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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Tianjin Capital Environmental Protection Group Company Limited.

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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 company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1065)**

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES;  
(2) SPECIFIC MANDATE; AND  
(3) PROPOSED ADOPTION OF THE SHAREHOLDERS'  
RETURN PLAN**

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A letter from the Board is set out on pages 4 to 25 of this circular. The EGM and H Shareholders' Class Meeting of the Company will be held at 2:00 p.m. and 3:00 p.m. (or immediately after the A Shareholders' Class Meeting) respectively on 24 December 2021 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC, the notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular, and the notice of the H Shareholders' Class Meeting is set out on HCM-1 to HCM-3 of this circular. Whether or not you intend to attend the meetings, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's H Share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, with address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or to the Company's principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for holding the meetings or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings or any adjournment thereof if you so wish.

8 December 2021

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) issued by the Company, with a par value of RMB1.00 each, which are listed on the SSE;
“A Shareholder(s)”	holders of A Shares;
“A Shareholders’ Class Meeting”	the 2021 second A Shareholders’ Class Meeting to be convened and held at 2:30 p.m. on 24 December 2021 by the Company to consider and, if thought fit, approve, among other things, (i) the Non-public Issuance of A Shares; (ii) the Specific Mandate; and (iii) the Shareholders’ Return Plan;
“Adjusted Non-public Issuance of A Shares”	the non-public issuance of not more than 220,588,234 A Shares of the Company at the issue price of RMB5.44 per share, among which 183,823,529 A Shares would be issued to Yangtze Ecology and 36,764,705 A Shares would be issued to TMICL, the details of which are set out in the announcements of the Company dated 30 March 2021 and 2 July 2021 and the circular dated 27 September 2021;
“Articles of Association”	the articles of association of the Company, as amended, from time to time;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board” or “Board of Directors”	the board of directors of the Company;
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting;
“Company”	Tianjin Capital Environmental Protection Group Company Limited, a limited company established in the PRC whose A Shares and H Shares are listed on the SSE and the Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“CSRC”	the China Securities Regulatory Commission;

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company, including the independent non-executive Director(s);
“EGM”	the fourth EGM in 2021 to be convened and held at 2 p.m. on 24 December 2021 by the Company for the Shareholders to consider and, if thought fit, approve, among other things, (i) the proposed Non-public Issuance of A Shares; (ii) the Specific Mandate; and (iii) the Shareholders’ Return Plan;
“H Share(s)”	the ordinary share(s) issued by the Company, with a par value of RMB1.00 each, which are listed on the Stock Exchange;
“H Shareholder(s)”	holder(s) of H Share(s);
“H Shareholders’ Class Meeting”	the 2021 second H Shareholders’ Class Meeting in 2021 to be convened and held at 3 p.m. on 24 December 2021 by the Company to consider and, if thought fit, approve, among other things, (i) the Non-public Issuance of A Shares; (ii) the Specific Mandate; and (iii) the Shareholders’ Return Plan;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	3 December 2021, that is the latest practicable date to confirm certain information contained in this circular before printing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Issue Date”	the date of issuing A Shares under the Non-public Issuance of A Shares;
“Issue Price”	the issue price of issuing an A Share under the Non-public Issuance of A Shares;
“Non-public Issuance of A Shares”	the proposed non-public issuance of up to a total of 428,168,529 new A Shares (inclusive) to not more than 35 (35 inclusive) specific issue targets by the Company;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules, as applicable to a transaction;

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## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary share(s) with a par value of RMB1.00 each in the existing share capital of the Company;
“Shareholder(s)”	the holder(s) of Shares;
“Shareholders’ Return Plan”	the Shareholders’ return plan for the coming three financial years (2021-2023) of the Company;
“Specific Mandate”	according to Rule 13.36 of the Listing Rules (as amended by Chapter 19A of the Listing Rules), the specific mandate required to be granted by Shareholders at the EGM and Class Meetings to issue A Shares in accordance with the proposed Non-public Issuance of A Shares;
“SSE”	Shanghai Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Tianjin SASAC”	State-owned Assets Supervision and Administration Commission of Tianjin, the PRC;
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited* (天津城市基礎設施建設投資集團有限公司), the ultimate holding company of the Company and the sole shareholder of TMICL, holding 100% equity interest in TMICL;
“TMICL”	Tianjin Municipal Investment Company Limited* (天津市政投資有限公司), the controlling shareholder of the Company, holding 50.14% equity interest in the Company;
“trading day”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities;
“%”	Per cent.

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## LETTER FROM THE BOARD

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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 company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1065)**

*Executive Directors:*

Mr. Liu Yujun (*Chairman*)  
Ms. Wang Jin  
Mr. Niu Bo

*Registered address:*

12/F, TCEP Building,  
No. 76 Weijin South Road,  
Nankai District  
Tianjin  
The PRC  
Postal code: 300381

*Non-executive Directors:*

Mr. Gu Wenhui  
Mr. Si Xiaolong  
Mr. Liu Tao

*Independent Non-executive Directors*

Mr. Xu Zhiming  
Mr. Guo Yongqing  
Ms. Lu Yingying

8 December 2021

*To the Shareholders:*

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES;  
(2) SPECIFIC MANDATE; AND  
(3) PROPOSED ADOPTION OF THE SHAREHOLDERS'  
RETURN PLAN**

**I. INTRODUCTION**

References are made to the announcement and the overseas regulatory announcements dated 13 July 2020, the circular dated 21 August 2020, 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 announcements dated 28 August 2020, 29 September 2020 and 30 October 2020, the overseas regulatory announcements dated 17 November 2020 and 28 January 2021, the announcements on inside information dated 28 January 2021 and 30 March 2021, the announcement dated 2 July 2021, the announcement dated 3 September 2021 and the circular dated 27 September 2021 in relation to the announcement on (1) the extension of the validity period of the resolution in relation to the Adjusted Non-public Issuance of A Shares of 2020; and (2) the extension of the validity period of the authorization to the Board and its authorized representative(s) to handle all matters relating to the Adjusted Non-public Issuance of A Shares

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## LETTER FROM THE BOARD

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at the general meeting of the Company, the announcement on the resolutions passed at the 2021 second extraordinary general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting dated 15 October 2021, and the relevant announcements and overseas regulatory announcements dated 22 November 2021 in relation to, among other things, (1) the matter of terminating the Adjusted Non-public Issuance of A Shares of 2020; (2) the proposed Non-public Issuance of A Shares; (3) the Specific Mandate; and (4) the proposed adoption of the Shareholders' Return Plan of the Company (collectively, "**the Announcements**").

As disclosed in the Announcements, on 22 November 2021:

- In view of the changes occurred in the policies of the PRC and the capital market environment at the present, the comprehensive consideration of the Company's actual situation, development plans and many other factors, the Board considered and approved the relevant resolutions in relation to the decision on the matter of terminating the Adjusted Non-public Issuance of A Shares of 2020, and the application to the CSRC for the withdrawal of the application materials for the Adjusted Non-public Issuance of A Shares of 2020.
- The Company has entered into the Termination Agreement for the Strategic Investor Subscription Agreement (as amended and supplemented by the Supplemental Agreement to the Strategic Investor Subscription Agreement) and the Termination Agreement for the TMICL Subscription Agreement with Yangtze Ecology and TMICL respectively, pursuant to which, the parties agreed that (among other things) Yangtze Ecology and TMICL will cease to subscribe for the Shares of the Company under the Adjusted Non-public Issuance of A Shares of 2020.
- The Board has approved the proposed issuance of a maximum of 428,168,529 new A Shares (inclusive) by the Company to not more than 35 (35 inclusive) specific target subscribers. It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB830,500,000 (inclusive).

The reasons and background of the Company proposing the Non-public Issuance of A Shares again shortly after the termination of the Adjusted Non-public Issuance of A Shares of 2020 are as follows:

1. According to the opinion of the PRC legal advisers to the Company, on 14 February 2020, the CSRC issued and implemented the revised rules on refinancing, including the "Decision regarding the Amendment to the 'Implementation Rules for the Non-public Issuance of Shares by Listed Companies'"\* (《關於修改<上市公司非公開發行股票實施細則>的決定》) (the "**Implementation Rules**"), in which the relevant rules in relation to the "Introduction of Strategic Investors" was introduced under Article 7 of the Implementation Rules. Investors who meet the criteria of the "strategic investors" can obtain new A-shares of the listed companies at a fixed price without having to be determined through bidding with the financial investors.

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## LETTER FROM THE BOARD

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On 20 March 2020, the CSRC issued the “Issuance of Regulatory Q&A – Regarding the Regulatory Requirements for the Non-public Issuance of shares by Listed Companies to Introduce Strategic Investors’ Related Matters”\* (《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》) (the “**Regulatory Q&A**”), which further clarifies the requirements for strategic investors, including but not limited to require the investors to have strategic resources in the industry, the willingness of the investors to hold a large proportion of the shares of the listed companies in a long term and can help greatly improve the financial performance of the listed companies, etc. According to the opinion of the PRC legal advisers to the Company, practically the CSRC has been strict in reviewing and vetting the standard of strategic investors. Save for a limited number of approved cases, a large number of proposed projects of the listed companies on the Shanghai Stock Exchange and/or Shenzhen Stock Exchange which intend to introduce strategic investors by way of non-public issuance of A shares were subsequently forced to be adjusted to the price inquiry issuance plan similar to the Non-Public Issuance of A Shares of the Company, or even cancelled.

2. Regarding the Adjusted Non-public Issuance of A Shares of the Company in 2020, according to the feedback from the CSRC, although the CSRC recognized that the strategic investor of the Company (Yangtze Ecology) has in place strategic resources, since Yangtze Ecology has also intended to strategically invest in the shares of another company listed on the Shanghai Stock Exchange which is engaged in water utilities (i.e. China Holding Water Co., Ltd.\* (中持水務股份有限公司), stock code: 603903) through the same means of non-public issuance, it cannot provide resources to the Company exclusively. In light of the above, the CSRC is of the view that Yangtze Ecology failed to meet the requirements of the strategic investor as defined under the Implementation Rules and the Regulatory Q&A.
3. Since the Adjusted Non-public Issuance of A shares of 2020 to introduce strategic investors cannot be approved by the CSRC and the Company’s overall plan for development through equity financing has not been changed, therefore the Board of Directors has decided to adjust to Non-public Issuance of A Shares in the form of price inquiry.

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

- (a) further information on (1) the Non-public Issuance of A Shares, (2) the feasibility analysis report on the use of proceeds from the Non-public Issuance of A Shares, (3) the Shareholders’ Return Plan, (4) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, (5) the undertakings of the controlling shareholders, the indirect controlling shareholders, the Directors and the senior management of the Company in relation to the effective implementation of remedial measures to fulfill



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## LETTER FROM THE BOARD

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the immediate returns, and (6) the authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares (including but not limited to the amendments to the Articles of Association); and

- (b) the notices of EGM and H Shareholders' Class Meeting, to consider and, if thought fit, approve (among other things) the matters listed in (a) above.

### II. NON-PUBLIC ISSUANCE OF A SHARES

At the meeting of the Board held on 22 November 2021, the Board has approved the proposed issuance of not more than 428,168,529 new A Shares (inclusive) by the Company to not more than 35 (35 inclusive) specific issue targets. It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB830,500,000 (inclusive).

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

Details of the Non-public Issuance of A Shares are set out below. Upon consideration and approval by Shareholders at the EGM and Class Meetings, the relevant matters in respect of the Non-public Issuance of A Shares shall be submitted to the CSRC in accordance with relevant procedures, and the final plan shall be the one as approved by the CSRC. The specific details of the Non-public Issuance of A Shares, including but not limited to the Issue Price and the final amount of proceed raised, will be announced separately by the Company after final determination.

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

Method and time of issuance: The Non-public Issuance of A Shares will be carried out by way of non-public issuance to specific target subscribers. The Company will choose an appropriate opportunity to issue the A Shares within the validity period of the approval documents regarding the Non-public Issuance of A Shares from the CSRC.

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## LETTER FROM THE BOARD

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Target subscribers  
and method of  
subscription:

The target subscribers of the Non-public Issuance of A Shares will not be more than 35 (35 inclusive) specific targets, including: no more than 35 specific target subscribers including institutional investors such as securities investment fund management companies, securities companies, trust investment companies, finance companies, asset management companies, insurance institutional investors, qualified foreign institutional investors (including the abovementioned investors' self-operated accounts or managed investment product accounts) who meet the requirements of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the CSRC. Securities investment fund management companies which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single target subscriber. Trust investment companies, as target subscribers, may only subscribe for the A Shares with their own funds.

Within the above scope, the target subscribers will be determined by the Board within the scope of authorization at the EGM, through negotiation with the sponsor (the lead underwriter) of the Non-public Issuance of A Shares based on the bidding results and pursuant to the Specific Rules for Implementation of the Non-public Issuance of Shares by Listed Companies (as amended in 2020)\* (《上市公司非公開發行股票實施細則》(2020年修正)) after the Company has obtained the approval documents from the CSRC for the Non-public Issuance of A Shares. In the event that the laws, regulations and regulatory documents of the PRC have new requirements in relation to target subscribers of the Non-public Issuance of A Shares, the Company will make adjustments according to such new requirements.

All the target subscribers of the Non-public Issuance of A Shares will subscribe for A Shares under the Non-public Issuance of A Shares in cash on a one-off basis.

As at the Latest Practicable Date, the Company has not entered into any agreements with any potential subscribers in respect of the Non-public Issuance of A Shares. The Company currently expects that the A Shares to be issued under the Non-public Issuance of A Shares will be issued to subscribers who are and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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Issue price and pricing principles:

The Issue Price of the Non-public Issuance of A Shares will be determined through bidding, whereas the Price Determination Date of the Non-public Issuance of A Shares is the first day of the offering period of the Non-public Issuance of A Shares.

The Issue Price shall not be lower than (i) 80% of the average trading price of the Company's A Shares over the 20 trading days preceding the Price Determination Date (the average trading price of the A Shares over the 20 trading days preceding the Price Determination Date = the total turnover of A Shares over the 20 trading days preceding the Price Determination Date/the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date) and (ii) the Company's latest unaudited net assets per Share attributable to the Shareholders of ordinary shares of the Company prior to the issuance under the Non-public Issuance of A Shares, whichever is higher.

The Company's Non-public Issuance of A Shares and the pricing principles for the Issue Price were mainly based on the requirements of the Administrative Measures for the Issuance of Securities by Listed Companies (Revised in 2020) (《上市公司證券發行管理辦法》(2020年修訂)) (hereinafter referred to as the “**Administrative Measures**”) and the Detailed Implementation Rules for the Non-Public Issuance of Stocks (Revised in 2020) (《非公開發行股票實施細則》(2020年修正)) (hereinafter referred to as the “**Implementation Rules**”) as stipulated by the CSRC.

According to the requirements of Article 38 of the Administrative Measures, the non-public issuance of shares by a listed company shall comply with the following requirements, among other things, the issue price shall not be lower than 80% of the average price of the company's shares over the 20 trading days preceding the price determination date. According to the requirements of Article 7 of the Implementation Rules, the “price determination date” is the reference date for calculating the floor price of the issuance. The Price Determination Date for the Non-public Issuance of Shares is the first day of the offering period. The listed company shall not issue shares at a price lower than the floor price of the issuance.

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## LETTER FROM THE BOARD

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According to the Administrative Measures and the Implementation Rules, the Issue Price of this issuance of A Shares of the Company shall not be lower than 80% of the average price of the Company's A Shares over the 20 trading days preceding the Price Determination Date and the Company's latest unaudited net assets per Share attributable to the ordinary shareholders of the parent company prior to the issuance, whichever is higher. The Company will liaise with the sponsor of this issuance, to determine the offering period within 12 months after obtaining the approval from the CSRC and take the first day of the offering period as the Price Determination Date and to determine the floor price of the issuance. The Company and the sponsor will issue a subscription invitation letter to the specific target subscribers who meet the criteria on the day prior to the first day of the offering period, and organize the investors to declare the quotation of price within the time specified in the subscription invitation letter, and determine the Issue Price of the Non-public Issuance of A Shares based on the price inquiry results in accordance with the price priority principle.

Therefore, the Board is of the view that the pricing basis of the Issue Price of the Non-public Issuance of A Shares complies with the requirements of relevant laws and regulations and is reasonable.

As set out in the latest audited consolidated financial statements of the Company prior to the issuance under the Non-public Issuance of A Shares, the net assets per Share attributable to the Shareholders of ordinary shares of the Company (as disclosed in the audited consolidated financial statements for the year of 2020 of the Company) is approximately RMB4.62, on such basis and assuming that the latest audited consolidated financial statements prior to the issuance under the Non-public Issuance of A Shares is the audited consolidated financial statements for the year of 2020 of the Company, it is expected that the minimum Issue Price will, subject to the approval of the CSRC, be at least approximately RMB4.62.

As at the date of the Announcements, the closing price per A Share quoted on the SSE was RMB6.51; as at the date of the Announcements, the closing price per H Share quoted on the Stock Exchange was HK\$3.66.

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## LETTER FROM THE BOARD

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In the event that during the 20 trading days prior to the Price Determination Date, there occurs ex-right or ex-dividend event, such as dividends distribution, bonus issue, rights issue and capitalization of capital reserves, causing adjustment to the Share prices, the trading prices for the trading days preceding such adjustment shall be calculated as the adjusted price after such ex-right or ex-dividend event.

The aforementioned net assets per Share will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the balance sheet date of the latest audited financial report prior to the issuance to the Issue Date.

The Issue Price shall be adjusted on ex-right or ex-dividend basis in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the Price Determination Date to the Issue Date.

Upon obtaining the approval documents from the CSRC for the Non-public Issuance of A Shares by the Company, the final Issue Price shall be determined in accordance with the relevant laws and regulations and the requirements by the regulatory bodies, and having regard to the bidding results, through negotiation by the Board or other authorized person(s) of the Board under the authorization granted at the EGM, with the sponsor (the lead underwriter) of the Non-public Issuance of A Shares.

Number of A Shares to  
be issued:

The number of A Shares to be issued under the Non-public Issuance of A Shares will not exceed 428,168,529 (inclusive). The maximum number of Shares to be issued will not exceed 30% of the total share capital of the Company (being 1,427,228,430 shares) prior to this issuance.

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## LETTER FROM THE BOARD

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The number of A Shares to be issued under the Non-public Issuance of A Shares being not exceeding 428,168,529 (inclusive), represents (i) approximately 39.38% of the number of the existing issued A Shares as at the date of the Announcements and 30% of the number of existing total issued shares as at the date of the Announcements; and (ii) approximately 28.25% of the number of issued A Shares and approximately 23.08% of the number of total issued shares upon completion of the Non-public Issuance of A Shares, in each case, represents the shares as enlarged by the number of A Shares to be issued.

The number of A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly in cases of occurrence of ex-right or ex-dividend matters, such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves, between the date of the Announcements and the Issue Date.

The final number of A Shares to be issued will be determined by the Board or authorized person(s) of the Board under the authorization granted at the EGM through negotiation with the sponsor (the lead underwriter) of the Non-public Issuance of A Shares in accordance with the price offered by the target subscribers after the Company has obtained the approval documents from the CSRC in relation to the Non-public Issuance of A Shares.

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## LETTER FROM THE BOARD

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Use of proceeds:

The gross proceeds to be raised from the Non-public Issuance of A Shares are expected to be not more than RMB830,500,000 (inclusive) and the net proceeds raised after deducting issuance costs are intended to be used for investment in the following projects:

No.	Project name	Total amount of investment (RMB0'000)	Proposed amount of proceeds to be utilized (RMB0'000)
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui (安徽阜陽界首高新區田營科技園污水處理廠建設項目)	18,963.75	14,800.00
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant (洪湖市鄉鎮污水處理廠新建及提標升級和配套管網(二期)PPP項目)	28,465.12	21,450.00
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City (天津市主城區再生水管網連通工程第一批項目)	29,917.95	21,900.00
4	The repayment of interest-bearing liabilities and supplement the working capital	—	<u>24,900.00</u>
Total			<u><u>83,050.00</u></u>

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## LETTER FROM THE BOARD

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If the net proceeds to be raised from the Non-public Issuance of A Shares are lower than proposed amount to be used from the proceeds for the above projects, the shortfall will be covered by the Company through self-raised funds; meanwhile, under the premise of not changing the projects to be invested in with the proceeds, the Board may make appropriate adjustment to the order and the amount to be used from the proceeds for the above projects according to the actual condition of the projects to be invested in with the proceeds. In such case, the Company shall make further announcement(s) when the net proceeds raised from the Non-public Issuance of A Shares and the use of proceeds is determined upon the completion of the Non-public Issuance of A Shares.

Before the proceeds to be raised from the Non-public Issuance of A Shares are available to be used, the Company may invest in advance with self-owned funds or self-raised funds according to the progress of the projects to be invested in with the proceeds, which will be subsequently replaced according to the relevant procedures as stipulated after the proceeds are available to be used.

Lock-up period  
arrangement:

Target subscribers shall not transfer the A Shares which they subscribed for under the Non-public Issuance of A Shares within 6 months from the date of completion of the Non-public Issuance of A Shares.

Relevant requirements by the CSRC and the SSE shall be followed upon expiry of the above lock-up period. In case of any subsequent changes in relevant laws, regulations, and regulatory documents of securities regulatory authorities, the lock-up period will be adjusted accordingly.

Place of listing of the  
A Shares to be  
issued:

The Company will make an application to the SSE for the granting of the listing and trading of all the new A Shares to be issued under the Non-public Issuance of A Shares. Upon expiry of the above lock-up period, such new A Shares will be listed and traded on the SSE.

Conditions for  
the Non-public  
Issuance of  
A Shares:

The Non-public Issuance of A Shares shall be subject to:

- (1) the approval for the plan of the Non-public Issuance of A Shares by the Tianjin SASAC;
- (2) the approvals for the plan of the Non-public Issuance of A Shares by the Shareholders at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; and
- (3) the approval for the application for the Non-public Issuance of A Shares by the CSRC.



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## LETTER FROM THE BOARD

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Specific Mandate of the Non-public Issuance of A Shares:	The Company will issue the A Shares under the Specific Mandate to be sought from the Shareholders at the EGM and the Class Meetings.
Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-public Issuance of A Shares:	All the existing and new Shareholders upon completion of the Non-public Issuance of A Shares will be entitled to the accumulated undistributed profits of the Company prior to the Non-public Issuance of A Shares in accordance with their then respective shareholding proportion.
Validity period of the resolution:	The resolution with respect to the Non-public Issuance of A Shares shall be valid for 12 months from the date of the consideration and approval of such resolutions at the EGM and the Class Meetings. In the event that there are new requirements in relation to the Non-public Issuance of A Shares under the relevant PRC laws and regulations, the Company will make adjustments according to such new requirements.
Rights of A Shares to be issued:	The A Shares to be issued under the Non-public Issuance of A Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares.

**(ii) The proposal in relation to the satisfaction of the criteria for the Non-public Issuance of A Shares by the Company**

Pursuant to the relevant requirements of laws, regulations and regulatory documents such as the Company Law of the PRC (Revised in 2018), the Securities Law of the PRC (Revised in 2019), the Administrative Measures, the Implementation Rules and the Q&A on Issuance Supervision Requirements on Directing and Regulating the Financing Activities of Listed Companies (Revised in 2020) (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》(2020年修訂)), the Board, following item-by-item examination and careful demonstration of the actual situation of the Company with reference to the relevant qualifications and conditions required for non-public issuance of stocks by listed companies, considers that the Company satisfies all the requirements under the relevant laws, regulations and regulatory documents in relation to the Non-public Issuance of A Shares, and the criteria for the Non-public Issuance of A Shares.

The proposal in relation to the satisfaction of the criteria for the 2021 Non-public Issuance of A Shares of the Company will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**(iii) The proposal in relation to the plan for the 2021 Non-public Issuance of A Shares of the Company**

Pursuant to the requirements of the above relevant laws, regulations and regulatory documents in the PRC and based on the actual situation of the Company, the Company intends to implement the plan for the Non-public Issuance of A Shares with a total capital to be raised not exceeding RMB830,500,000 (inclusive). Each of the following 10 resolutions under the plan for the Non-public Issuance of A Shares will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM, the A Shareholders' Class Meeting, and the H Shareholders' Class Meeting:

- (i) Class and par value of shares to be issued;
- (ii) Method and time of issuance;
- (iii) Target subscribers and method of subscription;
- (iv) Issue Price and pricing principles;
- (v) Number of Shares to be issued;
- (vi) Use of proceeds;
- (vii) Lock-up period arrangements;
- (viii) Place of listing;
- (ix) Arrangement relating to the accumulated undistributed profits; and
- (x) Validity period of the resolution.

Each of the above 10 resolutions under the resolution in relation to the plan for the 2021 Non-public Issuance of A Shares of the Company will be submitted, by way of separate special resolution, for the Shareholders' consideration and approval at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

**(iv) The proposal in relation to the proposal for the 2021 Non-public Issuance of A Shares of the Company**

Pursuant to the requirements of the above relevant laws, regulations and regulatory documents in the PRC, the Company has prepared the "Proposal for the 2021 Non-public Issuance of A Shares of Tianjin Capital Environmental Protection Group Company Limited" (the "**Proposal for the Non-public Issuance of A Shares**") in respect of the 2021 Non-public Issuance of A Shares. The "Proposal for the Non-public Issuance of A Shares", which was prepared in Chinese language, was disclosed in the overseas regulatory announcement of the

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## LETTER FROM THE BOARD

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Company dated 22 November 2021, and the full text of its English translation is set out in Appendix I to this circular. In the event of any discrepancy between the Chinese version and the English translation of the “Proposal for the Non-public Issuance of A Shares”, the Chinese version shall prevail.

The proposal in relation to the “Proposal for the Non-public Issuance of A Shares” will be submitted by way of special resolution for the Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting, and the H Shareholders’ Class Meeting.

**(v) The proposal in relation to the feasibility analysis report on the use of proceeds from this Non-public Issuance of A Shares of the Company**

For the purpose of implementing the Non-public Issuance of A Shares, the Company has formulated the “Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of Tianjin Capital Environmental Protection Group Company Limited” (the “**Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares**”) in accordance with the requirements of the above relevant laws, regulations and regulatory documents in the PRC. The “Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares”, which was prepared in Chinese, was disclosed in the overseas regulatory announcement of the Company dated 22 November 2021, and the full text of its English translation is set out in Appendix II to this circular. In the event of any discrepancy between the Chinese version and the English translation of the “Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the Chinese version shall prevail.

The proposal in relation to the Feasibility Analysis Report on the Use of Proceeds From the Non-public Issuance of A Shares will be submitted, by way of special resolution, for the Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

**(vi) The proposal in relation to the shareholders’ return plan for the next three years (2021–2023) of the Company**

With a view to further enhancing the transparency of the Company’s cash dividend distribution, improving and effectively implementing the dividend distribution policy, the Company agrees to formulate the Shareholders’ Return Plan for the Next Three Years (2021–2023) of Tianjin Capital Environmental Protection Group Company Limited (“**Shareholders’ Return Plan for the Next Three Years (2021–2023)**”) pursuant to the requirements of the Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)), the Listed Companies Regulatory Guidance No. 3 – Cash Dividend Distribution of Listed Companies (Zheng Jian Hui Gong Gao [2013] No. 43) (《上市公司監管指引第3號–上市公司現金分紅》(證監會公告[2013]43號) issued by the CSRC, the Guidelines on Cash Dividend Distribution of Listed Companies (《上市公司現金分

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## LETTER FROM THE BOARD

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紅指引》) and the Memorandum No.7 on the Periodic Reports of Listed Companies – Matters to be Noticed in relation to Annual Reports and Cash Dividend Distribution (《上市公司定期報告工作備忘錄第七號–關於年報工作中與現金分紅相關的注意事項》) issued by the SSE, and the Articles of Association.

The “Shareholders’ Return Plan for the Next Three Years (2021–2023)”, which was prepared in Chinese, was disclosed in the overseas regulatory announcement of the Company dated 22 November 2021, and the full text of its English translation is set out in Appendix III to this circular. In the event of any discrepancy between the Chinese version and the English translation of the “Shareholders’ Return Plan for the Next Three Years (2021–2023)”, the Chinese version shall prevail.

The proposal in relation to the Shareholders’ Return Plan for the Next Three Years (2021–2023) will be submitted, by way of special resolution, for the Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

**(vii) The proposal in relation to the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures**

According to the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the CSRC Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (Zheng Jian Hui Gong Gao [2015] No. 31) and other laws, regulations, rules and other regulatory documents, in order to protect the interests of small and medium investors, the Company has formulated the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures. The “Risk Alert on the Dilutive Impact of the Non-public Issuance of A Shares on the Immediate Returns and the Relevant Precautionary Measures”, which was prepared in Chinese, was disclosed in the overseas regulatory announcement of the Company dated 22 November 2021, and the full text of its English translation is set out in Appendix IV to this circular. Such risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures will be submitted, by way of special resolution, for the Shareholders’ consideration and approval at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

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## LETTER FROM THE BOARD

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**(viii) The proposal in relation to the undertakings of the controlling shareholders, the indirect controlling shareholders, the Directors and the senior management of the Company in relation to the effective implementation of remedial measures to fill the diluted immediate returns**

According to the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the CSRC Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (Zheng Jian Hui Gong Gao [2015] No. 31) and other laws, regulations, rules and other regulatory documents, the Company's Directors, senior management, controlling shareholders and indirect controlling shareholders have made the following undertakings to ensure the effective implementation of remedial measures taken for the dilution of immediate returns due to the Non-public Issuance of A Shares:

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

In accordance with the relevant requirements by CSRC, TMICL (the controlling shareholder of the Company) and Tianjin Investment Group (the indirect controlling shareholder of the Company) have undertaken not to interfere with the operation and management activities of the Company beyond their authority, and not to encroach on the interests of the Company, to ensure the implementation of the remedial measures.

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## LETTER FROM THE BOARD

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The proposal in relation to the undertakings of the controlling shareholders, the indirect controlling shareholders, the Directors and the senior management of the Company in relation to the Company's effective implementation of remedial measures to fill the diluted immediate returns will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

**(ix) The Proposal in relation to proposing to the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting of the Company to authorize the Board and its authorized representative(s) to handle specific matters relating to the Non-public Issuance of A Shares**

The Board intends to propose to the EGM and the Class Meetings to authorize the Board and its authorized representative(s) (including the chairman, the general manager, the secretary to the Board and the chief accountant of the Company) to handle all matters relating to the Non-public Issuance of A Shares to the extent permitted under relevant laws and regulations, including but not limited to:

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

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## LETTER FROM THE BOARD

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6. To adjust the specific arrangements of the investment projects of the proceeds raised within the scope of the laws and regulations and the resolutions of the EGM in response to the requirements of the competent authorities and the actual market circumstance;
7. Upon the occurrence of force majeure or change of market conditions, or if there is new requirements of the laws and regulations or as required by the securities regulatory authorities in relation to the policy of non-public issuance of shares or the scale of proceeds to be raised from the Non-public Issuance of A Shares, to make adjustments to the detailed proposal of the Non-public Issuance of A Shares accordingly and continue to handle the issuance matters (except for the matters which shall be subject to the approval(s) at the shareholders' meeting under the requirements of relevant laws, regulations and the Articles of Association);
8. To handle the registration, locking, listing and other relevant matters with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and the SSE upon completion of the Non-public Issuance of A Shares;
9. To handle the relevant matters including increasing the registered capital of the Company, amending the relevant articles in the Articles of Association and handling the registration in the industrial and commercial departments and the relevant filing procedures according to the actual issuance results of the Non-public Issuance of A Shares;
10. To submit the application to the CSRC to terminate the application for the Non-public Issuance of A Shares and withdraw the application documents pursuant to the laws and regulations, or changes in the policies and market conditions in relation to the non-public issuance of shares of relevant regulatory authorities; and
11. To handle other matters related to the Non-public Issuance of A Shares within the scope permitted by the laws, regulations and the Articles of Association.

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



## LETTER FROM THE BOARD

### (x) Effects of the Non-public Issuance of A Shares on the Shareholding Structure of the Company

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

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Non-public Issuance of A Shares (assuming that 428,168,529 new A Shares will be issued under the Non-public Issuance of A Shares and there is no other change in the shareholding structure):

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Non-public Issuance of A Shares	
	Number of Shares	Approximate percentage of the total issued Shares (%)	Number of Shares	Approximate percentage of the total issued Shares (%)
<b>A Shares</b>				
– TMICL	715,565,186	50.14	715,565,186	38.57
– New A Shareholders under the Non-public Issuance of A Shares	–	–	428,168,529	23.08
– Other A Shareholders	371,663,244	26.04	371,663,244	20.03
<b>H Shares</b>				
Public H Shareholders	340,000,000	23.82	340,000,000	18.32
<b>Total number of issued Shares</b>	<b>1,427,228,430</b>	<b>100</b>	<b>1,855,396,959</b>	<b>100</b>

### (xi) Reasons and Benefits of the Non-public Issuance of A Shares

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



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## LETTER FROM THE BOARD

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### **2. *To optimize capital structure and alleviate working capital pressure***

Over the 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 does not only restrict 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 supplement working capital. On one hand, it will be beneficial for reducing the asset-liability ratio, optimizing the capital structure and reducing the debt repayment risk; on the other hand, it will be 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.

Therefore, the Directors, including the independent non-executive Directors, consider that the Non-public Issuance of A Shares is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### **(xii) Fundraising Activities for the Past 12 Months**

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

In particular, the Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of the Announcements, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offer and/or specific mandate placing within such 12-month period. Since the Non-public Issuance of A Shares does not result in a theoretical dilution effect of 25% or more on its own, the theoretical dilution effect of the Non-public Issuance of A Shares is in compliance with the requirements under Rule 7.27B of the Listing Rules.

## **III. SPECIFIC MANDATE**

The Non-public Issuance of A Shares will be issued under the Specific Mandate. The Non-public Issuance of A Shares shall be subject to the approvals from the Tianjin SASAC and the CSRC, and the approvals of the Shareholders by way of special resolution at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

## **IV. THE EGM AND THE CLASS MEETINGS**

The EGM will be held at 2:00 p.m. on Friday, 24 December 2021 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, PRC. The notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. At the EGM, voting of the Shareholders will be conducted by way of poll.

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## LETTER FROM THE BOARD

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The H Shareholders' Class Meeting will be held at 3:00 p.m. (or immediately after the A Shareholders' Class Meeting) on Friday, 24 December 2021 at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC. The notice of the H Shareholders' Class Meeting is set out on pages HCM-1 to HCM-3 of this circular. At the H Shareholders' Class Meeting, voting of the H Shareholders will be conducted by way of poll.

Whether or not you intend to attend the meetings, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's H Share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, with address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or to the Company's principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for holding the meetings or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings or any adjournment thereof if you so wish.

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the corresponding resolutions in relation to the Non-public Issuance of A Shares, and therefore no Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

### **V. RECOMMENDATIONS**

The Directors consider that (1) the Non-public Issuance of A Shares, (2) the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares, (3) the Shareholders' Return Plan, (4) the risk alert on the dilutive impact of the Non-public Issuance of A Shares on the immediate returns and the relevant precautionary measures, (5) the undertakings of the controlling shareholders, the indirect controlling shareholders, the Directors and the senior management of the Company in relation to the effective implementation of remedial measures to fill the immediate returns, and (6) the authorization to the Board and its authorized representative(s) to handle all matters relating to the Non-public Issuance of A Shares (including but not limited to the amendments to the Articles of Association), are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the above, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and H Shareholders' Class Meeting.

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## LETTER FROM THE BOARD

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### VI. RESPONSIBILITY STATEMENT

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

### VII. ADDITIONAL INFORMATION

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

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

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 2021**

**November 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 63rd meeting of the eighth session of Board of Directors held on 22 November, 2021, and is still subject to the approval of Tianjin SASAC, the general meeting of the Company and CSRC.
2. The target subscribers of the Non-public Issuance of A Shares will not be more than 35 (35 inclusive) specific target subscribers, including: no more than 35 specific target subscribers including institutional investors such as securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (including the above-mentioned investors' self operated accounts or managed investment product accounts) who meet the requirements of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the CSRC. Securities investment fund management companies which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single target subscriber. Trust investment companies, as target subscribers, may only subscribe for the A Shares with their own funds.
3. The Price Determination Date of the Issuance is the first day of the offering period of the Non-public Issuance of A Shares. The Issue Price shall not be lower than 80% of the average trading price of the Company's Shares over the 20 trading days preceding the Price Determination Date and the latest audited net asset value per Share attributable to the shareholders of ordinary shares of the parent company before the Issuance, whichever is higher.

The average trading price of the shares over the 20 trading days preceding the Price Determination Date = the total turnover of shares over the 20 trading days preceding the Price Determination Date / the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date. In the event that during the 20 trading days, there occurs ex-right or ex-dividend event, such as dividends distribution, bonus issue, rights issue and capitalization of capital reserves, causing adjustment to the share prices, the trading prices for the trading days preceding such adjustment shall be calculated as the adjusted price after such ex-right or ex-dividend event.

The aforementioned net assets per share will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the balance sheet date of the latest audited financial report prior to the issuance to the Issue Date.

The Issue Price shall be adjusted on ex-right or ex-dividend basis in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the Price Determination Date to the Issue Date of the Issuance.

The final Issue Price shall be determined based on the principle of price priority according to the price offered by investors after the approvals from the CSRC for this Issuance have been obtained.

4. The number of A Shares to be issued under the Non-public Issuance of A Shares will not exceed 30% of the total share capital of the Company prior to this Issuance, i.e. not more than 428,168,529 shares (inclusive).

The maximum number of shares to be issued under the Issuance will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the date of the board resolutions to the Issue Date. The final number of shares to be issued will be determined by the Board of the Company under the authorization granted at the general meeting through negotiation with the sponsor (the lead underwriter) in accordance with the price offered by the target subscribers after the Company has obtained approvals from the CSRC for the Issuance.

5. The gross proceeds to be raised from the Non-public Issuance are expected to be not more than RMB830,500,000 (inclusive) and the net proceeds raised after deducting issuance costs are intended to be used for investment in the following projects:

Unit: RMB0'000

No.	Project name	Total amount of investment	Proposed amount of proceeds to be utilized
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	18,963.75	14,800.00
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	28,465.12	21,450.00

No.	Project name	Total amount of investment	Proposed amount of proceeds to be utilized
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	29,917.95	21,900.00
4	The repayment of interest-bearing liabilities and supplement the working capital	—	24,900.00
<b>Total</b>			<b>83,050.00</b>

6. Target subscribers shall not transfer the Shares which they subscribed for within 6 months from the date of completion of the Issuance. Relevant requirements by the CSRC and the SSE shall be followed upon expiry of the above lock-up period.
7. According to the provisions of the Notice on Further Implementation of Issues Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) issued by the CSRC, the Company has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2021-2023) 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 4 Profit Distribution of The Company and Its Implementation” of the Plan.
8. According to the relevant requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market issued by the State Council (Guo Fa [2014] No.17), the Opinion of General Office of the State Council on Further Enhancing Protection of Rights and Interests of Medium and Small Investors in Capital Market (Guo Ban Fa [2013] No.110) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (the CSRC Announcement [2015] No.31), the Company has developed the mitigation and remedial measures for the immediate return dilution resulting from this non-public issuance. In addition, the controlling shareholder, indirect controlling shareholder, directors and senior managers of the Company have made corresponding commitments for the implementation of the relevant mitigation and remedial measures. For details of the relevant measures and commitments, please refer to “Chapter 5 Description of the Dilution of Current Return Resulting from The Issuance and the Mitigation and Remedial Measures” of this Plan.



9. 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.
10. 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	Tianjin Capital Environmental Protection Group Company Limited
TMICL/the Controlling Shareholder	Tianjin Municipal Investment Company Limited * (天津市政投資有限公司)
Tianjin Investment Group/Indirect Controlling Shareholder	Tianjin City Infrastructure Construction and Investment Group Company Limited* (天津城市基礎設施建設投資集團有限公司)
Tianjin SASAC/the Actual Controller	State-owned Assets Supervision and Administration Commission of Tianjin
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
The Issuance/The Non-public Issuance	The non-public issuance of A-shares by Tianjin Capital Environmental Protection Group Company Limited in 2021
The Plan	The Plan for the Non-public Issuance of A shares by Tianjin Capital Environmental Protection Group Company Limited in 2021
Water Recycling Company	Tianjin Water Recycling Co., Ltd.*(天津中水有限公司)
The Administrative Measures	The Administrative Measures for the Issuance of Securities by Listed Companies (revised in 2020)
The Implementation Rules	The Implementation Rules for Non-public Issuance of Shares by Listed Companies (revised in 2020)
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China

Articles of Association

The Articles of Association of Tianjin Capital  
Environmental Protection Group Company Limited

RMB

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, 76 Weijin South Road, Nankai District, Tianjin
Postal code:	300381
Registered capital:	RMB1,427.22843 million
Tel.:	022-23930128
Fax:	022-23930126
Website:	www.tjcep.com

Business scope: Investment, construction, design, management, operation, technical consultation and supporting services of sewage and tap water and other water treatment facilities; design, construction, management, construction and management of municipal infrastructure; road franchising, technical consultation and supporting services for the southeast half ring of the central ring road in Tianjin; development and operation of environmental protection technology and environmental protection products and equipment; lease of self-owned building, etc.

## **II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE OF THE LISTED COMPANY**

### **(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 1 January 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 31 December 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 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 the Issuance, 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.

### ***2. 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 the Issuance 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**

The target subscribers of the Non-public Issuance of A Shares will be not more than 35 specific target subscribers, including institutional investors such as securities investment fund management companies, securities companies, trust investment companies, finance companies, asset management companies, insurance institutional investors, qualified foreign institutional investors (including the above-mentioned investors' self-operated accounts or managed investment product accounts) who meet the requirements of the CSRC, as well as the other legal persons, natural persons or qualified investors who meet the requirements of the CSRC. Securities investment fund management companies, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single target subscriber. Trust investment companies, as target subscribers, may only subscribe for the A Shares with their own funds.

The final target subscriber shall be determined by the Board of the Company as authorized by the general meeting and the sponsor (lead underwriter) by way of bidding based on the relevant requirements of the CSRC, after the Company obtains the approval of the CSRC on the Non-public Issuance. As of the date of this plan, there are no final target subscribers for this Non-public Issuance, and it is unable to determine the relations between other target subscribers and the Company. The relations between target subscribers and the Company will be disclosed in the Offering Report upon the completion of offering.

**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) Method and time of issuance**

The Non-public Issuance of Shares will be carried out by way of non-public issuance to specific target subscribers. The Company will choose an appropriate opportunity to issue the A Shares within the validity period of the approval documents regarding the Non-public Issuance of Shares from the CSRC.

**(III) Target subscribers and subscription method**

The target subscribers of the Non-public Issuance of A Shares will be not more than 35 specific target subscribers, including institutional investors such as securities investment fund management companies, securities companies, trust investment companies, finance companies, asset management companies, insurance institutional investors, qualified foreign institutional investors (including the above-mentioned investors' self-operated accounts or managed investment product accounts) who meet the requirements of the CSRC, as well as the other legal persons, natural persons or qualified investors who meet the requirements of the CSRC.

Securities investment fund management companies, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single target subscriber. Trust investment companies, as target subscribers, may only subscribe for the A Shares with their own funds.

Within the above scope, the final list of the target subscribers will be determined by the Board within the scope of authorization at the general meeting, through negotiation with the sponsor (the lead underwriter) of the Non-public Issuance of A Shares based on the bidding results and pursuant to the Specific Rules for Implementation of the Non-public Issuance of Shares by Listed Companies (as amended in 2020)\* (《上市公司非公开发售股票实施细则》(2020年修正)) after the Company has obtained the approval documents from the CSRC for the Non-public Issuance of A Shares. In the event that the laws, regulations and regulatory documents of the PRC have new provisions in relation to target subscribers of the Non-public Issuance of A Shares, the Company will make adjustments according to such new provisions.

All the target subscribers of the Non-public Issuance of A Shares will subscribe for A Shares under the Non-public Issuance of A Shares in cash on a one-off basis.

#### **(IV) Offering price and pricing method**

The Price Determination Date for the Non-public Issuance is the first day of the offering period of the Non-public Issuance A Shares. The Issue Price shall be 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 and the Company's latest audited net assets per Share attributable to the Shareholders of ordinary shares of the parent company before the issuance, whichever is higher.

The average trading price of the A Shares over the 20 trading days preceding the Price Determination Date = the total turnover of A Shares over the 20 trading days preceding the Price Determination Date/the total trading volume of A Shares over the 20 trading days preceding the Price Determination Date. In the event that during the 20 trading days prior to the Price Determination Date, there occurs ex-right or ex-dividend event, such as dividends distribution, bonus issue, rights issue and capitalization of capital reserves, causing adjustment to the Share prices, the trading prices for the trading days preceding such adjustment shall be calculated as the adjusted price after such ex-right or ex-dividend event.

The aforementioned net assets per share will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the balance sheet date of the latest audited financial report prior to the issuance to the Issue Date.

The Issue Price shall be adjusted on ex-right or ex-dividend basis in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the Price Determination Date to the Issue Date.

Upon obtaining the approval documents from the CSRC for the Non-public Issuance of A Shares by the Company, the final Issue Price shall be determined in accordance with the relevant laws and regulations and the requirements by the regulatory bodies, and having regard to the bidding results, through negotiation by the Board or other authorized person(s) of the Board under the authorization granted at the general meeting, with the sponsor (the lead underwriter) of the Non-public Issuance of A Shares.

#### (V) Offering quantity

The number of A Shares to be issued under the Non-public Issuance of A Shares shall not exceed 30% of the total capital of the Company prior to the Non-public Issuance, i.e. not more than 428,168,529 shares (inclusive).

The maximum number of shares to be issued under the Issuance will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the date of the Board resolutions to the Issue Date. The final number of shares to be issued will be determined by the Board of the Company under the authorization granted at the general meeting through negotiation with the sponsor (the lead underwriter) in accordance with the price offered by the target subscribers after the Company has obtained approvals from the CSRC for the Issuance.

#### (VI) Use of proceeds

The gross proceeds to be raised from the Non-public Issuance are expected to be not more than RMB830,500,000 (inclusive) and the net proceeds raised after deducting issuance costs are intended to be used for investment in the following projects:

*Unit: RMB0'000*

SN	Project name	Total investment	Proceeds to be used
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	18,963.75	14,800.00
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	28,465.12	21,450.00

SN	Project name	Total investment	Proceeds to be used
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	29,917.95	21,900.00
4	The repayment of interest-bearing liabilities and supplement the working capital	—	24,900.00
<b>Total</b>			<b>83,050.00</b>

If the net proceeds to be raised from the Non-public Issuance of A Shares are lower than proposed amount to be used from the proceeds for the above projects, the shortfall will be covered by the Company through self-raised funds; meanwhile, under the premise of not changing the projects to be invested in with the proceeds, the Board may make appropriate adjustment to the order and the amount to be used from the proceeds for the above projects according to the actual condition of the projects to be invested in with the proceeds.

Before the proceeds to be raised from the Non-public Issuance of A Shares are available to be used, the Company may invest in advance with self-owned funds or self-raised funds according to the progress of the projects to be invested in with the proceeds, which will be subsequently replaced according to the relevant procedures as stipulated after the proceeds are available to be used.

#### (VII) Lock-up period arrangement

Target subscribers shall not transfer the shares which they subscribed for within 6 months from the date of completion of the Issuance. Relevant requirements by the CSRC and the SSE shall be followed upon expiry of the above lock-up period.

#### (VIII) Listing place

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

#### (IX) Arrangement for accumulated undistributed profits

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

**(X) Validity period of the resolution of the Issuance**

The term of validity of the resolution of the Issuance shall be 12 months from the date when the general meeting and class meeting approve the Issuance 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**

The target subscribers have not been determined yet, and whether the subscription by the related party for the A Shares through the Non-public Issuance constitutes a connected transaction will be disclosed in the Offering Report upon the completion of offering.

**VI. WHETHER THE ISSUANCE WILL CAUSE ANY CHANGES 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 changes 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 ISSUANCE PLAN**

The plan for Non-public Issuance has been examined and approved at the Sixty-third meeting of the eighth Board of the Company, and the approval procedures that need to be implemented are as follows:

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

## CHAPTER 2 FEASIBILITY ANALYSIS OF THE BOARD OF DIRECTORS ON USE OF PROCEEDS

### I. PLAN FOR USE OF PROCEEDS FROM THE ISSUANCE

The total amount raised by this non-public issuance will not exceed RMB830.5000 million (inclusive), which will be used to invest in the following projects after deducting the offering expenses:

*Unit: RMB0'000*

No.	Project name	Total amount of investment	Proposed amount of proceeds to be utilized
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	18,963.75	14,800.00
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	28,465.12	21,450.00
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	29,917.95	21,900.00
4	The repayment of interest-bearing liabilities and supplement the working capital	—	24,900.00
<b>Total</b>			<b><u>83,050.00</u></b>

If the net proceeds to be raised from the Non-public Issuance are lower than proposed amount to be used from the proceeds for the above projects, the shortfall will be covered by the Company through self-raised funds; meanwhile, under the premise of not changing the projects to be invested in with the proceeds, the Board may make appropriate adjustment to the order and the amount to be used from the proceeds for the above projects according to the actual condition of the projects to be invested in with the proceeds.

Before the proceeds to be raised from the Non-public Issuance are available to be used, the Company may invest in advance with self-owned funds or self-raised funds according to the progress of the projects to be invested in with the proceeds, which will be subsequently replaced according to the relevant procedures as stipulated after the proceeds are available to be used.



## II. NECESSITY AND FEASIBILITY ANALYSIS ON USE OF PROCEEDS

### (I) The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui

#### 1. Summary of the project

The project is the sewage processing project of Jieshou City (the third batch) operated by the People's Government of Jieshou City in PPP (Public-Private-Partnership) mode. Capital Environmental Protection becomes the social capital party of the project through public bidding, and establishes a wholly-owned subsidiary Jieshou Capital Water Co., Ltd.\* (界首市創業水務有限公司) to be responsible for the investment, financing, operation, maintenance and handover of the project.

The sewage processing plant at the Tianying Science and Technology Park has a designed processing capacity of 15,000 m<sup>3</sup>/d in Phase I and 10,000 m<sup>3</sup>/d in Phase II. The site is located in Tianying Science and Technology Park, north of Nandu Avenue, south of Yuanzhuang Road, west of Luotuo Road and east of Taozhuanghu Road. The land acquisition area of the plant is 69.39 mu, and the reserved site area is 18.46 mu. The project is mainly for the procession of sewage from enterprises in Tianying Park of Jieshou City, and the processed sewage will then be discharged up to standard. At present, the Company has signed the PPP Project (Third Batch) Contract for Sewage Processing in Jieshou City (《界首市污水處理PPP項目(第三批)合同》) with Jieshou Housing and Urban-Rural Construction Bureau.

The total investment of the project is RMB189.6375 million, and the proposed amount of proceeds to be utilized is RMB148.0000 million.

#### 2. Feasibility of project construction

##### (1) Needs of economic construction and ecological development

Nowadays environmental protection has become a basic national policy, various problems caused by water pollution have increasingly attracted increasing attention from the whole society, and even produce a great impact on the stability of society and the sustainable and stable development of national economy. The implementation of the project has far-reaching significance and influence on the economic development of Tianying Science and Technology Park and Jieshou City. The construction of the project will improve the urban infrastructure of Jieshou City, and generate huge social benefits for urban construction and economic development. The project features advanced and mature technology, strong adaptability, convenient management and maintenance, stable and reliable operation, high efficiency and energy saving, and is economic and reasonable, which ensures effective sewage processing.

- (2) *The Company has the capability of operations in a safe, stable, up-to-standard and efficient manner*

Since the construction and operation of Tianjin Jizhuangzi Sewage Processing Plant, the first large-scale urban sewage processing plant in China in 1984, the Company has experienced the whole process of upgrading the water quality standard from Class II to Class IV. The Company has mastered the main processes and combinations of municipal sewage treatment, and has the Grade I qualification of “Operation of Environmental Comprehensive Treatment Facilities” of municipal and industrial wastewater and Grade I qualification of “Operation Service of Urban Centralized Sewage Treatment Facilities”. In the operation evaluation of national water industry, many projects have been awarded the titles of “Top Ten Operating Units”, “Top Ten National Water Processing Plants” and “Advanced Unit for Energy Saving and Emission Reduction” for many times. Having deeply rooted in sewage treatment for many years, the Company has accumulated rich experience in operation and management, and cultivated a large number of sewage treatment professionals. In addition, the Company has explored and formed an operation management mechanism and training mechanism for the director of the sewage treatment plant, continuously exported the operation manager to the affiliated projects all over the country, and cultivated operation teams locally, to build a benign system for the construction of operation talent echelon.

### **3. *Necessity of project construction***

- (1) *Need for a new sewage treatment plant in the Science and Technology Park*

According to the special drainage planning of Jieshou City, the sewage from newly-built enterprises shall be discharged into the existing sewage treatment plant in the park. However, the expansion of the existing sewage treatment plant is constrained due to the restriction of land occupation, and the backward process can no longer meet the increasing sewage treatment needs. Therefore, according to the planning, development and current situation of Tianying Science and Technology Park in Jieshou City, it is necessary to build a new sewage treatment plant in the park to receive the sewage that cannot enter the existing sewage treatment plant to ensure the water environment and ecological environment around the local watershed.

- (2) *It is helpful for the listed company to expand the market share of sewage treatment business and thereby enhance its performance*

The project is a franchise project obtained by the listed company for its main sewage treatment business, which will help the listed company to expand the market share of sewage treatment business and thereby increase its income and profit. The acquisition of the project will be of great significance to increase regional influence and overall scale of the listed company, which conforms to the development strategy of the company. The smooth operation of the project will enable the Company to give full play to its management and technical personnel resources and facilitate further project development.

#### **4. *Analysis on project benefits***

It is estimated that the rate of return on total investment after tax of the project is 7.03%.

#### **5. *Approvals for the project***

The project has obtained the Reply of Jieshou Development and Reform Commission on the Establishment of the Construction Project of the Sewage Processing Plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui (Fa Gai Shen Pi (2020) No. 276) (《關於對安徽阜陽界首高新區田營科技園污水處理廠建設項目立項的批復》(發改審批(2020)276號)), has obtained the Approval Opinions of Jieshou Bureau of Housing and Urban-Rural Development on the Environmental Impact Report on the Construction Project of the Sewage Processing Plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui (Jie Huan Xing Shen (2021) No. 83) (《界首市住房和城鄉建設局安徽阜陽界首高新區田營科技園污水處理廠建設項目環境影響報告書的審批意見》(界環行審(2021)83號)) issued by the Ecological Environment Branch of Fuyang City Jieshou City, and has obtained the State-owned Land Use Certificate.

### **(II) The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant**

#### **1. *Summary of the project***

The project is a (phase II) PPP project of Honghu township sewage processing plant operated by Honghu People's Government in PPP mode. Capital Environmental Protection (the initiator) and CCCC Tianjin Dredging Co., Ltd. have become the winning social capital party of the project through public bidding. The parties agree to establish the project company Honghu Tianchuang Environmental Protection Co., Ltd.\* (洪湖市天創環保有限公司) (held by Chuangye Environmental Protection as to 89%, by Honghu Waterworks Co., Ltd. (洪湖市自來水公司) as to 10% and CCCC Tianjin Dredging Co., Ltd. as to 1%) in Honghu City, as the implementation entity for project investment and financing, construction, operation maintenance, handover, etc. The Company and CCCC Tianjin Dredging Co., Ltd. have entered into the Franchise Agreement for (Phase II) PPP Project of Honghu Township Sewage Processing Plant (《洪湖市鄉鎮污水處理廠(二期)PPP 項目特許經營協議》) with Honghu Housing and Urban-Rural Construction Bureau. The project consists of three sub-projects: domestic sewage treatment project in Laoji Town of Honghu City, pipeline network construction project of suburb village groups in towns of Honghu City, and domestic sewage treatment plant and supporting pipeline network project in east of Fengkou of Honghu City. The total sewage treatment capacity is  $0.45 \times 10^4$ t/d.

The total construction investment of the project is RMB284.6512 million, and the proposed amount of proceeds to be utilized is RMB214.5000 million.

## **2. *Feasibility of project construction***

### ***(1) Implementation of the PPP mode helps realize win-win cooperation between all parties to the project***

As far as Honghu People's Government is concerned, implementing the PPP mode solves the problem of project financing, reduces financing costs, relieves the pressure of government funds, and improves the utilization efficiency of financial funds through effective competition. In terms of social capital, it can get benefits from the service fee paid by the government for disposing the domestic sewage in the township area of Honghu City, and realize the "value for money" of social capital investment operation.

### ***(2) Social capital participating in public projects receives stable returns***

The project and the government jointly establish a project company to be responsible for the investment, design, construction and later operation management of (phase II) PPP project of Honghu township sewage processing plant. The project company collects service fees from the government for sewage treatment and pipeline network maintenance to cover the investment, operation cost and reasonable income of the project. The cash flow of the project is sufficient and stable, with investment values.

## **3. *Necessity of project construction***

### ***(1) Respond to national macro-policy requirements***

The State Council issued the Guiding Opinions on Innovating Investment and Financing Mechanisms in Key Areas to Encourage Social Investment (Guo Fa [2014] No. 60) (《關於創新重點領域投融資機制鼓勵社會投資的指導意見》(國發[2014]60號)), which states: "In order to promote strategic adjustment of economic structure, strengthen weak link construction and promote sustainable and healthy development of the economy, it is urgent to further innovate investment and financing mechanisms in key areas such as the public service, resources and environment, ecological construction and infrastructure so as to give full play to the positive role of social capital, especially non-governmental capital". The construction of township processing plant and pipeline network of the project not only meets the requirements of People's Government of Hubei Province for comprehensively promoting township sewage treatment, but also attracts social capital to participate in the construction and operation of the project in PPP mode. Meanwhile, it complies with the policy requirements of the State and relevant ministries and commissions.

- (2) *It is helpful for the listed company to expand the market share of sewage treatment business and thereby enhance its performance*

The project is a franchise project obtained by the listed company for its main sewage treatment business, which will help the listed company to expand the market share of sewage treatment business and thereby increase its income and profit. The acquisition of the project will be of great significance to increase regional influence and overall scale of the listed company, which conforms to the development strategy of the company. The smooth operation of the project will enable the Company to give full play to its management and technical personnel resources and facilitate further project development.

#### **4. *Analysis on project benefits***

It is estimated that the rate of return on total investment after tax of the project is 6.66%.

#### **5. *Approvals for the project***

The project has obtained the Reply of Honghu Development and Reform Commission on the Establishment of the Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP Project of Honghu Township Sewage Processing Plant (Hong Fa Gai Shen Pi (2019) No. 71) (《關於洪湖市鄉鎮污水處理廠新建及提標升級和配套管網(二期)PPP項目立項的批復》(洪發改審批(2019)71號)), and the Reply of Jingzhou Ecological Environment Bureau Honghu Branch on the Environmental Impact Report on the Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP Project of Honghu Township Sewage Processing Plant (Hong Huan Shen Wen (2020) No. 22) (《關於洪湖市鄉鎮污水處理廠新建及提標升級和配套管網(二期)PPP項目環境影響報告表的批復》(洪環審文(2020)22號)). The certificate for 1 case of state-owned land use rights has been obtained for the project, and the ownership certificates for the remaining 4 plots of land are in process.

### **(III) The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City**

#### **1. *Summary of the project***

To further improve the utilization rate of recycled water in central districts of Tianjin, expand the scope of recycled water supply, stabilize and strengthen the recycled water industry, Tianjin Recycled Water Co., Ltd.\* (天津中水有限公司) (Recycled Water Company), a wholly-owned subsidiary of Capital Environmental Protection, plans to invest and implement the projects of the recycled water pipe network connection project in the main districts of Tianjin City, so as to perfect the water supply system outside the plant and realize the pipe network connection. The project funded by the proceeds raised is the first batch, including 43 construction projects for recycled water pipe networks, with a total length of the new pipe network of 25.76 km. After completion, the downstream water supply network for nearly 200 km will be connected. The construction period is 1 year. The total investment of the project is RMB299.1795 million, and the proposed amount of proceeds to be utilized is RMB219.00 million.

## 2. *Feasibility of project construction*

### *(1) Meet the special planning requirements of Tianjin, and comply with the national policy requirements in terms of industrial policies*

Tianjin has included recycled water as the “second water source” into the overall planning of water resources. The Regulations on Urban Drainage and Sewage Treatment (《城镇排水与污水处理条例》) has facilitated the recycled water to the programs of “integrated allocation of water resources” and “integration into national economic and social development planning”, highlighting the resource attribute of recycled water. The project conforms to the special planning requirements of Tianjin, and the industrial policies comply with the requirements of Tianjin City and national policies; the investment in implementation of the project will greatly improve the utilization rate of recycled water in Tianjin. On the one hand, it will alleviate the shortage of water resources in Tianjin, improve the water environment of Tianjin and expand more water resources for the urban development of Tianjin. On the other hand, it helps to improve the control, influence and anti-risk ability of Recycled Water Company, and effectively maintain the leading position of Recycled Water Company at the water supply area in the main districts of Tianjin City, which has important strategic significance for its long-term operation and development.

### *(2) Recycled Water Company has the industry-leading technology to ensure smooth implementation of the project*

In accordance with the overall requirements of Tianjin Investment Group to build a first-class urban development service provider, as the first company specialized in recycled water treatment and utilization in Tianjin, Recycled Water Company has advanced standards, concepts, technologies and management in the industry, and provides professional services featuring a high standard grade, good cost control and excellent services. Through participating in the construction of investment projects, it accelerates the recycling utilization of urban sewage and guarantees the construction of beautiful Tianjin.

## 3. *Necessity of project construction*

### *(1) Recycled water, as the second water source for the city, needs to be widely promoted*

Tianjin is a resource-based city with water shortage. The development of recycled water will effectively alleviate the water resources shortage in Tianjin, realize the rational allocation of water resources, and improve the water environment of Tianjin. The recycled water will also effectively replace the precious water diversion from the Yangtze River and Luanhe River, expand more water resources for the urban development of Tianjin, and contribute to the economic and social development of Tianjin during the 14th Five-Year Plan, demonstrating its remarkable social, economic and environmental benefits.

- (2) *Effectively improve planning and utilization indicators, and maintain the leading position of Recycled Water Company in the water supply in the main districts of Tianjin*

In 2018, Tianjin Municipal People's Government approved the Recycled Water Utilization Planning of Tianjin (2016-2030) (《天津市再生水利用規劃(2016-2030)》). The planning target is that the utilization rate of recycled water in the whole city will be more than 40% by 2020, including 82 million tons/year of high-quality recycled water utilization in main districts. By 2030, the utilization rate of recycled water in the whole city will be over 62%, including 248 million tons/year of high-quality recycled water utilization in main districts. At present, there is still a big gap to the planning target. Therefore, the construction of pipe network will effectively improve the planning and utilization indicators, and maintain the leading position of Recycled Water Company in the water supply in the main districts of Tianjin, contributing an important strategic significance for the long-term operation and development of Recycled Water Company.

#### **4. *Analysis on project benefits***

It is estimated that the financial internal rate of return on total investment after tax of the project is 6.29%.

#### **5. *Approvals for the project***

The project has obtained the Certificate on the Filing of the First Batch of Projects of the Recycled Water Pipe Network Connection Project in the Main Districts of Tianjin City of Tianjin Recycled Water Co., Ltd.\* (天津中水有限公司) (Jin Fa Gai Bei (2021) No. 31) (《關於天津中水有限公司天津市主城區再生水管網連通工程第一批項目備案的證明》(津發改備(2021)31號)) issued by Tianjin Development and Reform Commission. According to relevant provisions of Classified Management List of Environmental Impact Assessment for Construction Projects (2021 Edition) (《建設項目環境影響評價分類管理名錄本》(2021年版)), EIA procedures are not required for the project. No new land is involved in the project.

### **(IV) The repayment of interest-bearing liabilities and supplement the working capital**

#### **1. *Summary of the project***

In order to meet the daily working capital requirements of the Company, the amount raised by this non-public issuance of RMB249.0000 million will be used to repay interest-bearing liabilities and supplement working capital.



## 2. *Feasibility and necessity*

### *(1) Reduce the Company's financial expenses to improve its profitability*

In recent years, the Company expanded its business scale and improved its market competitiveness with the help of financial supports and guarantees through the bank borrowings, which, on another hand, reduced the Company's profitability accordingly due to the financial expenses thereof. The Company's financial expenses were RMB161.9860 million, RMB199.3960 million and RMB239.1000 million for 2018, 2019 and 2020, respectively, accounting for 30.75%, 37.70%, and 39.45% of the net profits for the same period.

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

### *(2) Replenish the working capital to meet business growth needs and strengthen the Company's strategy implementation*

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

## 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 for the construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui, the newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant, the first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City, and the repayment of interest-bearing liabilities and supplement the working capital. 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 the Issuance 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 3 DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE NON-PUBLIC ISSUANCE ON THE COMPANY****I. CHANGE CAUSED BY THE ISSUANCE 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 the Issuance**

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 the Issuance**

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

**(III) Impact of the Issuance on the shareholding structure**

The non-public issuance of A Shares is intended for not more than 35 (35 inclusive) specific target subscribers. 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, the Issuance will not lead to the change in the actual control of the Company.

**(IV) Impact of the Issuance 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 the Issuance on the business structure**

The proceeds from the Non-public Issuance will be used for the construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui, the newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant, the first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City, and the repayment of interest-bearing liabilities and supplement the working capital. The business structure of the Company will not be changed. After the completion of the Issuance, 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 THE ISSUANCE**

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 the Issuance on the profitability**

The proceeds from the Non-public Issuance will be used for the construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui, the newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant, the first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City, and the repayment of interest-bearing liabilities and supplement the working capital. 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, the Issuance 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 the Issuance 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. After the funds are invested in the projects to be invested in with the proceeds, the cash outflow from investment activities will be increased significantly; after the projects to be invested in with the proceeds are completed, the net cash flow generated by the business activities of the Company will be increased significantly.

### **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 the Issuance, 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 THE ISSUANCE ON THE DEBTS OF THE COMPANY**

After the proceeds from the Issuance 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 the Issuance. The Company's debt ratio will not become too low and no unreasonable financial costs will be incurred.

### **VI. RISKS RELATED TO THE ISSUANCE**

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.

**(III) Financial risks****1. *Insolvency risk***

As of the end of September 2021, the Company had a high asset-liability ratio of 62.70%. 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 the Issuance 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 (Fa Gai Jia Ge [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 1 January 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 this offering ring 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 4 PROFIT DISTRIBUTION OF THE COMPANY AND ITS IMPLETATION****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 small and medium investors, the Company has set out the following profit distribution polices in its Articles of Association according to the requirements of the Notice on Further Implementation of Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(証監發[2012] 37號)) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) (《上市公司監管指引第3號—上市公司現金分紅》(証監會公告[2013] 43號)) issued by China Securities Regulatory Commission:

**(I) Basic principles for profit distribution of the Company**

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

**(II) 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. If the conditions of cash dividends are met, priority shall be given to dividend in cash over dividend in shares.

**2. *Interval of profit distributions***

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



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

- 1) The Company's profit and aggregate undistributed profit realized for the year are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's sustained operations;
- 2) An accounting firm has issued 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, except for the investment in projects with the proceeds.

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 distribution in 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 dividend proportion of each year shall be determined by the Board according to the profit for the relevant year and the plan for future use of funds.

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

- 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 issue stock dividends***

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, the Company may propose dividend distribution in shares, provided that the above conditions for cash dividend distribution are fully satisfied. Distributing profit by way of dividend in shares shall be based on 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 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 status, 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 can 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 proposal 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 be submitted to the general meeting for consideration after consideration and approval 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, 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 accessible to the shareholders or collect voting rights of the shareholders.

**(V) Disclosures in regular reports**

The Company shall disclose in details the formulation and implementation of 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 rights 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;
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 THREE 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 annual general meeting of the Company for 2018. 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 annual general meeting of the Company for 2019. 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 annual general meeting of the Company for 2020. 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 RMB171.2674 million.

#### (II) Cash dividends in the last 3 years

The year of dividend distribution	Cash dividend amount (RMB'0,000, tax inclusive)	Net profit attributable to shareholders of the listed company during the year of dividend distribution in the consolidated financial statements (RMB'0,000)	Percentage in net profit attributable to shareholders of the listed company in the consolidated financial statements
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
<b>Percentage of the cash dividend amount accumulated in the last 3 years in the actual annual distributable profit in the last 3 years</b>			<b>90.34%</b>

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 increasing the financial soundness of the Company.

### **III. SHAREHOLDER RETURN PLAN OF THE COMPANY FOR THE COMING THREE YEARS**

In order to ensure the scientificity, sustainability and stability of profit distribution policies of Tianjin Capital Environmental Protection Group Company Limited, the Company has formulated the Shareholder Return Plan of Tianjin Capital Environmental Protection Group Company Limited for the Next Three Years (2021-2023) (the “**Plan**”) according to the provisions of the Notice on Further Implementation of Issues Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) and the Guidance on Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43) issued by the CSRC. The Plan is subject to the review and approval of the general meeting. The detailed contents 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, after fully considering and listening to the requests and wishes of Shareholders (especially the minority shareholders), taken into consideration various factors, such as the Company’s strategic development plans, industrial development trends, the Company’s actual situation and development objective, requests and wishes of shareholders, social capital costs and external financing environment, with an aim to establish a sustainable, stable and scientific plan and mechanism on investors’ return, and 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 (2021-2023), 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 (2021-2023)**

- (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. If the conditions of cash dividends are met, priority shall be given to dividend in cash over dividend in shares.
- (II) Interval of profit distribution: the Company shall distribute profit once a year, provided that the Company makes a profit and the distributable profit is a positive figure for the 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 of cash dividend distribution of the Company:
  - 1. The Company's profit and aggregate undistributed profit realized for the year are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's sustained operations;
  - 2. An accounting firm has issued a standard unqualified audit report on the Company's financial report for that year;
  - 3. The Company has no events such as a material investment plan or significant cash expenditure (referring to the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenditures amounting to or exceeding 30% of the latest audited net assets of the Company, excluding the investment in projects using the proceeds raised). In this case, the Company can distribute dividend by 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 distribution in 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 dividend proportion of each year shall be determined by the Board according to the profit for the relevant year and the plan for future use of funds.



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

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 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, the Company may propose dividend distribution in shares, provided that the above conditions for cash dividend distribution are fully satisfied. Distributing profit by way of dividend in shares shall be based on 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****(I) 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.

**(II) 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 5 DESCRIPTION OF THE DILUTION OF CURRENT RETURN  
RESULTING FROM THE ISSUANCE 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)) and the Instructions on Issues Related to Immediate Return Dilution Arising from IPO, Refinancing and Major Asset Restructuring (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》(証監會公告[2015] 31號)) as well as other laws, regulations, rules and other regulatory documents, the Company has analyzed the influence of the Non-public Issuance of A Shares on ordinary shareholders' equity and immediate return, and proposed mitigation and remediation measures based on the actual situations, while the relevant parties have made commitments to ensure the fulfillment of the mitigation and remediation measures, details of which are as follows:

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

**(I) Calculation assumptions**

1. It is assumed that there are no major adverse changes in the macroeconomic environment and conditions of the stock market as well as the operating environment of the Company;
2. It is assumed that the Non-public Issuance is expected to be completed in March 31, 2022, 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 428,168,529 (which is an estimate and subject to the number of shares approved by the CSRC and actually issued); the total proceeds from this Non-public Issuance of A Shares is RMB830.5 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 in the Company's share capital in 2021 and 2022;
5. It is assumed that the impact 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 attributable to the shareholders of the parent company of the Company for January to September 2021 amounted to RMB544.688 million, the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss amounted to RMB488.953 million; assuming that the net profit attributable to the shareholders of the parent company and the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss for 2021 equal to their respective index for January to September 2021 multiplied by 4/3 respectively; (such assumption does not represent the Company's judgment on its operating conditions and trends for 2021 and does not constitute a profit forecast of the Company);
7. It is assumed that the net profit of the Company for 2022 will be calculated based on the following 3 scenarios (which are not indicative of the judgment of the Company on its operating conditions and trends for 2022 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 2022 is the same as that for 2021;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2022 is 10% higher than that for 2021;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2022 is 10% lower than that for 2021;

8. 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 revenue, financial expense and investment income, of the Company nor the issuance expense of the calculation;

The above assumptions and the calculation on the impact of the dilution of current returns resulting from the Non-public Issuance on the Company's key financial indexes do not represent the Company's judgment on its operating conditions and trends for 2021 and 2022 and do not constitute a profit forecast of the Company. Investors should not make investment decisions in reliance thereon. If investors make investment decisions based on this assumption analysis and suffer loss, the Company shall not be liable.

**(II) Impact on the key financial indexes**

Impact of the dilution of current return 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 of 2021/as at 31 December 2021	For the year of 2022/as at 31 December 2022	
		Before the Issuance	After the Issuance
Total share at the end of the period (0'000 shares)	142,722.84	142,722.84	185,539.70
Total amount of proceeds raised (RMB0'000)			83,050.00
Number of shares under the Issuance (0'000 shares)			42,816.85
Assumption 1: The net profit attributable to shareholders of the listed company in 2022 remains unchanged as compared to 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	72,625.07	72,625.07
Net profit attributable to the shareholders of the parent company after deduction of non- recurring items (RMB0'000)	65,193.73	65,193.73	65,193.73
Basic earnings per share (RMB/share)	0.5089	0.5089	0.4154
Diluted earnings per share (RMB/share)	0.5089	0.5089	0.4154
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.4568	0.3729
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.4568	0.3729
Weighted mean ROE (%)	10.44	9.46	8.75
Weighted average return on net assets (after deduction of non- recurring gains and losses) (%)	9.37	8.49	7.85

Item	For the year of 2021/as at 31 December 2021	For the year of 2022/as at 31 December 2022	
		Before the Issuance	After the Issuance
Assumption 2: The net profit attributable to shareholders of the Listed Company in 2022 increases by 10% as compared to 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	79,887.57	79,887.57
Net profit attributable to the shareholders of the parent company after deduction of non-recurring items (RMB0'000)	65,193.73	71,713.11	71,713.11
Basic earnings per share (RMB/share)	0.5089	0.5597	0.4569
Diluted earnings per share (RMB/share)	0.5089	0.5597	0.4569
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.5025	0.4102
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.5025	0.4102
Weighted average return on equity	10.44	10.35	9.58
Weighted average return on net assets (after deduction of non-recurring gains and losses)	9.37	9.29	8.60
Assumption 3: The net profit attributable to shareholders of the Listed Company in 2022 decreases by 10% as compared to 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	65,362.56	65,362.56
Net profit attributable to the shareholders of the parent company after deduction of non-recurring items (RMB0'000)	65,193.73	58,674.36	58,674.36
Basic earnings per share (RMB/share)	0.5089	0.4580	0.3739
Diluted earnings per share (RMB/share)	0.5089	0.4580	0.3739
Basic earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.4111	0.3356

Item	For the year of 2021/as at 31 December 2021	For the year of 2022/as at 31 December 2022	
		Before the Issuance	After the Issuance
Diluted earnings per share after deduction of non-recurring items (RMB/share)	0.4568	0.4111	0.3356
Weighted mean ROE (%)	10.44	8.55	7.91
Weighted average return on net assets (after deduction of non- recurring gains and losses) (%)	9.37	7.68	7.10

*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 IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE

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

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

## III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

For the necessity and rationality of the Non-public Issuance, please refer to "Chapter 3 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 BUSINESS 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 for the construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui, the newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu, the first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City, and the repayment of interest-bearing liabilities and supplement to the working capital, which will help the Company expand its business scale, increase market share, and enhance its risk resistance capacity, thereby further improving its profitability and core competitiveness.

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

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

In order to protect the interests of general investors and reduce the possible dilution impact of the Non-public Issuance of 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 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) To enhance the operation management and internal control to improve the operation efficiency and profitability**

The Company will continue to improve its business model and consolidate its preponderant business. On the one hand, the Company will continue to promote technological progress and control costs by providing necessary technical support to its subordinate companies; on the other hand, the Company will strengthen project follow-up and risk management. By exploiting its own potential, the subordinate companies 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, and 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) To enhance the management and usage of the proceeds raised to prevent the risks in connection with the use of proceeds.**

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

In strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shanghai Stock Exchange and other relevant laws, regulations and normative documents, the Company will continuously improve the corporate governance structure, and ensure that shareholders can fully exercise their rights, the Board can exercise its functions and power in accordance with the provisions of laws, regulations and Articles of Association, make scientific, prompt and prudent decisions, and 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 an institutional guarantee for the development of the Company.

**(IV) To 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 (2021-2023) 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 issued by the CSRC and the relevant provisions regarding profit distribution policies in the Articles of Association. The Company will strictly implement the dividend policy and shareholder return plan formulated by the Company, and strive to provide higher investment returns to shareholders.

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

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

#### **VI. PROMISES OF ALL THE DIRECTORS AND SENIOR EXECUTIVES TO ENSURE THE IMPLEMENTATION OF THE MITIGATION AND REMEDIATION MEASURES**

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

- “1. I hereby undertake that I shall not provide benefits to other entities or individuals without consideration or on unfair terms or conduct in any other way that may impair the interest of the Company;
2. I hereby undertake that I shall subject the expenses incurred in performing my duties 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 Committee shall be implemented in accordance with the reimbursement measures of the Company;
5. I hereby undertake that if the Company intends to implement any Share Incentive Plan in the future, the proposed vesting terms shall be operated in line with the mitigation and remediation measures of the Company.

For any new regulatory measures issued by the 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 fail to meet such requirements by the CSRC, I hereby undertake that I shall make further undertaking(s) in accordance with those new requirements issued by the 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 Tianjin Investment Group (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 the Issuance 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, or 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 IMMEDIATE RETURN DILUTION RESULTING FROM THE ISSUANCE 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 adopted at the sixty-third meeting of the eighth board of directors of the Company, and will be submitted to the general meeting for review.

(No text below, it is the signature page for The Plan for the Non-public Issuance of A-shares by Tianjin Capital Environmental Protection Group Company Limited in 2021)

The Board of Directors  
Tianjin Capital Environmental Protection Group Company Limited  
22 November 2021

TIANJIN CAPITAL ENVIRONMENTAL PROTECTION GROUP  
COMPANY LIMITEDFEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE  
NON-PUBLIC ISSUANCE OF A SHARES

## I. PLAN FOR USE OF PROCEEDS FROM THIS ISSUANCE

The total amount raised by this non-public issuance (the “Non-public Issuance”) will not exceed RMB830.5 million (inclusive), which will be used to invest in following projects after deducting the offering expenses:

*Unit: RMB0'000*

No.	Project name	Total investment amount	Proposed amount to be used from proceeds
1	Anhui Fuyang Jieshou High-Tech Industrial Development Zone Tianying Science Park Sewage Treatment Plant Construction Project	18,963.75	14,800.00
2	Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP project of Honghu City Township Sewage Treatment Plant	28,465.12	21,450.00
3	First Batch of Connection Work for Recycled Water Pipe Network Project in Main Districts of Tianjin City	29,917.95	21,900.00
4	Repayment of Interest-bearing Liabilities and Replenishment of Liquidities	—	24,900.00
<b>Total</b>			<b>83,050.00</b>

If the net proceeds to be raised from the Non-public Issuance are lower than proposed amount to be used from the proceeds for the above projects, the shortfall will be covered by the Company through self-raised funds. Meanwhile, under the premise of not changing the projects to be invested in with the proceeds, the Board of the Company may make appropriate adjustment to the order and the amount to be used from the proceeds for the above projects according to the actual condition of the projects to be invested in with the proceeds.

Before the proceeds to be raised from the Non-public Issuance are available to be used, the Company may invest in advance with self-owned funds or self-raised funds according to the progress of the projects to be invested in with the proceeds, which will be subsequently replaced according to the relevant procedures as stipulated after the proceeds are available to be used.

## II. NECESSITY AND FEASIBILITY ANALYSIS ON USE OF PROCEEDS

### (1) Anhui Fuyang Jieshou High-Tech Industrial Development Zone Sewage Treatment Plant Construction Project

#### 1. *Project overview*

The project is a sewage treatment project in Jieshou City (Third Batch) operated by the Jieshou Municipal People's Government under PPP (Public-Private-Partnership) model. Tianjin Capital Environmental Protection Group Company Limited becomes the private party of the project through public tender, and establishes Jieshou Capital Water Co., Ltd., a wholly-owned subsidiary, to be responsible for investment, financing, operation, maintenance and transfer of the project.

The designed treatment scale of the sewage treatment plant in Tianying Science Park District in Phase 1 and Phase 2 are 15,000 m<sup>3</sup>/d and 10,000 m<sup>3</sup>/d, respectively. It is located in Tianying Science Park, north of Nandu Avenue\* (南都大道), south of Yuanzhuang Road\* (苑莊路), west of Lutuo Road\* (駱駝路) and east of Yaozhuang Road\* (陶莊湖路). Land acquired area of the plan area is 69.39 mu, and reserved site area is 18.46 mu. The project mainly processes sewage from companies in Tianying Park District in Jieshou City for the discharge to meet the standards after processing. Currently, the Company entered into the Jieshou City Sewage Treatment PPP Project (Third Batch) Contract (《界首市污水處理PPP項目(第三批)合同》) with Jieshou Housing and Urban Construction Bureau.

The total investment of the project amounts to RMB189.6375 million, which proposes to use proceeds of RMB148 million.

#### 2. *Feasibility of project construction*

##### (1) *Needs for economic construction and ecology development*

Nowadays, environmental protection has become a fundamental national policy, various problems caused by water pollution have increasingly cared and valued across society, and even materially affected the social stability and consistent stable development of national economy. The implementation of the project has far-reaching meaning and influence on economic development of Jieshou City Tianying Science Park District and Jieshou City. The construction of the project can uplift the level of urban infrastructure of Jieshou City, and produce enormous social efficiency to development of urban construction and economy. The project has advanced and mature technology, strong adaptability, easy management and maintenance, stable and reliable operation, high efficiency and energy saving, economically reasonable, which ensures good sewage treatment effect.

*(2) The Company's ability to operate in a safe, stable, up-to-standard, and efficient manner*

Since the construction and operation of Tianjin Jizhuangzi Sewage Treatment Plant in 1984, the Company has witnessed the entire process that the water quality standard raised from class II to class IV, mastered all major processes of municipal sewage treatment and their combinations, and possesses Grade A qualifications for “operating comprehensive environmental governance facilities” for municipal and industrial sewage and for “operating urban centralized sewage treatment facilities”. After the appraising of operation through comparison in the national water industry, many of the Company's projects have been awarded the titles of “Top Ten Operating Units”, “National Top Ten Sewage Treatment Plants”, and “Advanced Unit of Energy Conservation and Emission Reduction”. The Company has devoted intensive efforts in the field of sewage treatment for many years and accumulated substantial experience in operation and management. It has cultivated a great number of professionals in sewage treatment, and explored and established the mechanism for operating and managing sewage treatment plants and the mechanism for nurturing plant directors, constantly trained persons in charge of operation for projects nationwide, and built an operation team in the local area, to form a sound echelon building system.

**3. Necessity of project construction**

*(1) Needs for newly-built collection of companies' sewage in science park district*

In accordance to the Jieshou City's discharge special plan, sewage of newly-built companies shall be discharged to the sewage treatment plant in the original park district for processing, however, the sewage treat plant is constrained by occupied area and its expansion is limited, besides, the outdated processes are unable to satisfy increasing needs of processing of sewage discharge. Therefore, according to the planning development and current condition of Jieshou City Tianying Science Park District, in order to guarantee the surrounding water environment and ecology environment of local basin, it is necessary that a new sewage treatment plant shall be built in the park district to collect sewage that cannot flow to the existing sewage treatment plant.

*(2) Facilitating the expansion of market share of sewage treatment business for the listed company to enhance the results of the Company*

The project is a franchise project obtained by the main business of sewage treatment business of the listed company, which will help to expand the market share of the sewage treatment business of the listed company and increase the revenue and profit of the company. The acquisition of the project will be of great significance for the listed company to increase its regional influence and increase the overall scale, which is in line with the company's development strategy. The smooth operation of the project will enable the Company to fully utilize its strength in management and technical personnel resources, creating favorable conditions for the Company to further develop the project.



#### **4. Analysis of benefits of the project**

It is calculated that the after-tax yield of the entire investment of the project is 7.03%.

#### **5. Submission and approval matters of the project**

The project has obtained the Issuance of the Approval regarding the Construction Project in Anhui Fuyang Jieshou High-Tech Industrial Development Zone Tianying Science Park Sewage Treatment Plant Construction Project (Fa Gai Shen Pi (2020) No. 276)\* (《關於對安徽阜陽界首高新區田營科技園污水處理廠建設項目立項的批覆》(發改審批(2020)276號)) from Jieshou Development and Reform Commission\* (界首市發展和改革委員會) and the Approval Opinion on Environmental Impact Report of Anhui Fuyang Jieshou High-Tech Industrial Development Zone Tianying Science Park Sewage Treatment Plant Construction Project from Jieshou Housing and Urban Construction Bureau (Jie Huan Hang Shen (2021) No. 83)\* (《界首市住房和城鄉建設局安徽阜陽界首高新區田營科技園污水處理廠建設項目環境影響報告書的審批意見》(界環行審(2021)83號)), and has obtained State-owned Land Use Rights Certificate\* (國有土地使用權證).

### **(II) Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP Project of Honghu City Township Sewage Treatment Plant**

#### **1. Project overview**

The project is the Honghu Township Sewage Treatment Plant (Phase II) Project operated by the Honghu Municipal People's Government under PPP model. Tianjin Capital Environmental Protection Group Company Limited (the leader) and CCCC Tianjin Dredging Co., Ltd. (中交天津航道局有限公司) become successful bidder of the private party of the project through public tender. Each party agree to establish Honghu Tianchuang Environmental Protection Co., Ltd.\* (洪湖市天創環保有限公司), a project company, which 89% held by Tianjin Capital Environmental Protection Group Company Limited, 10% held by Honghu Municipal Water Supply Company\* (洪湖市自來水公司) and 1% held by CCCC Tianjin Dredging Co., Ltd., as an implementation body of investment and financing, construction, operation and maintenance and transfer of the project. The Company and CCCC Tianjin Dredging Co., Ltd. entered into the Honghu Township Sewage Treatment Plant (Phase II) PPP Project Franchise Agreement\* (《洪湖市鄉鎮污水處理廠(二期)PPP項目特許經營協議》) with Honghu Housing and Urban Construction Bureau. The project includes 3 sub-projects: Honghu City Laoji Town Domestic Sewage Treatment Project, Honghu City Township Zhenjiao Village Pipelines Network Construction Project, Honghu City Est of Fungkou Domestic Sewage Treatment Plant and Supporting Pipeline Network. The total scale of sewage treatment is  $0.45 \times 10^4 \text{t/d}$ .

The total investment of the project construction amounts to RMB284.6512 million, which proposes to use proceeds of RMB214.5 million.

## **2. Feasibility of project construction**

### *(1) Implementation of PPP model can achieve win-win of every project parties*

For Honghu Municipal People's Government, by implementation of PPP model and effective competition, it's not only to settle the difficulties of project financing and relieve the fund pressure of government, but also increase the effectiveness of financial fund. For social capital, gains can be received as sewage treatment service fee paid by government can be obtained by treatment of domestic water in Honghu Township district, but also achieve "Value for Money" invested and operated under social capital.

### *(2) Social Capital participate in public project can obtain stable return*

The project and the government jointly establish a project company to be responsible for investment, design, construction and operation and management in later stage of Honghu Township Sewage Treatment Plant (Phase II) PPP Project. The project company charges sewage service fee and pipelines network service fee from government through sewage treatment and pipelines network maintenance to cover investments, operating costs and reasonable gains of the project. The project has sufficient and stable cash flow and investment value.

## **3. Necessity of project construction**

### *(1) In response to requirements under the national macroeconomic policies*

The Guiding Opinion for Encouraging Social Investment with Investment and Financing Mechanism for Key Innovative Fields (Guo Fa [2014] No.60)\* (《關於創新重點領域投融資機制鼓勵社會投資的指導意見》(國發[2014]60 號)) published by the State Council suggests that "In order to promote strategic adjustments in economic structure, strengthen construction of weak sections, promote sustainable and healthy economic development, there's an imminent need to further innovate the investment and financing mechanism in key fields such as public service, resources and environment, ecological development and infrastructure, in order to fully exert the positive effect of social capital, especially private capital." The project, township sewage treatment plant and pipelines construction, not only comply with the working requirements of the Hubei government under the fully progress township sewage treatment project, but it also attracts social capital by way of PPP model to participate in project's construction and operation, and they comply with the policy requirements of the State and the relevant ministries and commissions.

### *(2) Facilitating the expansion of market share of sewage treatment business for the listed company to enhance the results of the Company*

The project is a franchise project obtained by the main business of sewage treatment business of the listed company, which will help to expand the market share of the sewage treatment business of the listed company and increase the revenue and profit of the company.

The acquisition of this project will be of great significance for the listed company to increase its regional influence and increase the overall scale, which is in line with the company's development strategy. The smooth operation of the project will enable the Company to fully utilize its strength in management and technical personnel resources, creating favorable conditions for the Company to further develop the project.

#### **4. *Analysis of benefits of the project***

It is calculated that the after-tax yield of the entire investment of the project is 6.66%.

#### **5. *Submission and approval matters of the project***

The project has obtained the Issuance of the Approval regarding the Establishment of the Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP Project of Honghu Township Sewage Processing Plant (Hong Fa Gai Shen Pi (2019) No. 71)\* (《關於洪湖市鄉鎮污水處理廠新建及提標升級和配套管網(二期)PPP項目立項的批覆》(洪發改審批(2019)71號)) from Honghu Development and Reform Commission\* (洪湖市發展和改革委員會) and the Issuance of the Approval regarding the Environmental Impact Report of the Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP Project of Honghu Township Sewage Processing Plant (Hong Huan Shen Wen (2020) No. 22)\* (《關於洪湖市鄉鎮污水處理廠新建及提標升級和配套管網(二期)PPP項目環境影響報告表的批覆》(洪環審文(2020)22號)) from Jingzhou Municipal Ecological Environment Bureau Honghu Branch\* (荊州市生態環境局洪湖市分局). The project has obtained one State-owned Land Use Rights Certificate\* (國有土地使用權證), and the certificates of title for the remaining four pieces of lands are under the process of application.

### **(III) First Batch of Connection Work for Recycled Water Pipe Network Project in Main Districts of Tianjin City**

#### **1. *Project overview***

In order to further increase the utilization rate of recycled water in the central district of Tianjin City, expand the area of recycled water supply and consolidate recycled water business, Tianjin Water Recycling Co., Ltd.\* (天津中水有限公司) ("Water Recycling Company"), a wholly-owned subsidiary of Tianjin Capital Environmental Protection Group Company Limited, intends to invest in the Connection Work for Recycled Water Pipe Network Project in the main districts of Tianjin City, completing the water supply system outside the factories and achieving pipe network connection. This fundraising project is the first batch of connection work project, including 43 recycled water pipe network construction projects in total, with the length of newly built pipe network amounting to 25.76 km in aggregate. After the construction work, it will connect the water supply pipe network by almost 200km in the lower stream. The construction period is one year. Total investment for the project is RMB299,179,500, intending to use the proceed RMB219,000,000.

## **2. *Feasibility of project construction***

### **(1) *Fulfilling the specialized planning requirements in Tianjin City and complying with the national policy requirements for industrial policy***

Tianjin City has adopted recycled water as the “secondary source of water” as a part of the coordinating plan for water resources. The Urban and Sewage Treatment Ordinance\* (《城镇排水与污水处理条例》) even takes recycled water to the level of “adopting into central allocation for water resources” and “adopting into national economic and social development planning”, highlighting the nature of recycled water as resources. The project fulfills the specialized planning requirements in Tianjin City and complies with the policy requirements for industrial policy by Tianjin City and the State. By investing in and implementing the project, the utilization rate of recycled water in Tianjin City could be increased significantly, which could in turn mitigate the situation of water shortage in Tianjin City, improve the water environment in Tianjin City and create a larger room for water resources for the urban development in Tianjin City. Meanwhile, it could help to increase the level of control, influence and risk resilience of Water Recycling Company, and to maintain the leading position of Water Recycling Company in water supply in the main districts of Tianjin City effectively, which has important strategic significance for the long-term business development of Water Recycling Company.

### **(2) *With industry-leading technology, Water Recycling Company is able to ensure successful implementation of the project***

Base on the overall criteria from Tianjin City Infrastructure Construction and Investment Group Co., Ltd. to strive for creating a high-quality urban development service provider, as the first company specialized in the treatment and use of recycled water in Tianjin City, Water Recycling Company has industry-leading standards, concepts, technology and management, provides professional services with high standards, appropriate cost control and excellent service levels, and accelerates the utilization of urban sewage resources by participating in the investment of construction projects, supporting the construction of a beautiful Tianjin.

## **3. *Necessity of project construction***

### **(1) *As the secondary source of water in the city, recycled water needs to be widely promoted***

Tianjin City is a city that lacks water resources. The development of recycled water could effectively alleviate the actual situation of water shortage in Tianjin City, achieve a reasonable allocation of water resources, improve the water environment in Tianjin City, effectively replace the precious water driven from Yangtze River water and Luan River, create a larger room for water resources for the urban development in Tianjin City, contribute to the socio-economic development during the 14<sup>th</sup> Five-Year Plan period, and bring significant social, economic and environmental benefits at the same time.

- (2) *Improving the planning and utilization indicators effectively, and maintaining the leading position of Water Recycling Company in water supply in the main districts of Tianjin City*

In 2018, Tianjin Municipal Government issued the approval regarding the Planning for Utilization of Recycled Water in Tianjin City (2016-2030) (《天津市再生水利用規劃(2016-2030)》). Targets of the planning: utilization rate of recycled water in the entire city reached over 40% in 2020, among which the consumption of high-quality recycled water in the main districts reached 82 million tons per year; utilization rate of recycled water in the entire city reaches over 62% in 2030, among which the consumption of high-quality recycled water in the main districts reached 248 million tons per year. There is still a long way to achieve the targets of the planning. Therefore, commencing the pipeline network construction could improve the planning and utilization indicators, and maintain the leading position of Water Recycling Company in water supply in the main districts of Tianjin City effectively, which has important strategic significance for the long-term business development of Water Recycling Company.

#### **4. *Analysis of benefits of the project***

It is calculated that the after-tax financial internal yield of the entire investment of the project is 6.29%.

#### **5. *Submission and approval matters of the project***

The project has obtained the Proof regarding the Filing of the First Batch of Connection Work for Recycled Water Pipe Network Project in Main Districts of Tianjin City by Tianjin Water Recycling Co., Ltd. (Jin Fa Gai Bei (2021) No. 31)\* (《關於天津中水有限公司天津市主城區再生水管網連通工程第一批項目備案的證明》(津發改備(2021)31號)) issued by Tianjin Development and Reform Commission\* (天津市發展和改革委員會). According to the relevant requirements by the Classified Management Catalog for Environmental Impact Assessment of Construction Projects (2021 Edition) (《建設項目環境影響評價分類管理名錄本》(2021年版)), this project is not required to carry out the procedure for environmental impact assessment. The project does not involve new additional land.

### **(IV) Repayment of Interest-bearing Liabilities and Replenishment of Liquidities**

#### **1. *Project overview***

In order to meet the requirement for the daily working capital of the Company, the Company intends to use the proceeds from the Non-public Issuance of RMB249 million in the repayment of interest-bearing liabilities and replenishment of liquidities.

## **2. *Feasibility and necessity***

### **(1) *Reducing the financial costs of the Company and improving profitability***

In recent years, the Company has raised funds through bank borrowings to provide financial support and guarantee for expanding its business scale and enhancing market competitiveness. However, the resulting financial costs have reduced the profitability of the Company correspondingly. In 2018, 2019 and 2020, the financial costs of the Company amounted to RMB161,986,000, RMB199,396,000 and RMB239,100,000, representing 30.75%, 37.70% and 39.45% of the net profit in the respective periods.

The proceeds from the Non-public Issuance of shares would be partly used in the repayment of interest-bearing liabilities, which would reduce the scale of debt financing effectively and reduce the financial burden of the Company, and in turn raise the continuous profitability of the Company.

### **(2) *Replenishment of working capital, meeting the needs of business growth and enhancing the implementation of the Company's strategies***

With the expansion of the Company's business scale and the commencement of new projects, the Company's demand for working capital continues to rise. Through the Non-public Issuance, part of the proceeds would be used to replenish working capital, which could improve the financial condition of the Company and provide capital guarantee for further business development of the Company.

## **III. THE INFLUENCE OF THE NON-PUBLIC ISSUANCE ON THE OPERATING MANAGEMENT AND FINANCIAL CONDITION OF THE COMPANY**

### **(I) *The Influence of the Issuance on the Operating Management of the Company***

The proceeds from the Non-public Issuance would be used in the Construction Project in Anhui Fuyang Jieshou High-Tech Industrial Development Zone Tianying Science Park Sewage Treatment Plant Construction Project, Newly-built and Upgrade and Supporting Pipeline Network (Phase II) PPP project of Honghu City Township Sewage Treatment Plant, First Batch of Connection Work for Recycled Water Pipe Network Project in Main Districts of Tianjin City, and repayment of interest-bearing liabilities and replenishment of liquidities. The proceeds from the Non-public Issuance of shares would further enhance the capital strength of the Company, significantly improve the asset and liability structure, enhance the solvency of the Company, improve the financial condition of the Company, further enhance the comprehensive competitiveness and risk resilience of the Company, which would lead to the improvement of the core competitiveness and long-term profitability of the Company, being in line with the interest of the shareholders as a whole.



**(II) The Influence of the Issuance on the Financial Condition of the Company**

Upon the receipt of the proceeds from the Non-public Issuance, the sizes of the total assets and net assets would both increase to a certain extent, and the capital strength of the Company would be enhanced, providing strong capital guarantee for future development of the Company. With the improvement in gearing ratio and liquidity of the Company, the financial structure would further be optimized, which could help to reduce the financial costs and increase the profitability of the Company. The abilities in sustainable development and profitability of the Company would both enhance through utilizing the proceeds from this offering, which could be conducive to the expansion of the business scale and the growth of profit level of the Company, and further optimize the financial condition of the Company.

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

The utilization plan for the proceeds from the Non-public Issuance of shares of the Company, which is necessary and feasible, complies with the relevant policies, laws and regulations, and the future general strategic development plan of the Company. The receipt and use of the proceeds from this issuance would help to meet the capital needs for the business development of the Company, enhance the overall strength and profitability of the Company, enhance the abilities in subsequent financing and sustainable development, and lay the foundation for the Company to achieve the goals for the development strategy, being in line with the interest of the shareholders as a whole.

(This page contains no text, and is for the seal of Tianjin Capital Environmental Protection Group Company Limited Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares)

The Board of Directors  
Tianjin Capital Environmental Protection Group Company Limited  
22 November 2021

**Tianjin Capital Environmental Protection Group Company Limited****Shareholders' Return Plan For the Next Three Years (2021 – 2023)**

With a view to further enhancing the transparency of the Company's cash dividend distribution, improving and fully implementing the dividend distribution policy, the Company has formulated this shareholders' return plan for the next three years (2021 – 2023) (the "Plan") pursuant to the relevant requirements of "Notice on Further Implementation of Matters in Relation to the Cash Dividend 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 "Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies (Zheng Jian Hui Gong Gao [2013] No. 43)" (《上市公司監管指引第3號 – 上市公司現金分紅》(證監會公告[2013]43號)) issued by the CSRC, "Guideline on Cash Dividend of Listed Companies" (《上市公司現金分紅指引》) and "No. 7 Memorandum on Periodic Report of Listed Company – Matters Related to Cash Dividend Distribution in Preparation of Annual Report" (《上市公司定期報告工作備忘錄第七號–關於年報工作中與現金分紅相關的注意事項》) issued by Shanghai Stock Exchange, and the Articles of Association of the Company.

**I. FACTORS TAKEN INTO CONSIDERATION IN FORMULATING THE PLAN BY THE COMPANY**

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

**II. PRINCIPLES FOR FORMULATING THE PLAN**

The Company will actively implement the continuous, stable profit distribution policy, and emphasize on the reasonable investment return to investors, while maintaining the Company's sustainable development. For the next three years (2021-2023), subject to the satisfaction of conditions of cash dividend distribution, the Company will adhere to adopting the distribution of cash dividends as priority for distributing profit, to further improve the system of cash dividends, enhance the transparency of cash dividends and maintain the continuity, reasonability and stability of the cash dividend distribution policy.

**III. THE PROCEDURES FOR FORMULATING AND REVIEWING THE PLAN**

The Board of the Company shall formulate a shareholders' 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 shareholders' return plan of the Company shall be formulated by the Board and submitted to the shareholders' meeting for consideration after being considered and approved by the Board.



**IV. THE SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS  
(2021-2023)**

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

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

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

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

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

- (V) Specific conditions for distributing dividends in shares by the Company: where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares. Distributing profit by way of dividends in shares shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.
- (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****(I) 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), the independent directors and supervisors shall be fully heard and considered during the Board, the supervisory committee 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 may collect the voting rights at general meeting from the shareholders of the Company.

**(II) 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 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 plan for the consideration and approval by the shareholders at the general meeting.

The Company shall fully listen to opinions and requests from minority shareholders through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms). The Company shall make internet voting available for shareholders or collect voting rights of shareholders when considering the profit distribution proposal.

- VI.** Shareholders, independent directors and the supervisory committee of the Company shall supervise the profit distribution policy and shareholders' return plan implemented by the Board.
- VII.** The matters which have not been specified in this Plan shall be implemented according to the requirements of relevant laws, regulations, normative documents and the Articles of Association. This Plan shall be explained by the Board and will be effective from the date of consideration and approval at the general meeting of the Company.

Board of Directors  
Tianjin Capital Environmental Protection Group Company Limited  
22 November 2021

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

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**Stock Code : 600874**

**Stock Abbreviation : Capital Environment Protection**

**Tianjin Capital Environmental Protection Group Company Limited  
Announcement on Risk Alert on the Dilution of Immediate Return  
due to the Non-Public Issuance of A Shares  
and the Relevant Remedial Measures**

The board of directors of the Company, all directors warrant that the content of this announcement does not include any false representations, misleading statements or material omissions, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the content herein.

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) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) as well as other laws, regulations, rules and other regulatory documents, the Company has analyzed the influence of the Non-public Issuance 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 IMMEDIATE 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 on 31 March 2022, for which it is only an assumption, and does not constitute a commitment to the actual completion date. Investors should not make investment decisions in reliance thereon. If investors make investment decisions based on this assumption analysis and suffer loss, the Company shall not be liable;
3. The number of shares under this Non-public Issuance is 428,168,529 (which is an estimate and subject to the number of shares approved by the CSRC and actually issued); the total proceeds from this Non-public Issuance of A Shares is RMB830.50 million, without considering the impact of deducting the issue expenses;

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4. It is assumed that except for this Issuance, there will be no other circumstances that will cause changes to the Company's share capital in 2021 and 2022;
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 this Issuance is not taken into account;
6. The net profit attributable to the shareholders of the parent company of the Company for the January to September 2021 amounted to RMB544.6880 million, and the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss amounted to RMB488.9530 million; assuming that the net profit attributable to the shareholders of the parent company and the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss for 2021 equal to their respective index for January to September 2021 multiplied by 4/3 respectively; (such assumption is 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);
7. It is assumed that the net profit of the Company for 2022 will be calculated based on the following 3 scenarios (which are not indicative of the judgment of the Company on its operating conditions and trends for 2022 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 2022 is the same as that for 2021;  
  
    Scenario 2:     assuming that the net profit attributable to the shareholders of the listed company for 2022 is 10% higher than that for 2021;  
  
    Scenario 3:     assuming that the net profit attributable to the shareholders of the listed company for 2022 is 10% lower than that for 2021;
8. 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 on the Company's key financial indexes do not represent the Company's judgment on its operating conditions and trends for 2021 and 2022 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.

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**(II) Impact on the Key Financial Indicators**

Based on the foregoing assumptions, the calculation on the impact of the immediate return dilution by the Non-public Issuance on the key financial indexes of the Company is as follows:

<b>Items</b>	<b>For the year 2021/ as at 31 December 2021</b>	<b>For the year 2022/ as at 31 December 2022 Before the Issuance</b>	<b>After the Issuance</b>
Total number of shares at the end of the period (in 10 thousand)	142,722.84	142,722.84	185,539.70
Total amount of the proceeds raised (RMB0'000)			83,050.00
Number of shares under the Issuance (in 10 thousand)			42,816.85
Assumption I: Net profit attributable to the shareholders of the listed company for 2022 is the same as that for 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	72,625.07	72,625.07
Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss (RMB0'000)	65,193.73	65,193.73	65,193.73
Basic earnings per share (RMB/share)	0.5089	0.5089	0.4154
Diluted earnings per share (RMB/share)	0.5089	0.5089	0.4154
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.4568	0.3729
Diluted earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.4568	0.3729
Weighted average return on net assets (%)	10.44	9.46	8.75
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	9.37	8.49	7.85
Assumption II: Net profit attributable to the shareholders of the listed company for 2022 is 10% higher than that for 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	79,887.57	79,887.57
Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss (RMB0'000)	65,193.73	71,713.11	71,713.11

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Items	For the year 2021/ as at 31 December 2021	For the year 2022/ as at 31 December 2022 Before the Issuance	After the Issuance
Basic earnings per share (RMB/share)	0.5089	0.5597	0.4569
Diluted earnings per share (RMB/share)	0.5089	0.5597	0.4569
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.5025	0.4102
Diluted earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.5025	0.4102
Weighted average return on net assets (%)	10.44	10.35	9.58
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	9.37	9.29	8.60
Assumption III: Net profit attributable to the shareholders of the listed company for 2022 is 10% lower than that for 2021			
Net profit attributable to the shareholders of the parent company (RMB0'000)	72,625.07	65,362.56	65,362.56
Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss (RMB0'000)	65,193.73	58,674.36	58,674.36
Basic earnings per share (RMB/share)	0.5089	0.4580	0.3739
Diluted earnings per share (RMB/share)	0.5089	0.4580	0.3739
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.4111	0.3356
Diluted earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4568	0.4111	0.3356
Weighted average return on net assets (%)	10.44	8.55	7.91
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	9.37	7.68	7.10

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



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### **II. SPECIAL RISK REMINDER ON THE DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE**

Upon the completion of the Non-public Issuance, the scale of total share capital and net assets of the Company will increase, and it will take a certain period of time to utilize and generate benefits with the proceeds. Under the circumstance of which both total share capital and net assets of the Company increase, there is risk of dilution on the Company's immediate returns for the year upon the completion of the Non-public Issuance if the Company's profits do not increase accordingly. In addition, once the assumptions of the aforementioned analysis or the Company's operating conditions have changed significantly, it is possible that the dilution of immediate returns as a result of this Issuance would change.

The investors are specifically reminded to make rational investments, and be alert of the risk of dilution of immediate returns as a result of this Non-public Issuance.

### **III. NECESSITY AND RATIONALITY OF THIS NON-PUBLIC ISSUANCE**

The necessity and rationality of this Issuance are set out in "Chapter 3 Discussion and Analysis of the Board of Directors on the Impacts of the Issuance on the Company" of this proposal.

### **IV. RELATIONSHIP BETWEEN PROJECTS INVESTED WITH THE PROCEEDS AND THE COMPANY'S EXISTING BUSINESS AS WELL AS THE RESERVE FOR THE INVESTMENT PROJECTS IN TERMS OF TALENT, TECHNOLOGY AND MARKET**

The proceeds raised by the Company from the Non-public Issuance, after deducting relevant issuance fees, will be used for the construction project of sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech Zone of Fuyang in Anhui, the PPP project for the construction, upgrading and ancillary pipe networking of the rural sewage treatment plants (Phase II) in Honghu City, the first batch of projects of the recycled water pipe network connection in the main districts of Tianjin City, and the repayment of interest-bearing liabilities and supplementation of working capital, which will help expand the Company's business scale, increase its market share and enhance its risk resistance capacity, so as to further enhance the Company's profitability and core competitiveness.

The business scope of the Company remains unchanged after the Non-public Issuance.

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### **V. MEASURES OF THE COMPANY WITH RESPECT TO THE DILUTION OF IMMEDIATE RETURN FROM THE ISSUANCE**

In order to protect the interests of general investors and reduce the possible dilution impact of the Non-public Issuance on the immediate return, the Company intends to adopt various measures to ensure the proceeds of the Non-public Issuance will be utilized effectively and to prevent the risk of dilution of immediate return, so as to provide higher immediate returns for shareholders. The Company intends to adopt the following specific measures:

#### **(I) Strengthen operation management and internal control to enhance operation efficiency and profitability**

The Company will continue to improve its mode of operation and consolidate its preponderant business. The Company will continue to push for technological advancement on one hand, providing its subsidiaries with necessary technical support to control costs; on the other hand, the Company will put more emphasis on follow-up and risk management of projects. The Company's subsidiaries will continue to explore their potential, strengthening cost control and their capacity to reduce energy consumption and be energy efficient, and proactively carrying out necessary facility and process improvement and technology upgrade. Meanwhile, the Company will strengthen its management of daily operations and internal control, continuously refine its corporate governance structure, strengthen its budget and investment management, so as to increase the efficiency of daily operations comprehensively, reduce the operating costs of the Company and increase operating performance.

#### **(II) Strengthen the Management and Utilization of the Proceeds and Prevent Risks in connection with the Use of the 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 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.

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

The Company will strictly comply with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shanghai Stock Exchange and other relevant laws, regulations and normative documents, continuously improve the corporate governance structure, and ensure that shareholders can fully exercise their rights, that the Board of directors can exercise its functions and powers in accordance with the provisions of laws, regulations and the 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 (2021-2023) in accordance with the relevant requirements in the Notice on Further Implementation of Matters in Relation to the Cash Dividend of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC and the relevant provisions regarding profit distribution policies in the Articles of Association. The Company will strictly implement the dividend policy and shareholder return plan formulated by the Company, and strive to provide higher investment returns to shareholders.

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

Given 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.

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**VI. UNDERTAKINGS 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 Issuance:

- “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 constrain the expenses in performing my duties;
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 the state and the securities regulatory authorities 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 the Shares of the Company that makes the said undertakings fail to meet such requirements by the state and the securities regulatory authorities, I hereby undertake that I shall make further undertaking(s) in accordance with those new requirements issued by the state and the securities regulatory authorities.

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.”

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

Tianjin Municipal Investment Company Limited (the controlling shareholder) and Tianjin City Infrastructure Construction and Investment Group Company Limited (the indirect controlling shareholder) have made the following undertakings to ensure the implementation of the mitigation and remediation measures of the Company 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 Tianjin Capital Environmental Protection Group Company Limited 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 IMMEDIATE RETURN  
RESULTING FROM THIS ISSUANCE AND THE RELEVANT UNDERTAKING**

The mitigation and remediation measures for the diluted immediate return resulting from this Issuance and the relevant commitments have been passed at the 63rd meeting of the eighth session Board of Directors of the Company, and will be submitted to the general meeting of the Company for review.

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## NOTICE OF THE 2021 FOURTH EGM

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

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

### NOTICE OF 2021 FOURTH EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 fourth extraordinary general meeting (the “EGM”) of Tianjin Capital Environmental Protection Group Company Limited (the “Company”) will be held at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the People's Republic of China (the “PRC”) on 24 December 2021 at 2:00 p.m. for the purpose of considering the resolutions as listed below:

*Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcement in relation to (1) the Proposed Non-public Issuance of A Shares; (2) the Specific Mandate; and (3) the proposed adoption of the Shareholders' Return Plan dated 22 November 2021 (the “Announcement”) of the Company.*

#### **I. As special resolutions:**

1. To consider and approve the proposal in relation to the plan for the Non-public Issuance of A Shares (2021), the major details of which are as follows (each to be considered and approved by way of separate special resolution):
  - 1.1 Class and par value of shares to be issued;
  - 1.2 Method and time of issuance;
  - 1.3 Target of issuance and method of subscription;
  - 1.4 Issue price and pricing principle;
  - 1.5 Number of shares issued;
  - 1.6 Use of proceeds;
  - 1.7 Lock-up arrangement;
  - 1.8 Place of listing;
  - 1.9 Arrangement relating to the accumulated undistributed profits; and
  - 1.10 Validity period of the resolution.

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## NOTICE OF THE 2021 FOURTH EGM

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2. To consider and approve the proposal in relation to the proposed Non-public Issuance of A Shares (2021).
3. To consider and approve the proposal in relation to Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares.
4. To consider and approve the proposal in relation to the Shareholders' Return Plan for the Next Three Years (2021-2023) of the Company.
5. To consider and approve the proposal in relation to the risk alert on the dilution of the current returns due to the Non-public Issuance of A shares and the relevant remedial measures.
6. To consider and approve the proposal in relation to the authorization granted to the Board and its authorized representative(s) to deal with matters related to the Non-public Issuance of A Shares:

**“THAT**

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

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

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## NOTICE OF THE 2021 FOURTH EGM

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

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

### **II. As ordinary resolutions:**

1. To consider and approve the proposal in relation to the satisfaction of the criteria for Non-public Issuance of A Shares.



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## NOTICE OF THE 2021 FOURTH EGM

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2. To consider and approve the proposal in relation to the undertakings of the controlling shareholders, indirect controlling shareholders, the Directors and the senior management of the Company in relation to implementation of the measures to fill the diluted current returns.

(For details of the above resolutions, please refer to the Announcement and the relevant overseas regulatory announcements of the Company dated 22 November 2021.)

By order of the Board  
**Liu Yujun**  
Chairman

Tianjin, the PRC  
8 December 2021

*As at the date of this notice, the Board comprises three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; three non-executive Directors: Mr. Gu Wenhui, Mr. Si Xiaolong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xu Zhiming, Mr. Guo Yongqing and Ms. Lu Yingying.*

*Notes:*

- (1) The holders of shares (the “**Shareholders**”) whose names appear on the register of members at 4:30 p.m. on 21 December 2021 will be entitled to attend the EGM. The holders of H shares of the Company (“**H Shares**”) are reminded that the register of members of the Company’s H Shares will be closed from 22 December 2021 to 24 December 2021, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s H Share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 December 2021. The holder of H Shares and whose name appears on the register of members of the Company’s H Shares at 4:30 p.m. on 21 December 2021 or his/her proxy may attend the EGM by bringing his/her own identity card or passport.
- (2) Each Shareholder having the rights to attend and vote at the EGM is entitled to appoint in written form one or more than one proxies (whether a Shareholder or not) as his proxy to attend and vote on his behalf at the EGM. If more than one proxy is appointed by a Shareholder, such proxy shall only exercise his voting rights on a poll.
- (3) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the enclosed form of proxy). In order to be valid, the form of proxy and, if such form of proxy is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company’s H Share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, or the Company’s principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC as soon as possible but in any event not less than 24 hours before the time scheduled for the holding of the EGM.
- (4) Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the form of proxy.
- (5) The EGM is expected to last for about half a day. The Shareholders and their proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.

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

Postal Code: 300381  
Telephone: 86-22-23930128  
Facsimile: 86-22-23930126

# NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETING

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

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

## NOTICE OF 2021 SECOND H SHAREHOLDERS' CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 second H shareholders' class meeting (the **"H Shareholders' Class Meeting"**) of Tianjin Capital Environmental Protection Group Company Limited (the **"Company"**) will be held at the conference room of the Company on 5/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the People's Republic of China (the **"PRC"**) on 24 December 2021 at 3:00 p.m. (or immediately after the 2021 second A shareholders' class meeting of the Company to be held on the same date and at the same place) for the purpose of considering the resolutions as listed below:

*Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcement in relation to (1) the Proposed Non-public Issuance of A Shares; (2) the Specific Mandate; and (3) the proposed adoption of the Shareholders' Return Plan dated 22 November 2021 (the **"Announcement"**) of the Company.*

### **I. As special resolutions:**

1. To consider and approve the proposal in relation to the plan for the Non-public Issuance of A Shares (2021), the major details of which are as follows (each to be considered and approved by way of separate special resolution):
  - 1.1 Class and par value of shares to be issued;
  - 1.2 Method and time of issuance;
  - 1.3 Target of issuance and method of subscription;
  - 1.4 Issue price and pricing principle;
  - 1.5 Number of shares issued;
  - 1.6 Use of proceeds;
  - 1.7 Lock-up arrangement;
  - 1.8 Place of listing;
  - 1.9 Arrangement relating to the accumulated undistributed profits; and
  - 1.10 Validity period of the resolution.

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## NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETING

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2. To consider and approve the proposal in relation to the proposed Non-public Issuance of A Shares (2021).
3. To consider and approve the proposal in relation to Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares.
4. To consider and approve the proposal in relation to the Shareholders' Return Plan for the Next Three Years (2021-2023) of the Company.
5. To consider and approve the proposal in relation to the risk alert on the dilution of the current returns due to the Non-public Issuance of A Shares and the relevant remedial measures.

(For details of the above resolutions, please refer to the Announcement and the relevant overseas regulatory announcements of the Company dated 22 November 2021.)

By order of the Board

**Liu Yujun**

*Chairman*

Tianjin, the PRC

8 December 2021

*As at the date of this notice, the Board comprises three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; three non-executive Directors: Mr. Gu Wenhui, Mr. Si Xiaolong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xu Zhiming, Mr. Guo Yongqing and Ms. Lu Yingying.*

*Notes:*

- (1) The holders of H shares (the “**H Shareholders**”) whose names appear on the register of members at 4:30 p.m. on 21 December 2021 will be entitled to attend the H Shareholders' Class Meeting. The register of members of the Company's H Shares will be closed from 22 December 2021 to 24 December 2021, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Shares registrar and transfer office, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 December 2021. The holder of H Shares and whose name appears on the register of members of the Company's H Shares at 4:30 p.m. on 21 December 2021 or his/her proxy may attend the H Shareholders' Class Meeting by bringing his/her own identity card or passport.
- (2) Each Shareholder having the rights to attend and vote at the H Shareholders' Class Meeting is entitled to appoint in written form one or more than one proxies (whether a Shareholder or not) as his proxy to attend and vote on his behalf at the H Shareholders' Class Meeting. If more than one proxy is appointed by a Shareholder, such proxy shall only exercise his voting rights on a poll.
- (3) H Shareholders can appoint a proxy by an instrument in writing (i.e. by using the enclosed form of proxy). In order to be valid, the form of proxy and, if such form of proxy is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed and the form of proxy, must be deposited at the Company's H Share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or the Company's principal office address at TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC as soon as possible but in any event not less than 24 hours before the time scheduled for the holding of the H Shareholders' Class Meeting.

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## NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETING

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

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