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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)

Third Quarterly Report 2021

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 quarterly report, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents contained in this quarterly report.
- 1.2 Mr. Liu Yujun, the chairman 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 chief accountant) have warranted the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.3 The third quarterly report of the Company has not been audited.

2. Major Financial Data of the Company

2.1 Major accounting data and financial indicators

Unit: 0'000 Currency: RMB

	For the current reporting period (July to September)	Increase/decrease for the current reporting period as compared to the same period last year (%)	For the period from the beginning of the year to the end of the reporting period (January to September)	Increase/decrease for the period from the beginning of the year to the end of the reporting period as compared to the same period last year (%)
Operating income	136,061.1	41.91	326,456.5	31.63
Net profit attributable to the shareholders of the Company	24,019.9	33.65	54,468.8	24.74
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit or loss items	22,460.1	40.52	48,895.3	26.55
Net cash flow from operating activities	N/A	N/A	82,611.7	70.82
Basic earnings per share (RMB/share)	0.17	33.65	0.38	22.58
Diluted earnings per share (RMB/share)	0.17	33.65	0.38	22.58
Weighted average return ratio on net assets (%)	3.50	Increased by 0.67 percentage points	8.01	Increased by 1.10 percentage points
	As at the end of the current reporting period	As at the end of the previous year		Increase/decrease as at the end of the current reporting period as compared to the end of the previous year (%)
Total assets	2,148,083.7	1,880,296.9		14.24
Owner's equity attributable to the shareholders of the Company	701,270.6	659,135.1		6.39

2.2 Extraordinary profit or loss items and amounts

Unit: 0'000 Currency: RMB

Items	Amounts for the current reporting period (July to September)	Amounts for the period from the beginning of the year to the end of the reporting period (January to September)
Gain or loss on disposal of non-current assets (including the portion offset by the provision for the impairment of assets)	-216.6	-216.9
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	1,999.0	6,677.4
Other non-operating income and expenditure except for those mentioned above	35.9	-39.8
Impact on income tax	-284.5	-1,104.1
Impact on minority interests (after tax)	26.0	256.9
Total	1,559.8	5,573.5

2.3 Description of and reasons for changes in major accounting data and financial indicators

Items	Change (%)	Main reason
Currency funds	60.99	Mainly due to operating receipts and the increase in funds from debt financing during the current period.
Notes receivable	139.01	Mainly due to new bank acceptance notes receivable by subsidiaries during the current period.
Prepayments	275.96	Mainly due to prepayment of sludge disposal costs during the current period.
Inventories	47.67	Mainly due to the addition of raw materials such as pharmaceuticals during the current period.
Contract assets	N/A	Mainly due to the inclusion of construction service income corresponding to PPP projects under construction in contract assets in accordance with the "Interpretation of Accounting Standards for Business Enterprises No. 14" during the current period.
Non-current assets due within one year	743.11	Mainly due to recognition of availability service fees receivable due within one year in accordance with the "Interpretation of Accounting Standards for Business Enterprises No. 14" during the current period.
Other current assets	34.69	Mainly due to the increase in input VAT to be deducted during the current period.

Items	Change (%)	Main reason
Long-term receivables	111.46	Mainly due to recognition of availability service fees for PPP projects of the Company as long-term receivables in accordance with the “Interpretation of Accounting Standards for Business Enterprises No. 14” during the current period.
Construction in progress	106.77	Mainly due to the increase in investment in the construction of cooling and heating, hazardous waste and other projects under non-franchise model during the current period.
Goodwill	N/A	Mainly due to recognition of goodwill on the hazardous waste projects acquired during the current period.
Short-term borrowings	N/A	Mainly due to new short-term borrowings during the current period.
Accrued payroll	-71.59	Mainly due to payment of year-end bonus accrued at the end of 2020 during the current period.
Long-term borrowings	71.36	Mainly due to new long-term borrowings during the current period.
Debentures payable	-100.00	Mainly due to repayment of 18 Jinchuang Corporate Bonds (Phase I) during the current period.
Operating revenue	31.63	Due to increased income as a result of increase in sewage treatment of existing projects of the Company, and recognition of construction service income corresponding to PPP projects under construction in accordance with the “Interpretation of Accounting Standards for Business Enterprises No. 14” during the current period.
Operating costs	37.29	Due to increased operating costs of the Company’s existing projects and newly operated projects as a result of growth in business volume and improved effluent water quality standards, and recognition of construction service cost corresponding to PPP projects under construction in accordance with the “Interpretation of Accounting Standards for Business Enterprises No. 14” during the current period.
Sales expenses	91.82	Mainly due to the increase in hazardous wastes and sales expenses during the current period.

Items	Change (%)	Main reason
Research and development expenses	54.76	Mainly due to the increase in research and development investment during the current period as compared to the same period last year.
Other income	-34.03	Mainly due to the decrease in the VAT refund upon collection in line with the decrease in the VAT paid as a result of lower VAT rate during the current period.
Credit impairment losses	N/A	Mainly due to provision for bad debts on receivables made by subsidiaries during the current period.
Net cash flow from operating activities	70.82	Mainly due to the increase in the operating receipts such as sewage treatment service fee during the current period as compared to the same period last year.
Net cash flow from financing activities	978.63	Mainly due to the increase in new debt financing during the current period as compared to the same period last year.
Net increase in cash and cash equivalents	300.18	Mainly due to the combined effect of cash flow from operating, investing and financing activities.

3. Information on Shareholders

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

Total number of shareholders					64,441, of which 61 were shareholders of H shares	
Shareholdings of the top ten shareholders						
Name of shareholders (full name)	Nature of shareholders	Number of shares held at the end of the reporting period (shares)	Percentage of shareholdings (%)	Number of restricted shares held (shares)	Pledged, marked or frozen	
					Status of shares	Number (shares)
Tianjin Municipal Investment Company Limited (“TMICL”)	State-owned legal person	715,565,186	50.14	0	None	–
HKSCC Nominees Limited	Other	337,954,810	23.68	0	None	–
Central Huijin Asset Management Ltd.	State-owned legal person	14,169,800	0.99	0	None	–
Hong Kong Securities Clearing Company Limited	Other	9,466,054	0.66	0	None	–
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	Domestic non-state-owned legal person	6,499,900	0.46	0	None	–
Hou Hongyan (侯紅燕)	Domestic natural person	4,400,000	0.31	0	None	–
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	State-owned legal person	1,500,000	0.11	0	None	–
Zhou Lunhui (周倫慧)	Domestic natural person	1,270,000	0.09	0	None	–
Wu Jinxin (吳俊新)	Domestic natural person	1,234,300	0.09	0	None	–
China Merchants Securities Co., Ltd	Stated-owned legal person	1,180,400	0.08	0	None	–

Shareholdings of the top ten shareholders of non-restricted circulating shares			
Name of shareholders	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,954,810	H Shares	337,954,810
Central Huijin Asset Management Ltd.	14,169,800	Ordinary RMB Shares	14,169,800
Hong Kong Securities Clearing Company Limited	9,466,054	Ordinary RMB Shares	9,466,054
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	6,499,900	Ordinary RMB Shares	6,499,900
Hou Hongyan (侯紅燕)	4,400,000	Ordinary RMB Shares	4,400,000
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	1,500,000	Ordinary RMB Shares	1,500,000
Zhou Lunhui (周倫慧)	1,270,000	Ordinary RMB Shares	1,270,000
Wu Jinxin (吳俊新)	1,234,300	Ordinary RMB Shares	1,234,300
China Merchants Securities Co., Ltd	1,180,400	Ordinary RMB Shares	1,180,400
Notes on the connected relationship or parties acting in concert among the above shareholders	<p>It is not certain whether there is any connected relationship among the top ten shareholders.</p> <p>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.</p> <p>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. As at the end of the reporting period, Ningbo BSLS Trade Co., Ltd.*(寧波百思樂斯貿易有限公司) and its concert parties Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司) and LVNENG Investment & Development Co., Ltd. (Hong Kong) held a total of 124,498,000 H shares of the Company, representing 8.72% of the total share capital of the Company, and none of the shares were pledged.</p> <p>(2)None of the top ten shareholders are strategic investors of the Company.</p>		
Description on engagement in margin trading and short selling and refinancing business by top ten shareholders and top ten non-restricted shareholders (if any)	<p>Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司) held, in aggregate, 6,499,900 shares of the Company, of which, 394,300 shares through ordinary securities account and 6,105,600 shares through credit securities account; Hou Hongyan (侯紅燕) held, in aggregate, 4,400,000 shares of the Company, of which, 0 shares through ordinary securities account and 4,400,000 shares through credit securities account; Zhou Lunhui (周倫慧) held, in aggregate, 1,270,000 shares of the Company, of which, 0 shares through ordinary securities account and 1,270,000 shares through credit securities account; Wu Jinxin (吳俊新) held, in aggregate, 1,234,300 shares of the Company, of which, 0 shares through ordinary securities account and 1,234,300 shares through credit securities account.</p>		

4. Reminders

4.1 Other important information on operations of the Company during the reporting period on which investor's attention are drawn

- (1) The Company convened the 32nd meeting of the eighth session of the Board on 13 July 2020 to consider the matters relating to the non-public issuance of A shares, and the relevant matters were considered and approved at the 2020 First Extraordinary General Meeting, the 2020 First H Shareholders' Class Meeting and the 2020 First A Shareholders' Class Meeting of the Company held on 7 September 2020. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 14 July 2020 and 8 September 2020, respectively, as well as the Company's circular published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 21 August 2020.

In light of the changes in the capital market condition, the Company adjusted the proposal of the 2020 non-public issuance of A shares of the Company having considered a combination of various factors in respect of the actual situation, development and planning of the Company, after careful analysis and repeated communications with respective parties. On 30 March 2021, the Company held the 47th meeting of the eighth session of the Board, on which the "Resolution regarding adjustment to the proposed 2020 non-public issuance of A shares" (《關於調整 2020 年度非公開發行 A 股股票方案的議案》) were considered and approved to adjust the proposed 2020 non-public issuance of A shares. On the same day, the Company issued an announcement on the reply to feedback (revised version) on "Notice regarding CSRC's Second Feedback on the Review of Administrative Permission Items". For details of the above announcements, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 31 March 2021.

Since the validity period of the resolution of the general meeting on the 2020 non-public issuance of A shares of the Company and the validity period for the authorization granted by the shareholders' meeting of the Company to the Board and its authorized representative(s) to deal with the relevant issues on the 2020 non-public issuance of A shares of the Company were expired on 7 September 2021, to guarantee continuity of the related work on the 2020 non-public issuance of A shares of the Company, the Company held the 57th meeting of the eighth session of the Board on 3 September 2021, on which "Resolution regarding an extension of the validity period of the resolution of the general meeting on the 2020 non-public issuance of A shares of the Company" (《關於延長公司 2020 年度非公開發行 A 股股票決議有效期的議案》) and "Resolution to propose to the shareholders' meeting for the authorization granted to the Board and its authorized representative(s) to deal with the non-public issuance of shares" (《關於提請股東大會授權董事會及其授權人士全權辦理公司非公開發行股票事宜有效期延期的議案》) were considered and approved. The Board of the Company agreed to extend the validity period of the resolution of the general meeting on the 2020 non-public issuance of A shares of the Company and the validity period of the proposal to the shareholders' meeting of the Company for authorization granted to the Board and its authorized representative(s) to deal with the non-public issuance of A shares of the Company for 12 months from 7 September 2021 to 7 September 2022. Relevant matters were considered and approved at the 2021 Second Extraordinary General Meeting, the 2021 First H Shareholders' Class Meeting and the 2021 First A Shareholders' Class Meeting of the Company held on 15 October 2021. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 3 September 2021 and 15 October 2021, respectively, as well as the Company's circular published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 27 September 2021.

The 2020 non-public issuance of A shares of the Company remains subject to the obtaining of approval (the "**Approval**") from the China Securities Regulatory Commission (the "**CSRC**"). There are still uncertainties on whether the Company can obtain the Approval in relation to the 2020 non-public issuance of A shares. The Company will perform its obligation of information disclosure in a timely manner according to the progress of the approval by CSRC. Shareholders and potential shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

- (2) The impacts of the implementation of the “Accounting Standards for Business Enterprises No. 14 – Revenue” issued by the Ministry of Finance of the People’s Republic of China (“**PRC**”) on the Company: (1) this report is prepared in accordance with new accounting standards; (2) in view of the business conditions of the PPP projects, the Company has made adjustments to the retained earnings as at the beginning of 2021 and the amounts of relevant items in the financial statements in respect of the contracts of the relevant PPP projects. The specific impacts are as follows:

Unit: Yuan Currency: RMB

Affected items in the financial statements	Amounts of the impacts on the balance as at 1 January 2021	
	The Group	The Company
Long-term receivables	1,690,626,429.93	0
Contract assets	258,758,430.48	0
Intangible assets	-1,753,383,335.85	0
Trade receivables	-133,401,583.16	0
Deferred income tax liabilities	14,665,917.93	0
Undistributed profits as at the beginning of the period	47,934,023.47	0

The change in accounting policies is effected by the Company in accordance with the provisions and requirements of the relevant notice issued by the Ministry of Finance of the PRC and in compliance with the provisions of relevant laws and regulations and the actual situation of the Company and will not have material impact on the financial position and operating results of the Company and there is no damage to the interests of the Company and its shareholders.

5. Quarterly Financial Statements

5.1 Type of audit opinion

☐ Applicable ☒ Not applicable

5.2 Financial statements

Consolidated Balance Sheet

As at 30 September 2021

Unit: '000 Currency: RMB

Items	Balance as at the end of the period	Balance as at the beginning of the year
CURRENT ASSETS:		
Currency funds	2,678,353	1,663,646
Notes receivable	6,348	2,656
Trade receivables	2,417,379	1,959,083
Prepayments	98,578	26,220
Other receivables	23,287	24,117
Inventories	25,784	17,460
Contract assets	374,433	0
Non-current assets due within one year	169,036	20,049
Other current assets	110,754	82,228
Total current assets	<u>5,903,952</u>	<u>3,795,459</u>
NON-CURRENT ASSETS:		
Long-term receivables	3,483,568	1,647,402
Long-term equity investments	195,000	195,000
Other equity instruments investments	2,000	2,000
Fixed assets	972,748	809,495
Construction in progress	20,385	9,859
Intangible assets	10,119,240	11,999,818
Goodwill	498,766	0
Deferred income tax assets	13,661	12,965
Other non-current assets	271,517	330,971
Total non-current assets	<u>15,576,885</u>	<u>15,007,510</u>
TOTAL ASSETS	<u><u>21,480,837</u></u>	<u><u>18,802,969</u></u>

Items	Balance as at the end of the period	Balance as at the beginning of the year
CURRENT LIABILITIES:		
Short-term borrowings	142,819	0
Trade payables	338,570	294,973
Contract liabilities	589,612	527,410
Accrued payroll	24,327	85,620
Taxes payable	53,196	56,841
Other payables	1,105,289	955,773
Including: Interests payable	1,635	2,097
Dividends payable	0	142
Non-current liabilities due within one year	1,616,893	1,596,263
Total current liabilities	<u>3,870,706</u>	<u>3,516,880</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	7,244,895	4,227,894
Debentures payable	0	1,098,848
Long-term payables	220,113	247,734
Provisions	14,691	13,737
Deferred income	1,959,646	1,981,434
Deferred income tax liabilities	125,104	100,799
Other non-current liabilities	34,000	34,000
Total non-current liabilities	<u>9,598,449</u>	<u>7,704,446</u>
TOTAL LIABILITIES	<u><u>13,469,155</u></u>	<u><u>11,221,326</u></u>
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-up capital (or share capital)	1,427,228	1,427,228
Capital reserves	431,024	431,024
Surplus reserves	619,054	619,054
Undistributed Profits	4,535,400	4,114,045
Total equity attributable to owners of the Company (or shareholders' equity)	<u>7,012,706</u>	<u>6,591,351</u>
Minority interests	998,976	990,292
Total owners' equity (or shareholders' equity)	<u>8,011,682</u>	<u>7,581,643</u>
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	<u><u>21,480,837</u></u>	<u><u>18,802,969</u></u>

Consolidated Income Statement

January to September 2021

Unit: '000 Currency: RMB

Items	Amounts for the period from the beginning of the year to the end of the reporting period (January to September)	Amounts for the period from the beginning of the previous year to the end of the corresponding reporting period of the previous year (January to September)
1. Total operating income	3,264,565	2,480,166
Including: Operating income	3,264,565	2,480,166
2. Total operating costs	2,643,707	2,006,262
Including: Operating costs	2,281,942	1,662,080
Tax and surcharges	27,439	31,114
Sales expenses	22,660	11,813
Administrative expenses	126,509	108,976
Research and development expenses	6,930	4,478
Finance expenses	178,227	187,801
Including: Interest expenses	237,093	195,048
Interest income	82,464	17,906
Add: Other income	78,805	119,459
Credit impairment losses (losses are stated by “-”)	-2,076	0
3. Operating profit (losses are stated by “-”)	697,587	593,363
Add: Non-operating income	674	726
Less: Non-operating expenses	3,414	2,807
4. Total profit (total losses are stated by “-”)	694,847	591,282
Less: Income tax expenses	112,064	111,491
5. Net profit (net losses are stated by “-”)	582,783	479,791
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net losses are stated by “-”)	582,783	479,791
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the Company (net losses are stated by “-”)	544,688	436,674
2. Loss or profit attributable to minority shareholders (net losses are stated by “-”)	38,095	43,117

Items	Amounts for the period from the beginning of the previous year to the end of the corresponding reporting period of the previous year (January to September)	
	Amounts for the period from the beginning of the year to the end of the reporting period (January to September)	
6. Total comprehensive income	582,783	479,791
(I) Total comprehensive income attributable to owners of the Company	544,688	436,674
(II) Total comprehensive income attributable to minority shareholders	38,095	43,117
7. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.38	0.31
(II) Diluted earnings per share (RMB/share)	0.38	0.31

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.

Consolidated Cash Flow Statement

January to September 2021

Unit: '000 Currency: RMB

Items	Amounts for the period from the beginning of the year to the end of the reporting period (January to September)	Amounts for the period from the beginning of the previous year to the end of the corresponding reporting period of the previous year (January to September)
1. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	2,511,581	1,930,950
Taxes and levies rebate received	27,586	79,902
Cash receipts relating to other operating activities	126,933	172,620
Sub-total of cash inflow from operating activities	2,666,100	2,183,472
Cash paid for goods and services	1,161,559	946,275
Cash paid to and on behalf of employees	328,146	270,243
Payment of taxes and levies	220,616	303,130
Cash payments relating to other operating activities	129,662	180,218
Sub-total of cash outflow from operating activities	1,839,983	1,699,866
Net cash flow generated from operating activities	826,117	483,606
2. Cash flow from investing activities:		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	204	49
Cash receipts from other investing activities	0	3,900
Sub-total of cash inflow from investing activities	204	3,949
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	730,399	1,137,277
Cash paid for investments	696,008	0
Cash payments relating to other investing activities	0	1,500
Sub-total of cash outflow from investing activities	1,426,407	1,138,777
Net cash flow generated from investing activities	-1,426,203	-1,134,828

Items	Amounts for the period from the beginning of the year to the end of the reporting period (January to September)	Amounts for the period from the beginning of the previous year to the end of the corresponding reporting period of the previous year (January to September)
3. Cash flow from financing activities:		
Cash received from assimilated investments	2,298	15,647
Including: cash received from minority shareholders' investments assimilated by subsidiaries	2,298	15,647
Cash received from borrowings	4,390,126	2,011,429
Sub-total of cash inflow from financing activities	4,392,424	2,027,076
Cash paid for repayment of debt	2,348,660	1,520,925
Cash paid for distribution of dividends, profits or interest payments	438,048	357,285
Including: Dividends and profits paid by subsidiaries to minority shareholders	31,709	31,925
Sub-total of cash outflow from financing activities	2,786,708	1,878,210
Net cash flow generated from financing activities	1,605,716	148,866
4. Effect of foreign exchange rate changes on cash and cash equivalent	0	0
5. Net increase in cash and cash equivalents	1,005,630	-502,356
Add: Balance of cash and cash equivalents at the beginning of the period	1,652,657	2,066,301
6. Balance of cash and cash equivalents at the end of the period	2,658,287	1,563,945
5.3 Adjustments to the financial statements as at the beginning of the year during which new lease standards have been adopted for the first time since 2021		

☐ Applicable ☒ Not applicable

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
25 October 2021

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