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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)

ANNOUNCEMENT IN RELATION TO THE PROPOSED CHANGE IN THE USE OF PART OF THE PROCEEDS

References are made to the relevant announcements and overseas regulatory announcements of the Company, all dated 22 November 2021, in relation to (1) the termination of 2020 Adjusted Non-public Issuance of A Shares; (2) the proposed Non-public Issuance of A Shares; (3) the Specific Mandate; and (4) the proposed adoption of the Shareholders' Return Plan, the relevant circular dated 8 December 2021 (the "**Circular**"), the notice of 2021 fourth extraordinary general meeting and the notice of 2021 second H shareholders' class meeting dated 8 December 2021, the announcement relating to the approval of Non-public Issuance of A Shares by Tianjin SASAC dated 10 December 2021, the announcement on the resolutions passed at the 2021 fourth extraordinary general meeting, the 2021 second H shareholders' class meeting and the 2021 second A shareholders' class meeting dated 24 December 2021, the announcement relating to the acceptance of the application for Non-public Issuance of A Shares by the CSRC dated 11 January 2022, the relevant overseas regulatory announcements dated 7 February 2022, 21 February 2022, 3 March 2022, 17 March 2022 and 22 April 2022, the announcement in relation to the approval obtained from the Issuance Examination Committee of the CSRC for the application for the Non-public Issuance of A Shares dated 16 May 2022, the announcement relating to the approval of Non-public Issuance of A Shares by the CSRC dated 8 June 2022, the announcement on results of Non-public Issuance of A Shares and changes in share capital dated 29 September 2022, as well as the relevant regulatory announcements dated 22 March 2023 and 27 March 2023. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular.

I. SUMMARY ON THE CHANGE IN THE USE OF PART OF THE PROCEEDS

(I) Background of the Proceeds

According to the Approval on the Non-Public Issuance of Shares of Tianjin Capital Environmental Protection Group Company Limited (Zheng Jian Xu Ke [2022] No. 1122) (《關於核准天津創業環保集團股份有限公司非公開發行股票的批覆》(證監許可[2022]1122號)), the Company non-publicly issued 143,189,655 RMB-denominated ordinary shares at an issue price of RMB5.80 per Share to certain investors in September 2022, and the gross proceeds raised was RMB830,499,999.00. According to the Verification Report (PricewaterhouseCoopers Zhong Tian Yan Zi (2022) No. 0816) (普華永道中天驗字(2022)第0816號驗資報告) issued by PricewaterhouseCoopers Zhong Tian LLP, as of 20 September 2022, the total amount of proceeds from the issuance was RMB830,499,999.00, deducting the expenses relating to the issuance of RMB19,743,434.08 (tax exclusive), the amount of net proceeds was RMB810,756,564.92.

(II) Utilization of the Proceeds

As of 31 July 2023, utilization of the proceeds from the issuance by the Company was as follows:

Unit: RMB0'000

Investment project related to the proceeds	Total amount of investment	Proposed amount of proceeds to be utilized	Actual amount of proceeds utilized	Balance of proceeds
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	11,526.70	3,273.30
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	3,310.69	18,139.31
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	5,873.66	16,026.34
The repayment of interest-bearing liabilities and supplement the working capital	—	22,925.66	22,925.66	0.00
Total		81,075.66	43,636.71	37,438.95

As of 31 July 2023, the Company has utilized a total of RMB436,367,100 in the proceeds, the balance of which was RMB374,389,500.

(III) The Change in the Use of Part of the Proceeds

In order to enhance the efficiency of the use of proceeds, accelerate the implementation of investment projects, safeguard the long-term interests of the Company and the arrangement for the use of proceeds, the Company intends to make certain changes to the use of the proceeds abovementioned.

The Company intends to apply RMB103,000,000 out of the amount originally committed to “The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant” (the “**Honghu Project**”) to the Karamay Nanjiao Sewage Treatment Plant Franchise Project (the “**Karamay Nanjiao Project**”) instead. The project company shall be Karamay Capital Water Co., Ltd., a wholly-owned subsidiary of the Company.

The proceeds involved in such change in the amount of RMB103,000,000 represent 12.70% of the original net proceeds.

The investment project related to the change in the use of proceeds has completed its registration and filing at the local government in accordance with relevant regulations, and the Company will carry out other relevant procedures strictly in compliance with national laws and regulations.

Details of the changes in the use of proceeds are as follows:

Unit: RMB0'000

Investment project proposed to be changed		Investment project after the proposed change	
Name of project	Balance of proceeds raised	Name of project	Proposed change to the amount of proceeds
The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	18,139.31	Karamay Nanjiao Sewage Treatment Plant Franchise Project	10,300.00

Subsequent to such changes, the intended amount applicable to the Honghu Project has been adjusted from RMB214,500,000 to RMB111,500,000.

(IV) Deliberations of the Board of Directors

The Company held a Board meeting on 7 August 2023, at which the “Proposal on Changing the Use of Part of the Proceeds” was considered and approved. The Board of Directors agreed that the Company should change the use of RMB103,000,000 of the proceeds of the Honghu Project for the investment and construction expenditure of the Karamay Nanjiao Project.

In accordance with relevant regulations such as “Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds of Listed Companies”, “Stock Listing Rules of Shanghai Stock Exchange” and the Company’s “Management System of Raised Proceeds”, the current change in the use of part of the proceeds does not constitute a related party transaction, and the matter needs to be submitted to the Shareholders’ general meeting of the Company for consideration.

II. SPECIFIC REASONS FOR CHANGE IN THE USE OF PART OF THE PROCEEDS

(I) The Planned Investment and Actual Investment of the Original Project

Unit: RMB0'000

Name of the project	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant
Project company	Honghu Tianchuang Environmental Protection Co., Ltd.
Total original planned investment amount	28,465.12
Amount originally proposed to be invested with proceeds	21,450.00
Cumulative amount invested as at 31 July 2023	3,310.69

As at 31 July 2023, the unused balance of the proceeds from the Honghu Project was RMB181,393,100.

(II) Specific Reasons for the Change

The project is a PPP project of (phase II) Honghu township sewage processing plant operated by Honghu People's Government in PPP mode. The Company (the initiator) and CCCC Tianjin Dredging Co., Ltd. have become the social capital party of the project through winning the public bidding and the parties established a project company, Honghu Tianchuang Environmental Protection Co., Ltd. ("**Honghu Project Company**"), in Honghu City as the implementation entity for the investment and financing, construction, operation and maintenance and transfer of the project. The project consists of three sub-projects: the Honghu Laoji Town Domestic Sewage Treatment Project, the Honghu City Township and Suburban Village Group Pipeline Network Construction Project, and the Honghu City Fengkou East Domestic Sewage Treatment Plant and Supporting Pipeline Network Project, with a total scale of 4,500 m³/day of sewage treatment in the near future.

The Company held the 14th meeting of the ninth session of the Board of Directors on 23 May 2023 to consider and approve the proposal to change and adjust the investment plan of the Honghu Project, and a supplementary project agreement was entered into between the Honghu Project Company and Honghu Municipal Housing and Construction Bureau recently, agreeing to adjust the construction content of the Honghu Project to the Honghu City Fengkou East Domestic Sewage Treatment Plant and Supporting Pipeline Network and the Honghu City Township and Suburban Village Group Pipeline Network Construction Project, with a total scale of sewage treatment in the near future of 3,000 m³/day, and the total investment amount of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800. After deducting the investment amount invested by the previous proceeds raising and the investment advanced by the Honghu Project Company's own funds totaling approximately RMB39,564,300, the capital expenditure to be continued to be invested subsequently was approximately RMB78,689,500.

To improve the efficiency of the use of the proceeds and to safeguard the long-term interests of the Company and the arrangement for the use of the proceeds, the Company intends to use RMB103,000,000 of the remaining proceeds of RMB181,393,100 for the construction of Karamay Nanjiao Project and the remaining funds of RMB78,393,100 will continue to be applied to the construction of Honghu Project, thereby promoting the long-term and sound development of the Company's business and protect the interests of the Company and that of its Shareholders.

III. DESCRIPTION OF NEW PROCEEDS-RAISING AND INVESTMENT PROJECT

The Company won the bidding for the Karamay Nanjiao Project in March 2023. On 25 March 2023, the Company's "Announcement in relation to Success in the Bid for Karamay Nanjiao Sewage Treatment Plant Franchising Project and Establishment of the Project Company" was published on the website of SSE and the relevant regulatory announcement was published on the Stock Exchange.

(I) Basic Information and Investment Plan of the Project

1. Name of the project: Karamay Nanjiao Sewage Treatment Plant Franchising Project
2. Project company: Karamay Capital Water Co., Ltd.
3. Place of implementation: Karamay District, Karamay City
4. Cycle of construction: August 2023 to August 2025
5. Project construction content: Nanjiao Sewage Treatment Plant and outlying facilities, technical renovation project of sludge treatment and expansion construction of Nanjiao Sewage Treatment Plant of Karamay City
6. Project sewage treatment scale: 100,000m³/day
7. Cooperation period of the project: 30 years
8. Investment plan of the project: The total investment of the project is RMB569,366,200, currently, the proceeds of RMB103,000,000 is intended to be used and the rest is to be financed by the Company's own funds and bank loans.

(II) Project Feasibility Analysis

The Company established Karamay Capital Water Co., Ltd. (the "**Karamay Project Company**") as the project company with a capital contribution of RMB113,873,200 of its own funds to invest, finance, operate and maintain the Karamay Nanjiao Project.

According to the franchising project agreement signed between the Company and Karamay Municipal Housing and Construction Bureau and the subsequent succession agreement of the franchising project agreement signed jointly with the Karamay Project Company, the Karamay Project Company is responsible for the investment and financing, operation and maintenance and transfer of the project, and enjoys the right to obtain the sewage treatment service fee and pipeline network operation and maintenance service fee. The project's cooperation period is 30 years, the scale of sewage treatment is 100,000m³/day, the starting guaranteed water volume is 60,000m³/day, and the guaranteed water volume of sewage treatment in Karamay Nanjiao Sewage Treatment Plant shall increase by 5,000m³/day every five years within the cooperation period.

The project adopts a government-paid return mechanism. The unit price of sewage treatment services and the unit price of pipe network operation and maintenance services shall subject to a window for price adjustment every five years within the operation period, and the unit price of sewage treatment services and the unit price of pipeline network operation and maintenance services will be adjusted by Karamay Municipal Housing and Construction Bureau according to the Karamay Project Company's application, taking into account the changes in the prices of labour, chemicals, electricity, water and costs of sludge treatment at that time according to the price adjustment formula.

The Karamay Nanjiao Project is well in line with the main business of the Company's "14th Five-Year Plan" strategic planning and development goals. Its implementation will be of great significance to the Company in expanding the environmental protection business market in Xinjiang, increasing its regional influence and enhancing the scale of its main business. It is also conducive to increasing the Company's main business income and improving the level of revenue, which will further increase Shareholders' gains.

The Karamay Nanjiao Project belongs to a normal concession water project model, with the main risks being those of the government's ability to pay, technical operation and policy changes. In view of the Company's leading technical operational capability in China and good local financial position, the Karamay Project Company will maintain good cooperation with the government side in the future and actively communicate and coordinate to ensure normal revenue and operation of the project.

(III) Project Necessity Analysis

The Karamay Nanjiao Project is a franchising project obtained in the field of the Company's main business of sewage treatment business, which will assist the Company's sewage treatment business to expand its market share and increase the Company's revenue and profit. The implementation of the project will be of great significance to the Company in increasing its regional influence as well as enhancing its overall scale, which is in line with the Company's development strategy. The successful operation of the project will enable the Company to give full play to its own management and technical staff resources, creating convenient conditions for the Company to further explore its project coverage.

IV. OPINIONS OF INDEPENDENT DIRECTORS, THE SUPERVISORY COMMITTEE AND THE SPONSOR ON CHANGE IN THE USE OF PART OF THE PROCEEDS

(I) Opinions of Independent Directors

After verification, the independent Directors are of the view that the change in the use of part of the proceeds will help improve the efficiency of the use of the Company's proceeds and at the same time meet the needs of the Company's overall business development layout and other objective circumstances, safeguard the interests of all Shareholders and meet the long-term development needs of the Company. The Board of Directors has considered this matter in a lawful and effective manner, without prejudice to the legitimate interests of the Company and the small and medium-sized Shareholders, and in compliance with the relevant regulations such as the "Guideline for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of Funds Raised by Listed Companies". In summary, the independent Directors unanimously agree the change in the use of part of the proceeds, and agrees to submit this matter to the Shareholders' general meeting of the Company for consideration.

(II) Opinion of the Supervisory Committee

After consideration, the Supervisory Committee of the Company is of the view that the change in the use of part of the proceeds is in line with the strategic development plan of the Company and the interests of all Shareholders. The decision-making procedures for the change in the use of proceeds are in compliance with the relevant laws and regulations, and it is not detrimental to the interests of the Company and its Shareholders. Therefore, the Supervisory Committee of the Company agrees with the Company's change in the use of part of the proceeds, and agrees to submit this matter to the Shareholders' general meeting of the Company for consideration.

(III) Opinion of the Sponsor

After verification, the sponsor is of the view that the change in the use of part of the proceeds has been considered and approved by the Board of Directors and the Supervisory Committee of the Company, and the independent Directors have expressed their clear consent and the matter will be submitted to the Shareholders' general meeting for consideration. The change in the use of part of the proceeds is an arrangement made by the Company in accordance with the current market environment and future strategic development planning, and the objective needs for the implementation of the proceeds investment projects, and is not detrimental to the interests of Shareholders, and is in compliance with the relevant provisions of the "Guidelines for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of proceeds of Listed Companies", and the Company's "Management System of Raised Proceeds". The sponsor agrees to the change in the use of part of the proceeds of the Company, which shall be subject to the approval of the Shareholders' general meeting of the Company before implementation.

The change in the use of part of the proceeds is subject to the approval of the Shareholders of the Company by way of ordinary resolution at the general meeting. A general meeting will be convened for the purpose of, among other things, seeking the Shareholders' approval for the proposed change in the use of part of the proceeds. Votes at the general meeting will be taken by poll.

A notice of the general meeting and a circular containing, among other things, details of the proposed change in the use of part of the proceeds, will be despatched to the Shareholders as soon as practicable.

By order of the Board
Ji Guanglin
Chairman

Tianjin, the PRC
7 August 2023

As at the date of this announcement, the Board comprises three executive Directors: Mr. Ji Guanglin, Mr. Li Yang and Ms. Jing Wanying; three non-executive Directors: Ms. Peng Yilin, Mr. An Pindong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei.