE

I. PROFILE OF THE ISSUER

Company name:	天津創業環保集團股份有限公司
English name:	Tianjin Capital Environmental Protection Group Company Limited
Listing place:	Shanghai Stock Exchange and Hong Kong Stock Exchange
A-share abbreviation:	Capital Environmental Protection
A-share stock code:	600874
H-share abbreviation:	Tianjin Capital
H-share stock code:	1065
Legal representative:	Liu Yujun
Registered office:	12/F, TCEP Building, No. 76 Weijin South Road, Nankai district, Tianjin city
Postal code:	300381
Registered capital	RMB1,427.22843 million
Tel.:	022-23930128
Fax:	022-23930126
Website:	www.tjcep.com
Business scope:	Investment, construction, design, management, operation, technical consultation and supporting services of sewage and tap water and other water treatment facilities; Design, construction, management, construction and management of municipal infrastructure; Road franchising, technical consultation and supporting services for the southeast half ring of the central ring road in Tianjin; Development and operation of environmental protection technology and environmental protection products and equipment; Lease of self-owned building, etc.

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE

(I) Background of the non-public issuance

1. Water pollution treatment has ushered in favorable policies and trends

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

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

2. The industry market capacity continues to expand and grow

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

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

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

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

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

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

(II) Purpose of the non-public issuance

1. *To introduce important strategic investors from environmental protection industry and strengthen strategic synergies*

In addition to TMICL, the target subscriber for the non-public issuance is Yangtz Ecology and Environment. Yangtz Ecology and Environment is a wholly-owned subsidiary of Three Gorges Corporation, and is also the key player of Three Gorges Corporation to carry out the great protection of the Yangtze River. Shouldering the mission of fundamentally improving the water quality of Yangtze River, Yangtz Ecology and Environment is the backbone of the environmental protection industry.

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

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

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

3. *To optimize capital structure, alleviate working capital pressure*

In recent years, the Company’s business scale continues to expand, and the demand for working capital increases accordingly. The current capital structure of the Company not only restricts the ability of indirect financing, but also exposes the Company to certain financial risks. The Company will raise funds through this offering to repay interest-bearing liabilities and supplement working capital. On one hand, it is good for reducing the asset-liability ratio, optimizing the capital structure and reducing the debt repayment risk. On the other hand, it is conducive to further expanding the Company’s financial strength, improving its anti-risk ability, financial security level and financial flexibility, and supporting its stable and rapid development.

III. RELATIONS BETWEEN THE TARGET SUBSCRIBERS AND THE COMPANY

There are 2 target subscribers for this offering: Yangtz Ecology and Environment and TMICL. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other relevant laws and regulations and normative documents, the Articles of Association and the connected transaction management system of the Company, before the completion of this offering, there is no association between Yangtz Ecology and Environment and the Company. Upon the completion of this offering, Yangtz Ecology and Environment will hold more than 5% of the shares of the Company and become an affiliated party of the Company. The participation of Yangtz Ecology and Environment in this non-public issuance constitutes the connected transaction with the Company. TMICL is the controlling shareholder and an affiliated party of the Company. Its subscription of the A shares offered through this non-public issuance constitutes the connected transaction with the Company.

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

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

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

(II) Issuance method and issuance time

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

(III) Target subscribers and subscription method

The non-public issuance is intended for 2 target subscribers: Yangtz Ecology and Environment and TMICL. All issue targets shall subscribe for the A shares to be issued through the non-public issuance in cash.

(IV) Offering price and pricing method

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

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

The adjustment method is as follows:

Assuming that the offering price before adjustment is P0, the number of shares resulting from issuance of bonus shares or conversion into share capital is N per share, the dividend/cash dividend per share is D, and the offering price after adjustment is P1, then:

In case of dividend/cash dividend: $P1 = P0 - D$

In case of issuance of bonus shares or conversion into share capital: $P1 = P0 / (1 + N)$

In case of both: $P1 = (P0 - D) / (1 + N)$

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

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

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

SN	Name of target subscriber	Number of shares to be subscribed (share)	Subscription amount (RMB' 0,000)
1	Yangtz Ecology and Environment	179,856,115	100,000
2	TMICL	35,971,223	20,000
	Total	215,827,338	120,000

(VI) Use of proceeds

The gross proceeds to be raised by this non-public issuance will not exceed RMB1,200 million (inclusive), which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses.

(VII) Lock-up period arrangement

The shares subscribed by Yangtz Ecology and Environment shall not be transferred within 36 months from the closing date of the offering. The shares subscribed by TMICL shall not be transferred within 18 months from the closing date of the offering. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.

(VIII) Listing place

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

(IX) Arrangement for accumulated undistributed profits

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

(X) Validity period of the resolution of this offering

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

V. WHETHER THE ISSUANCE CONSTITUTES A CONNECTED TRANSACTION

Before the completion of this offering, there is no association between Yangtz Ecology and Environment and the Company. Upon the completion of this offering, Yangtz Ecology and Environment will hold more than 5% of the shares of the Company and become a related party of the Company. The participation of Yangtz Ecology and Environment in this non-public issuance constitutes the connected transaction with the Company. TMICL is the controlling shareholder and a related party of the Company. Its subscription of the A shares offered through this non-public issuance constitutes the connected transaction with the Company.

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

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

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

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

The plan for non-public issuance has been examined and approved at the thirty-second meeting of the eighth Board of Directors and the forty-seventh meeting of the eighth Board of Directors of the Company, and has gained the approval of Tianjin SASAC. It has been considered and approved by the 2020 first extraordinary general meeting of the Company, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting, and was subject to the approval of CSRC prior to the implementation.

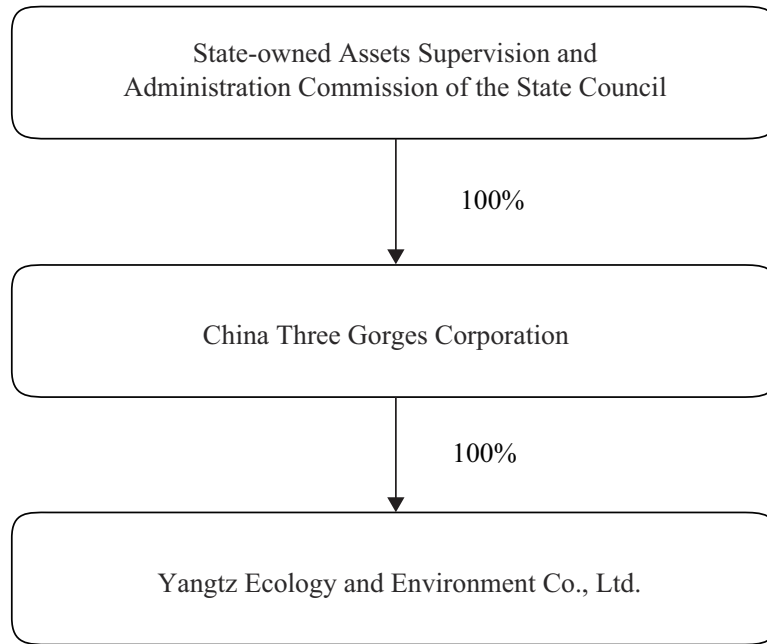
CHAPTER 2 PROFILE OF THE TARGET SUBSCRIBERS

I. YANGTZ ECOLOGY AND ENVIRONMENT CO., LTD.

(I) Basic information

Company name:	Yangtz Ecology and Environment Co., Ltd.
Unified social credit code:	91420000MA4976CJ9X
Registered capital:	RMB30,000 million
Legal representative:	Zhao Feng
Date of establishment:	December 13, 2018
Registered office:	No.1 Liuhe Road, Jiang'an District, Wuhan City, Hubei
Business scope:	Planning, design, investment, construction, operation, technology research and development, products and services related to ecology, environmental protection, energy conservation and clean energy in connection with construction of the Yangtze River Economic Belt, covering raw water, water-saving, water supply and drainage business, urban sewage comprehensive treatment, sludge disposal, sewage outlet renovation, reclaimed water utilization, pipe network engineering, equipment installation and maintenance, industrial wastewater treatment, solid waste treatment, hazardous waste treatment, ship pollutants treatment, rural surface pollution treatment, soil remediation; comprehensive control of the water environment in riverways, lakes and reservoirs, control of soil erosion and stony desertification, control of black and smelly water, and comprehensive control of the environment in villages and towns; water diversion project, protection and treatment of river source area and water source area, connection of river and lake systems, ecological shelterbelt project, protection and treatment of shoreline, wetland protection and restoration, river and lake ecological restoration, protection of natural reserve and national parks, habitat restoration of subsidence zone, estuary habitat restoration, sponge city planning and construction; restoration and protection of rare, endangered and endemic animal and plant habitats and biodiversity in the Yangtze River Basin; comprehensive control of air pollution by industrial enterprises; energy conservation and emission reduction, garbage power generation, environmental protection and clean energy, alternative use of clean energy, electricity, heat and cooling combined supply; green and energy-saving building design and construction, ecological agriculture technology development, biological pharmaceutical technology research and promotion; vessel electrification; design, construction and management of water conservancy and hydropower projects; combined gate dam ecological dispatching, water replenishment dispatching, emergency dispatching, and watershed water environment monitoring and early warning; land development (For the items subject to approval, the enterprise shall obtain the approval of the relevant authority).

(II) Shareholding Structure



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

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

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

Unit: RMB10,000

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

Note: The above data have been audited.

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

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

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

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

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

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

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

(VIII) Source of funds of the target subscribers

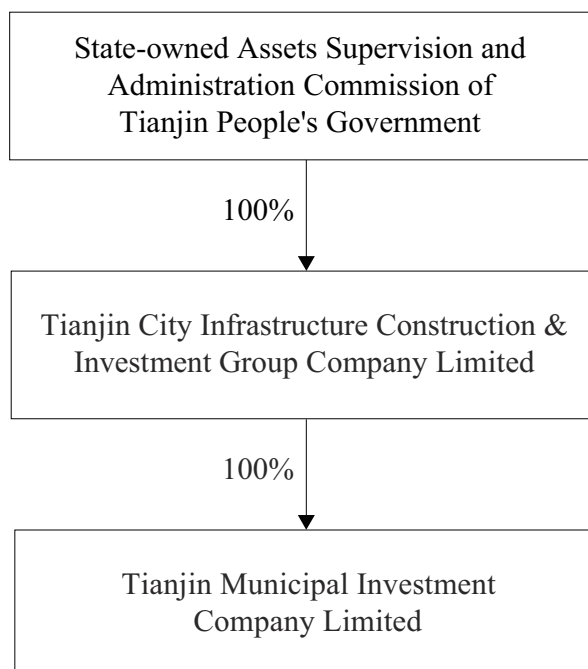
Yangtz Ecology and Environment intends to subscribe for the shares offered through the non-public issuance with its own funds. There is no external fund-raising, entrustment, structured arrangement or direct and indirect use of funds of the listed company and its affiliated parties for the subscription.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

II. TIANJIN MUNICIPAL INVESTMENT COMPANY LIMITED

(I) Basic information

Company name:	Tianjin Municipal Investment Company Limited
Unified social credit code:	91120000700422490A
Registered capital:	RMB1,820 million
Legal representative:	Gu Wenhui
Date of establishment:	January 20, 1998
Registered office:	No.45, Guizhou Road, Heping District, Tianjin
Business scope:	To invest, operate and manage commercial, service, real estate, urban infrastructure, highway facilities and supporting facilities with its own funds; Property management; Lease of self-owned building; Enterprise management consulting (If the above business scope involves operating by license and operating within the period of validity, and the state has special franchise provisions, the relevant provisions shall prevail) (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws.)

(II) Shareholding Structure



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

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

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

Unit: RMB10,000

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

Note: The above data have been audited.

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

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

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

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

(VII) Connected transactions after the completion of this offering

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

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

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

(IX) Source of funds of the target subscribers

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

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

The target subscribers have signed the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance, the Conditional Agreement for Subscription of Shares Offered through Non-public Issuance, the Termination Agreement for Certain Terms of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance and the Supplementary Agreement of the Conditional Agreement for Introduction of Strategic Investors and Subscription of Shares Offered through Non-public Issuance with the Company for the Non-public Issuance.

I. SUMMARY OF THE CONDITIONAL AGREEMENT FOR INTRODUCTION OF STRATEGIC INVESTORS AND SUBSCRIPTION OF SHARES OFFERED THROUGH NON-PUBLIC ISSUANCE

(I) Contracting parties and signing time

Party A (the issuer): Capital Environmental Protection

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

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

Signing time: July 13, 2020

(II) Background for agreement signing

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

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

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

(III) Agreements on the strategic cooperation

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

1. *Cooperation fields and goals*

(1) Cooperative project development

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

(2) Cooperative project operation

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

(3) Technology R&D

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

(4) Enterprise management

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

2. *Cooperation mechanism*

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

3. *Cooperation term*

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

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

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

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

1. *Subscription price*

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

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

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

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

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

2. *Subscription amount*

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

3. *Number of shares subscribed*

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

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

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

(V) Payment time, payment method and share delivery

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

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

(VI) Lock-up period and future exit arrangement

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

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

(VII) Effectiveness and termination of agreement

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

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

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

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

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

(VIII) Liability for breach of contract

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

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

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

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

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

(I) Contracting parties and signing time

Party A (the issuer): Capital Environmental Protection

Party B (the target subscriber/subscriber): TMICL

Signing time: July 13, 2020

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

1. Subscription price

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

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

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

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

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

2. Subscription amount

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

3. *Number of shares subscribed*

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

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

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

(III) Payment time, payment method and share delivery

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

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

(IV) Lock-up period and future exit arrangement

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

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

(V) Effectiveness and termination of agreement

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

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

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

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

(VI) Liability for breach of contract

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

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

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

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

III. SUMMARY OF THE TERMINATION AGREEMENT FOR CERTAIN TERMS OF THE CONDITIONAL AGREEMENT FOR INTRODUCTION OF STRATEGIC INVESTORS AND SUBSCRIPTION OF SHARES OFFERED THROUGH NON-PUBLIC ISSUANCE

(I) Contracting parties and signing time

Party A (the issuer):	Capital Environmental Protection
Party B (the target subscriber/subscriber):	Yangtz Ecology and Environment
Party C (the target subscriber/subscriber):	Three Gorges Capital
Signing time:	March 30, 2020

(II) Terminated items

Party C voluntarily abstains from subscribing for Party A's non-public issuance of A shares, the terms of the Subscription Agreement relating to Party C shall be automatically terminated upon the effective date of this Agreement, the Subscription Agreement shall have no further legal effect on Party C, and neither Party A nor Party C shall have any further liability for breach of contract on the basis of the Subscription Agreement.

Party B continues to subscribe for Party A's non-public issuance of A shares in accordance with the terms stipulated in the Subscription Agreement; other than the terms relating to Party C, the other terms of the Subscription Agreement will remain unchanged and continue to be effective against Party A and Party B.

After Party C voluntarily abstains from the subscription, the strategic investors that Party A intends to introduce will be changed from two target subscribers, being Party B and Party C, to one target subscriber, being Party B.

IV. SUMMARY OF THE SUPPLEMENTARY AGREEMENT OF THE CONDITIONAL AGREEMENT FOR INTRODUCTION OF STRATEGIC INVESTORS AND SUBSCRIPTION OF SHARES OFFERED THROUGH NON-PUBLIC ISSUANCE

(I) Contracting parties and signing time

Party A (the issuer): Capital Environmental Protection

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

Signing time: March 30, 2020

(II) Supplementary items regarding strategic cooperation

Cooperative development of projects. On the premise of not violating national laws and regulations and their respective management systems, both parties will jointly develop and construct comprehensive control of the water environment projects in the Yangtze River Economic Belt. Upon the completion of the non-public issuance, the target contract size (amount) of the cooperative development projects will not be less than RMB7 billion within 36 months.

Cooperative operation of projects. On the premise of not violating national laws and regulations and their respective management systems, Party B will entrust some water projects in Hubei, Chongqing and Jiangxi to Party A. Upon the completion of the non-public issuance, the target contract size (amount) of the cooperative operation projects will not be less than RMB20 million per year within 36 months.

Both Party A and Party B acknowledge that the supplemental agreement of 1.1 to 1.2 above regarding strategic cooperation shall not affect the continued performance of the strategic cooperation terms agreed in the Subscription Agreement, and the strategic cooperation terms agreed in the Subscription Agreement shall continue to have legal effect on Party A and Party B. Party B will take into account the proposed resources to be conferred by this project when making decisions on subsequent investments in other projects to avoid direct competition.

(III) Supplementary items regarding the lock-up period

Party B intends to hold the shares of Party A for a long term. Party B's subscription of the A shares issued by Party A shall not be transferred within 36 months from the end of the non-public issuance.

Party B shall, in accordance with the relevant laws and regulations and the requirements under CSRC and SSE, issue the relevant lock-up undertaking and handle the relevant lock-up matters concerning the subscribed shares in the non-public issuance.

(IV) Liability for breach of contract

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

If the target contract size (amount) as stipulated in Clause 1.1 and Clause 1.2 of this Supplemental Agreement cannot be completed within 36 months upon the non-public issuance due to Party A, Party A shall compensate Party B for all actual losses caused to Party B as a result; if the target contract size (amount) as stipulated in Clause 1.1 and Clause 1.2 of this Supplemental Agreement cannot be completed within 36 months upon the non-public issuance due to Party B, Party B shall compensate Party A for all actual losses caused to Party A as a result.

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

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

I. PLAN FOR USE OF PROCEEDS FROM THIS OFFERING

The total amount raised by this non-public issuance will not exceed RMB1,200 million, which will be used to repay interest-bearing liabilities and supplement working capital after deducting the offering expenses, in order to optimize the Company's capital structure, reduce its asset-liability ratio, reduce its financial and liquidity risks, and enhance its resilience to risks.

II. NECESSITY AND FEASIBILITY ANALYSIS ON USE OF PROCEEDS

(I) Necessity analysis on use of proceeds

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

As at December 31, 2019 and September 30, 2020, the asset-liability ratio of A-share listed companies in the same industry is as follows:

SN	Company abbreviation	Asset-liability ratio (%)	
		December 31, 2019	September 30, 2020
600008.SH	Beijing Capital	64.68	67.04
300070.SZ	OriginWater	65.70	66.48
000826.SZ	Tus Environmental Science and Technology Development	62.20	61.54
600187.SH	Interchina Water Treatment	27.84	26.64
601158.SH	Chongqing Water	30.13	35.86
000598.SZ	Xingrong Environment	52.66	55.56
600323.SH	Grandblue Environment	66.16	66.96
601199.SH	Jiangnan Water	38.93	44.20
000544.SZ	Central Plains Environment Protection	40.87	53.89
600461.SH	Hongcheng Waterworks	56.28	62.19
600283.SH	QianJiang Water Resources Development	54.52	56.28
000685.SZ	Zhongshan Public Utilities	29.57	30.56
600168.SH	Wuhan Sanzhen Industry Holding	65.19	65.84
	Average	50.36	53.31
600874.SH	Capital Environmental Protection	60.30	59.57

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

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

In recent years, the Company raised funds through bank loans to provide financial support and guarantee for expanding the business scale and enhancing the market competitiveness, but the resulting financial expenses also reduced its profitability. In 2018, 2019 and 2020, the Company's financial expenses were RMB161.9860 million, RMB199.3960 million and RMB239.10 million respectively, accounting for 30.75%, 37.70% and 39.45% of the net profit for the relevant period.

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

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

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

(II) Feasibility analysis on use of proceeds

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

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

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

The Company has established a modern enterprise system with corporate governance structure as the core according to the governance standards of listed companies, and formed a relatively standardized and standard corporate governance system and comprehensive internal control procedures through continuous improvement and optimization. In terms of the management of the proceeds, the Company has also established the Proceeds Management System in accordance with the regulatory requirements, which has clear provisions on the storage, use and management of the proceeds to ensure the standard, safe and efficient use of the raised funds. After the proceeds from the non-public issuance are received, the Company will deposit the proceeds in the special account designated by the board of directors according to the requirements of the system and use the funds for the specified purchase, in order to ensure the reasonable and standardized use of the proceeds and prevent the risks in connection with the use.

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

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

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

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

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

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

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

CHAPTER 5 DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE NON-PUBLIC ISSUANCE ON THE COMPANY

I. CHANGE CAUSED BY THIS OFFERING TO THE BUSINESS AND ASSETS, ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS STRUCTURE OF THE COMPANY

(I) Change to the business and assets of the Company after this offering

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

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

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

(III) Impact of this offering on the shareholding structure

The non-public issuance is intended for 2 target subscribers: Yangtz Ecology and Environment and TMICL. The shareholding structure of the Company will be changed upon the completion of the offering. Upon the completion of the non-public issuance, TMICL will still be the controlling shareholder of the Company, and Tianjin SASAC will still be the actual controller. Therefore, this offering will not lead to the change in the actual control of the Company.

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

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

(V) Impact of this offering on the business structure

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

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

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

(I) Impact on the financial position

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

(II) Impact of this offering on the profitability

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

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

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

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

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

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

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

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

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

VI. RISKS RELATED TO THIS OFFERING

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

(I) Market risk

1. The risks resulting from macroeconomic changes

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

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

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

During the period of the 13th Five-Year Plan, the discharge of urban sewage, the number of sewage treatment plants and the capacity of sewage treatment increased year by year, but the growth rate decreased. At present, the urban sewage treatment industry has entered the mature stage and the market becomes saturated. "Modification based on improved standards" will become the main source of demand for urban domestic sewage treatment industry. As the state pays more attention to rural environmental governance, the scale of rural water treatment market will gradually expand. However, the main revenue of the Company comes from the business in urban areas. The shrinking of urban business increment and the intensification of market competition may have a certain impact on the expansion and development of the Company's water business.

3. *Market segmentation risks*

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

(II) Business and operation risks

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

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

2. *Government credit risks*

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

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

Currently, most of the urban sewage treatment and tap water supply projects invested by the Company are operated by franchise, and the franchise term of each project is generally from 25 to 30 years. Although it is stipulated in the franchise agreement signed with local governments that, when the local government chooses the franchiser again after the expiration of the franchise, it shall give priority to the Company under the same conditions, there still exists the risk that the Company will not be granted the franchise again upon expiry of the franchise term.

4. *The risks resulting from COVID-19*

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

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

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

(III) Financial risks

1. *Insolvency risk*

As of the end of 2020, the Company had a high asset-liability ratio of 59.68%. In addition, with the gradual expansion of the investment scale, the Company's demand for capital will increase accordingly, and it may increase debt financing in the future. If the amount and progress of this offering are not as good as expected, or the investment project does not produce good benefits as expected, financial risks such as failure to repay principal and interest may occur.

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

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

(IV) Management risk

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

(V) Policy risks

1. *The risk of changes in water pricing policy*

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

2. *Risk of industry technical standard adjustment*

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

(VI) Other risks

1. *Approval risk*

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

2. *Stock market risk*

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

CHAPTER 6 PROFIT DISTRIBUTION POLICY OF THE COMPANY AND ITS IMPLEMENTATION

I. PROFIT DISTRIBUTION POLICY OF THE COMPANY

In order to standardize its profit distribution behavior, promote the establishment of a scientific, sustainable and stable profit distribution mechanism, and protect the legitimate rights and interests of minority investors, the Company has set out the following profit distribution policies in its Articles of Association according to the requirements of the Notice on Further Implementation of Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(証監發[2012] 37號)) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) (《上市公司監管指引第3號-上市公司現金分紅》(証監會公告[2013] 43號)) issued by CSRC:

(I) Basic principles for profit distribution of the Company

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

(II) Specific policies of the Company for profit distribution

1. *Form of profit distribution*

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

2. *Interval of profit distributions*

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

3. *Conditions of cash dividend distribution of the Company*

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

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

4. *Proportion of cash dividends:*

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

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

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

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

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

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

- 6.** Profit distribution of the Company shall not exceed the cumulative distributable profit or damage the Company's sustainable operation ability.
- 7.** In case any shareholder misappropriates the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount misappropriated.

(III) Decision making procedures and mechanism of the Company's profit distribution

1. *Formulation of profit distribution policy*

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

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

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

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

2. *Formulation of specific proposal of profit distribution*

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

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

Independent directors may collect views from minority shareholders to put forward the profit distribution proposal and directly propose to the Board for consideration.

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

- 3.** If the Company makes a profit for the year, but the Board does not propose a profit distribution in cash, the Company shall explain the reason and the usage and plan of utilization for the capital which is not utilized as cash dividends and reserved in the Company, and independent directors shall express independent views thereupon and timely disclose; it shall propose to the general meeting for consideration after being considered and approved by the Board. Meanwhile, the Company shall make Internet voting available for minority shareholders to vote at the general meeting.

(IV) Adjustment to profit distribution policy

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

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

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

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

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

(V) Disclosures in regular reports

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

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

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

(VI) Supervision on profit distribution by the supervisory committee

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

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

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

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

(I) Profit distribution in the last 3 years

1. Profit distribution for 2018

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

2. Profit distribution for 2019

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

3. Profit distribution for 2020

The 2020 Profit Distribution Plan was deliberated and approved by the forty-sixth meeting of the eighth board of directors of the Company. In accordance with the profit distribution policy of the Company, a cash dividend of RMB1.20 (tax inclusive) for every 10 shares was paid to all shareholders in 2020, totaling RMB171.27 million. The profit distribution plan is subject to the approval of the shareholders' general meeting.

(II) Cash dividends in the last 3 years

The year of dividend distribution	Cash dividend amount (RMB' 0,000, tax inclusive)	Net profit attributable to shareholders of the listed company during the year of dividend distribution in the consolidated financial statements (RMB' 0,000)	Percentage in net profit attributable to shareholders of the listed company in the consolidated financial statements
2020	17,126.74	57,003.90	30.04%
2019	15,271.34	50,710.70	30.11%
2018	15,128.62	50,116.80	30.19%
Annual distributable profit realized in the last 3 years (RMB' 0,000)			52,610.47
Percentage of the cash dividend amount accumulated in the last 3 years in the actual annual distributable profit in the last 3 years			90.34%

Note: The dividend distribution in 2020 shall be implemented subject to the approval of the general meeting.

The profits that the Company has accumulatively distributed in cash in the last three years accounted for 90.34% of the annual distributable profits realized in the three years, complying with the requirements of the Articles of Association and the relevant laws and regulations.

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

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

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

The thirty-second meeting of the eighth board of directors of the Company, the 2020 first extraordinary general meeting of the Company, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting considered and approved the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) (《天津創業環保集團股份有限公司未來三年(2020-2022) 股東回報規劃》). The main contents are as follows:

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

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

II. Principles for formulating the Plan

The Company will actively implement a continuous and stable profit distribution policy, in order to maintain the sustainable development of the Company, while providing reasonable return on investment to the investors. For the next three years (2020-2022), subject to the satisfaction of conditions of cash dividend distribution, the Company will adhere to adopting with priority the distribution of cash dividends for distributing profit, further improve the system of cash dividends, enhance the transparency of cash dividends and maintain the continuity, rationality and stability of the cash dividend distribution policy.

III. The Procedures for formulating and reviewing the Plan

The Board of the Company shall formulate a Shareholder Return Plan at least once every three years in accordance with the profit distribution policy stipulated in the Articles of Association, the opinions of Shareholders (in particular, the public investors) and the opinion of the independent directors. The Shareholder Return Plan shall be formulated by the Board and submitted to the general meeting for consideration after being considered and approved by the Board.

IV. The Shareholder Return Plan for the Next Three Years (2020-2022)

- (I) Dividends shall be distributed in the following manner: The Company may distribute profits in cash, in shares, or in a combination of both cash and shares or by other means permitted by laws and regulations. Subject to the satisfaction of conditions of cash dividend distribution, cash dividend distribution shall take priority over share dividend.
- (II) Interval of profit distribution: Provided that the Company makes a profit and the distributable profit is a positive figure for the year, the Company shall distribute profit once a year. To the extent that the scale of profit and the capital position are appropriate for the relevant period, the Company may distribute interim dividend in cash.
- (III) Conditions for cash dividend distribution of the Company:
 - 1. The Company's profit for the year and aggregate undistributed profit realized are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's subsequent sustained operations;
 - 2. the accounting firm issues a standard unqualified audit report on the Company's financial report for that year;
 - 3. Where the Company has no events such as a material investment plan or significant cash expenditure (referring to the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenditures amounting to or exceeding 30% of the latest audited net assets of the Company), other than the projects using proceeds raised, the Company shall distribute dividend in cash.

(IV) Proportion of cash dividends:

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

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

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

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

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

V. Decision Making Procedures and Mechanism of Profit Distribution

(1) Formulation of profit distribution policy

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

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

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

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

(2) Formulation of specific proposal of profit distribution

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

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

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

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

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

According to the relevant requirements of the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發(2013) 110號)), the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No.31) (《發於首發及再融資重大資產重組攤薄即期回報有關事項的指導意見》(証監會[2015] 31號)) as well as other laws, regulations, rules and other regulatory documents, the Company has analyzed the influence of the Non-public Issuance of A Shares on ordinary shareholders' equity and immediate return, and proposed mitigation and remediation measures based on the actual situations, while the relevant parties have made commitments to ensure the fulfillment of the mitigation and remediation measures, details of which are as follows:

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

(I) Calculation assumptions

1. It is assumed that there are no major adverse changes in the macroeconomic environment and conditions of the stock market as well as the operating environment of the Company.
2. It is assumed that the Non-public Issuance is expected to be completed in June 30, 2021, for which it is only an assumption, and does not constitute a commitment to the actual completion date. Investors should not make investment decisions based on this assumptive completion date, otherwise, the Company shall be held no liable for any losses arising from such investment;
3. The number of shares under this Non-public Issuance is 215,827,338 (which is an estimate and subject to the number approved by the CSRC and actually issued); the total proceeds from this Non-public Issue of A shares is RMB1,200.00 million, without considering the impact of deducting the issue expenses.
4. It is assumed that except for the Non-public Issuance, there will be no other circumstances that will cause changes to the Company's share capital in 2021.
5. It is assumed that the influence on the business operation and financial position of the Company (such as operating revenue, financial expense, investment income, etc.) upon receipt of the proceeds from the Non-public Issuance is not taken into account;
6. The net profit of the Company for 2021 will be calculated based on the following 3 circumstances (which are not indicative of the judgment of the Company on its operating conditions and trends for 2021 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company for 2021 is the same as that for 2020;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2021 is 10% higher than that for 2020;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2021 is 10% lower than that for 2020;

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

The above assumptions and the calculation on the impact of the immediate return dilution influence of the Non-public Issuance of A shares on the Company's key financial indexes do not represent the Company's judgment on its operating conditions and trends for 2021 and do not constitute a profit forecast of the Company. Investors should not make investment decisions in reliance thereon. If investors make investment decision based on this assumption analysis and suffer loss, the Company shall not be liable.

(II) Influence on the key financial indexes

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

Item	For the year 2020/as at 31 December 2020	For the year 2021/ as at 31 December 2021	
		Before the Issuance	After the Issuance
Total share capital (shares)	1,427,228,430.00	1,427,228,430.00	1,643,055,768.00

Assumption 1: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2021 is in line with that in 2020

Net profits attributable to ordinary shareholders of listed company (RMB' 0,000)	57,003.90	57,003.90	57,003.90
Net profits attributable to ordinary shareholders of listed company after deduction of non- recurring items (RMB' 0,000)	49,316.00	49,316.00	49,316.00
Basic earnings per share (RMB/share)	0.40	0.40	0.37
Diluted earnings per share (RMB/share)	0.40	0.40	0.37
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.35	0.32
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.35	0.32

Item	For the year 2020/as at 31 December 2020	For the year 2021/ as at 31 December 2021	
		Before the Issuance	After the Issuance
Assumption 2: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2021 increase by 10% as compared to 2020			
Net profits attributable to ordinary shareholders of listed company (RMB' 0,000)	57,003.90	62,704.29	62,704.29
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB' 0,000)	49,316.00	54,247.60	54,247.60
Basic earnings per share (RMB/share)	0.40	0.44	0.41
Diluted earnings per share (RMB/share)	0.40	0.44	0.41
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.38	0.35
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.38	0.35

Assumption 3: The net profit attributable to shareholders of the listed company before and after deduction of non-recurring items in 2021 decrease by 10% as compared to 2020			
Net profits attributable to ordinary shareholders of listed company (RMB' 0,000)	57,003.90	51,303.51	51,303.51
Net profits attributable to ordinary shareholders of listed company after deduction of non-recurring items (RMB' 0,000)	49,316.00	44,384.40	44,384.40
Basic earnings per share (RMB/share)	0.40	0.36	0.33
Diluted earnings per share (RMB/share)	0.40	0.36	0.33
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.31	0.29
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.35	0.31	0.29

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

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

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

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

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

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

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

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

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

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

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

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

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

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

To standardize the management and usage of proceeds raised and ensure the standard, safe and efficient usage of the proceeds raised, the Company has formulated the Management Method on the Proceeds Raised and the relevant internal control systems in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulatory Guidelines for Listed Companies No.2 – Regulatory Requirements for the Management and Usage of Funds Raised by Listed Companies (《上市公司監管指引第2號-上市公司募集資金管理和使用的監管要求》), and other relevant laws and regulations.

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

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

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

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

The Company attaches great importance to the reasonable return on investment of shareholders while paying attention to the Company's own development. To this end, it has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2020-2022) in accordance with the relevant requirements in the Notice on Further Implementation of Matters in Relation to the Cash Dividend of Listed Companies and the Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC and the relevant provisions regarding profit distribution policies in the Articles of Association. The Company will strictly implement the dividend policy and shareholder return plan formulated by the Company, and strive to provide higher investment returns to shareholders.

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

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

VI. PROMISES OF ALL THE DIRECTORS AND SENIOR EXECUTIVES TO ENSURE THE IMPLEMENTATION OF THE MITIGATION AND REMEDIAL MEASURES

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

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

5. I hereby undertake that if the Company implements any Share Incentive Plan in the future, the proposed vesting terms shall be operated in line with the mitigation and remediation measures for the diluted immediate return of the Company.

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

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

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

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

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

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

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

The mitigation and remediation measures for the diluted immediate return resulting from this non-public issuance and the relevant commitments have been passed at the thirty-second meeting of the eighth board of directors of the Company, the 2020 first extraordinary general meeting of the Company, the 2020 first A shareholders’ class meeting, the 2020 first H shareholders’ class meeting and the forty-seventh meeting of the eighth board of directors of the Company, and will be submitted to the general meeting for review.

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

The Board of Tianjin Capital Environmental Protection Group Company Limited

March 30, 2021