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)

First Quarterly Report 2016

1. Important

1.1 The board (the "**Board**") of directors (the "**Directors**") and the supervisory committee of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") and all of its Directors, supervisors and senior management warrant that there are no false information, misleading statements or material omissions in this report, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents contained in this report.

1.2 Mr. Liu Yujun, the officer in charge of the Company, Ms. Peng Yilin, the officer in charge of the accounting function, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer) have warranted the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

1.3 The financial statements contained in the first quarterly report of the Company have not been audited.

2. Major Financial Data and Changes in Shareholders of the Company

2.1 Major Financial Data

Unit: 0'000 Currency: RMB

	As at the end of this reporting period	As at the end of the previous year	Comparison between the end of this reporting period and the end of the previous year Increase / decrease (%)
Total assets	1,004,665.5	1,004,930.2	-0.03
Net assets attributable to the shareholders of the Company	439,715.1	440,111.5	-0.09
	From the beginning of the year to the end of the reporting period	**From the beginning of the previous year to the end of the corresponding reporting period of the previous year**	**Compared with the same period of the previous year Increase / decrease (%)**
Net cash flows from operating activities	-5,681.9	49,856.5	-111.4
	From the beginning of the year to the end of the reporting period	**From the beginning of the previous year to the end of the corresponding reporting period of the previous year**	**Compared with the same period of the previous year Increase / decrease (%)**
Operating income	45,483.9	44,915.7	1.27
Net profits attributable to the shareholders of the Company	9,594.2	7,118.3	34.78
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	9,558.6	7,046.4	35.65
Weighted average return ratio on net assets (%)	2.18	1.71	Increased by 0.47 percentage point
Basic earnings per share (Yuan/share)	0.067	0.050	34
Diluted earnings per share (Yuan/share)	0.067	0.050	34

Extraordinary items and amounts

Unit: 0'000 Currency: RMB

Items	Amount for the reporting period
Gain and loss from disposal of non-current assets	0.1
Government grants included in profit or loss for the current period other than those closely related to the normal operation of the Company, in compliance with national policies and regulations, as well as the government grants entitled continuously in accordance with certain standard quota or quantity basis	43.8
Other non-operating income and expenditure except for those mentioned above	4.7
Impact on minority interests (after tax)	-0.8
Impact on income tax	-12.2
Total	35.6

2.2 Total number of shareholders as at the end of the reporting period and the tables of the shareholdings of the top ten shareholders of circulating shares (or shareholders of non-restricted circulating shares)

Total number of shareholders					84,946, of which 70 were shareholders of H shares
Shareholdings of the top ten shareholders					
Name of shareholder (Full name)	**Number of shares held at the end of the reporting period (shares)**	**Percentage of shareholding (%)**	**Number of restricted shares held (shares)**	**Status and number of shares pledged or frozen (shares)**	**Nature of shareholder**
Tianjin Municipal Investment Company Limited	715,565,186	50.14	0	None	State-owned legal person
HKSCC NOMINEES LIMITED	337,924,900	23.68	0	Unknown	Unknown
Central Huijin Asset Management Ltd.	14,169,800	0.99	0	Unknown	Unknown
Chen Hexiang	5,326,356	0.37	0	Unknown	Unknown
Daton Securities Co., Ltd.	4,523,374	0.32	0	Unknown	Unknown
China Industrial International Trust Limited	3,003,000	0.21	0	Unknown	Unknown
Zhou Ruhua	2,380,511	0.17	0	Unknown	Unknown
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	2,273,983	0.16	0	Unknown	Unknown
China Construction Bank Corporation-Invesco Great Wall Quantization Selected Stock Securities Investment Fund (景順長城量化精選股票型證券投資基金)	2,079,147	0.15	0	Unknown	Unknown
Xi Jiantao	2,015,900	0.14	0	Unknown	Unknown

Shareholdings of the top ten shareholders of non-restricted circulating shares		
Name of shareholder	**Number of non-restricted circulating shares held (shares)**	**Type of shares**
Tianjin Municipal Investment Company Limited	715,565,186	Ordinary RMB Shares
HKSCC NOMINEES LIMITED	337,924,900	H Shares
Central Huijin Asset Management Ltd.	14,169,800	Ordinary RMB Shares
Chen Hexiang	5,326,356	Ordinary RMB Shares
Daton Securities Co., Ltd.	4,523,374	Ordinary RMB Shares
China Industrial International Trust Limited	3,003,000	Ordinary RMB Shares
Zhou Ruhua	2,380,511	Ordinary RMB Shares
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	2,273,983	Ordinary RMB Shares
China Construction Bank Corporation-Invesco Great Wall Quantization Selected Stock Securities Investment Fund (景順長城量化精選股票型證券投資基金)	2,079,147	Ordinary RMB Shares
Xi Jiantao	2,015,900	Ordinary RMB Shares
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top ten shareholders. It is not certain whether there is any connected relationship between the top ten shareholders of non-restricted circulating shares and the top ten shareholders. Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company. (2) None of the top ten shareholders are strategic investors of the Company.	

3. Major Events

3.1 Description of and reasons for substantial changes in principal financial statement items and financial indicators of the Company

As at 31 March 2016, the Company and its subsidiaries had total assets in the amount of RMB10,046.66 million, representing a decrease of 0.03% or RMB2.65 million as compared to the beginning of the year. Total liabilities were RMB5,428.98 million, representing a decrease of 0.03% or RMB1.57 million as compared to the beginning of the year. Equity interest attributable to the shareholders of the Company was RMB4,397.15 million, representing a decrease of 0.09% or RMB3.97 million as compared to the beginning of the year. Net profit attributable to the Company for the period from January to March of 2016 was RMB95.94 million, representing an increase of 35% or RMB24.76 million as compared to the same period last year.

Analysis of items with more significant changes is set out below:

Unit: 0'000 Currency: RMB

Items	31 March 2016	31 December 2015	Amount of increase/ decrease	Change (%)	Explanation of change
Construction in progress	713	294	419	142%	Mainly due to the increased investment in construction projects of the subsidiaries during the period.
Dividend payable	13,233	3,243	9,991	308%	Mainly the provision for dividends payable for 2015 during the period.
Taxes payable	3,030	9,639	-6,609	-69%	Mainly the payment of value-added tax provided for 2015 during the period.

Unit: 0'000 Currency: RMB

Items	January to March 2016	January to March 2015	Amount of increase/ decrease	Change (%)	Explanation of change
Business tax and surcharges	1,071	410	661	161%	Mainly the provision for business tax and surcharges during the period, while there was no such provision for the same period last year.
Financial expenses	3,351	5,257	-1,906	-36%	Financial expenses decreased in line with the significant decrease in borrowings balance as compared to the same period last year.
Selling expenses	257	100	157	157%	Selling expenses increased in line with the increase in marketing staffs of Tianjin Kaiying Technology Development Company Limited.
Investment income	-137	-221	84	38%	Mainly due to the decrease in losses incurred by associate companies as compared to the same period last year.
Non-operating income	3,209	96	3,112	3,235%	Mainly refund in value-added tax recognized during the current period, while there was no such refund for the same period last year.
Non-operating expenses	0	7	-7	-100%	The amount for the same period last year was mainly attributed to loss on asset retirement.
Profit or loss attributable to minority shareholders	289	213	76	36%	The increase was mainly due to the increase in net profit of non-wholly-owned subsidiaries as compared to the same period last year.
Net cash flows from operating activities	-5,682	49,857	-55,538	-111%	The decrease was mainly due to the payment of the outstanding sewage treatment service fees of RMB500 million by Tianjin Sewage Company to the Company in the same period last year.

Unit: 0'000 Currency: RMB

Items	January to March 2016	January to March 2015	Amount of increase/ decrease	Change (%)	Explanation of change
Net cash flows from financing activities	-3,544	1,450	-4,994	-344%	During the period, principal and interest was repaid and no new borrowings was made, resulting in a net cash outflow. While for the same period last year, the amounts of borrowings was higher than that of repayment.
Net increase in cash and cash equivalents	-20,785	38,577	-59,362	-154%	Mainly due to the combined impact of cash flows from operating, investing and financing activities.

3.2 Progress of major event and its effects as well as the analytical explanation of solutions

☐ Applicable ✓ Not applicable

3.3 Implementation of commitments made by the Company and shareholders holding more than 5% of share capital

☐ Applicable ✓ Not applicable

3.4 Warning of the prediction that the accumulated net profits from the beginning of the year to the end of the next reporting period may record a loss or substantial changes may have occurred as compared with the same period of the previous year and the reasons

☐ Applicable ✓ Not applicable

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
27 April 2016

As at the date of this announcement, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.

4. Appendices

4.1 Financial Statements

Consolidated Balance Sheet
As at 31 March 2016

Unit: '000 Currency: RMB

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT ASSETS:		
Currency funds	1,140,030	1,349,875
Notes receivable	1,154	1,094
Trade receivables	1,522,167	1,238,352
Prepayments	141,673	139,727
Other receivables	53,881	74,531
Inventories	25,533	27,151
Other current assets	47,168	47,168
Total current assets	2,931,606	2,877,898
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,000	2,000
Long-term receivables	316,882	319,463
Long-term equity investments	24,625	25,998
Investment properties	100,345	101,263
Fixed assets	442,232	451,510
Construction in progress	7,131	2,943
Intangible assets	6,214,790	6,260,176
Other non-current assets	7,044	8,051
Total non-current assets	7,115,049	7,171,404
TOTAL ASSETS	10,046,655	10,049,302

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT LIABILITIES:		
Trade payables	83,912	82,599
Advances	900,859	874,880
Wages payable	23,985	21,809
Taxes payable	30,295	96,387
Dividend payable	132,332	32,426
Other payables	445,462	475,812
Non-current liabilities due within one year	1,018,180	1,003,816
Other current liabilities	3,181	3,810
Total current liabilities	2,638,206	2,591,539
NON-CURRENT LIABILITIES:		
Long-term borrowings	549,186	574,186
Bonds payable	695,972	694,925
Long-term payables	265,733	269,777
Deferred income	1,135,504	1,145,674
Deferred income tax liabilities	109,906	105,810
Other non-current liabilities	34,473	48,638
Total non-current liabilities	2,790,774	2,839,010
TOTAL LIABILITIES	5,428,980	5,430,549
OWNERS' EQUITY:		
Share capital	1,427,228	1,427,228
Capital reserves	382,311	382,311
Surplus reserves	414,376	414,376
Retained earnings	2,173,236	2,177,200
Total equity attributable to shareholders of the Company	4,397,151	4,401,115
Non-controlling interest	220,524	217,638
Total owners' equity	4,617,675	4,618,753
TOTAL LIABILITIES AND OWNERS' EQUITY	10,046,655	10,049,302

Balance Sheet of the Company
As at 31 March 2016

Unit: '000 Currency: RMB

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT ASSETS:		
Currency funds	405,128	604,199
Notes receivable	60	0
Trade receivables	1,287,413	1,024,181
Prepayments	133	172
Dividends receivable	8,713	8,713
Other receivables	129,084	151,549
Inventories	4,265	3,697
Other current assets	66,042	124,043
Total current assets	1,900,838	1,916,554
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,000	2,000
Long-term receivables	316,882	319,463
Long-term equity investments	1,557,255	1,557,255
Investment properties	78,194	78,986
Fixed assets	137,407	141,424
Intangible assets	3,479,997	3,511,540
Other non-current assets	239,580	181,580
Total non-current assets	5,811,315	5,792,248
TOTAL ASSETS	7,712,153	7,708,802

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT LIABILITIES:		
Trade payables	29,099	26,193
Advances	7,666	7,666
Wages payable	20,613	12,667
Taxes payable	14,057	71,522
Dividend payable	132,332	32,426
Other payables	943,306	941,483
Non-current liabilities due within one year	721,830	721,466
Total current liabilities	1,868,903	1,813,423
NON-CURRENT LIABILITIES:		
Bonds payable	695,972	694,925
Long-term payables	265,733	269,777
Deferred income	895,169	905,198
Deferred income tax liabilities	48,147	46,104
Other non-current liabilities		
Total non-current liabilities	1,905,021	1,916,004
TOTAL LIABILITIES	3,773,924	3,729,427
OWNERS' EQUITY:		
Share capital	1,427,228	1,427,228
Capital reserves	380,788	380,788
Surplus reserves	414,376	414,376
Retained earnings	1,715,837	1,756,983
Total owners' equity	3,938,229	3,979,375
TOTAL LIABILITIES AND OWNERS' EQUITY	7,712,153	7,708,802

Consolidated Income Statement
January to March 2016

Unit: '000 Currency: RMB

Items		Amount for the current period	Amount for the previous period
1.	Total operating income	454,839	449,157
	Including: Operating income	454,839	449,157
2.	Total cost for operations	359,346	350,551
	Including: Cost for operations	283,875	262,344
	Business tax and surcharges	10,712	4,104
	Selling expenses	2,571	1,000
	Administrative expenses	28,680	30,531
	Financial expenses	33,508	52,572
	Add: Investment income (losses are stated by "-")	-1,372	-2,213
	Including: Investment income from associate companies and joint venture companies	-1,372	-2,213
3.	Operation profit (losses are stated by "-")	94,121	96,393
	Add: Non-operating income	32,087	962
	Including: Gain from disposal of non-current assets	1	0
	Less: Non-operating expenses	0	68
	Including: Losses on disposal of non-current assets	0	28
4.	Total profit (total losses are stated by "-")	126,208	97,287
	Less: Income tax expenses	27,379	23,975
5.	Net profit (net losses are stated by "-")	98,829	73,312
	Net profit attributable to the owners of the Company	95,942	71,183
	Profit or loss attributable to minority shareholders	2,887	2,129
6.	Other comprehensive income, net of tax	—	—
7.	Total comprehensive income	98,829	73,312
	Total comprehensive income attributable to the owners of the Company	95,942	71,183
	Total comprehensive income attributable to minority shareholders	2,887	2,129
8.	Earnings per share:		
	(1) Basic earnings per share (Yuan/share)	0.067	0.050
	(2) Diluted earnings per share (Yuan/share)	0.067	0.050

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0, and the net profit recognized by the merged party in the previous period was RMB0.

Income Statement of the Company
January to March 2016

Unit: '000 Currency: RMB

Items		Amount for the current period	Amount for the previous period
1.	Operating income	241,675	243,978
	Less: Cost for operations	141,029	126,782
	Business tax and surcharges	6,313	1,935
	Administrative expenses	16,616	17,970
	Financial expenses	19,478	32,220
2.	Operation profit (losses are stated by "-")	58,239	65,071
	Add: Non-operating income	20,108	518
	Including: Gain from disposal of non-current assets	0	0
3.	Total profit (total losses are stated by "-")	78,347	65,589
	Less: Income tax expenses	19,587	16,397
4.	Net profit (net losses are stated by "-")	58,760	49,192
5.	Other comprehensive income, net of tax	—	—
6.	Total comprehensive income	58,760	49,192
7.	Earnings per share:		
	(1) Basic earnings per share (Yuan/share)	0.041	0.034
	(2) Diluted earnings per share (Yuan/share)	0.041	0.034

Consolidated Cash Flow Statement

January to March 2016

Unit: '000 Currency: RMB

Items		Amount for the current period	Amount for the previous period
1.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	245,461	689,560
	Taxes and levies rebate received	55,124	3
	Cash received relating to other operating activities	59,973	57,610
	Sub-total of cash inflow from operating activities	360,558	747,173
	Cash paid for goods and services	143,338	125,494
	Cash paid to and on behalf of employees	84,162	75,797
	Payments of taxes and levies	152,940	32,052
	Cash payments relating to other operating activities	36,937	15,265
	Sub-total of cash outflow from operating activities	417,377	248,608
	Net cash flows from operating activities	-56,819	498,565
2.	**Cash flows from investing activities:**		
	Cash received from returns on investments	0	219
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	54	2
	Sub-total of cash inflow from investing activities	54	221
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	99,642	127,515
	Cash paid to other investing activities	16,000	0
	Sub-total of cash outflow from investing activities	115,642	127,515
	Net cash flows from investing activities	-115,588	-127,294
3.	**Cash flows from financing activities:**		
	Cash received from investments	0	1,000
	Including: Cash received by subsidiaries from minority shareholders' investments	0	1,000
	Cash received from borrowings	0	100,000
	Sub-total of cash inflow from financing activities	0	101,000
	Cash paid for repayments of debts	25,000	56,120
	Cash paid for distribution of dividends and profits or for interest expenses	10,438	30,382
	Sub-total of cash outflow from financing activities	35,438	86,502
	Net cash flows from financing activities	-35,438	14,498
4.	**Effect of foreign exchange rate changes on cash or cash equivalents**	—	—
5.	**Net increase in cash and cash equivalents**	-207,845	385,769
	Add: Balance of cash and cash equivalents at the beginning of period	1,328,575	814,892
6.	**Balance of cash and cash equivalents at the end of period**	1,120,730	1,200,661

Cash Flow Statement of the Company

January to March 2016

Unit: '000 Currency: RMB

Items		Amount for the current period	Amount for the previous period
1.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	16,257	514,344
	Taxes and levies rebate received	44,681	0
	Cash received relating to other operating activities	130,898	50,238
	Sub-total of cash inflow from operating activities	191,836	564,582
	Cash paid for goods and services	67,834	54,442
	Cash paid to and on behalf of employees	35,340	34,680
	Payments of taxes and levies	113,166	17,781
	Cash payments relating to other operating activities	108,725	65,677
	Sub-total of cash outflow from operating activities	325,065	172,580
	Net cash flows from operating activities	-133,229	392,002
2.	**Cash flows from investing activities:**		
	Sub-total of cash inflow from investing activities	—	—
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	49,842	69,278
	Cash paid for investments	0	19,000
	Cash paid to other investing activities	16,000	0
	Sub-total of cash outflow from investing activities	65,842	88,278
	Net cash flows from investing activities	-65,842	-88,278
3.	**Cash flows from financing activities:**		
	Cash received from borrowings	0	100,000
	Sub-total of cash inflow from financing activities	0	100,000
	Cash paid for repayments of debts	0	31,000
	Cash paid for distribution of dividends and profits or for interest expenses	0	13,697
	Sub-total of cash outflow from financing activities	0	44,697
	Net cash flows from financing activities	0	55,303
4.	**Effect of foreign exchange rate changes on cash or cash equivalents**	—	—
5.	**Net increase in cash and cash equivalents**	-199,071	359,027
	Add: Balance of cash and cash equivalents at the beginning of period	596,699	292,731
6.	**Balance of cash and cash equivalents at the end of period**	397,628	651,758