



Tianjin Tianbao Energy Co., Ltd.* 天津天保能源股份有限公司

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

Stock Code : 1671

Placing and Public Offer



Sole Sponsor

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

Sole Global Coordinator

東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED

Joint Bookrunners and Joint Lead Managers

東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED

 **潮商證券有限公司**
ChaoShang Securities Limited

 **農銀國際**
ABC INTERNATIONAL

 **浦銀國際**
SPDB INTERNATIONAL

 **中投證券(香港)**
CHINA INVESTMENT SECURITIES (HK)

* For identification purposes only

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.



Tianjin Tianbao Energy Co., Ltd.* 天津天保能源股份有限公司

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

PLACING AND PUBLIC OFFER

Number of Offer Shares	: 38,540,000 H Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 3,854,000 H Shares (subject to reallocation)
Number of Placing Shares	: 34,686,000 H Shares (subject to reallocation and the Offer Size Adjustment Option)
Maximum Offer Price	: HK\$1.90 per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	: RMB1.00 per H Share
Stock code	: 1671

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VIII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around April 19, 2018 and, in any event, not later than April 25, 2018. The Offer Price will be not more than HK\$1.90 per Offer Share and is currently expected to be not less than HK\$1.74 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by April 25, 2018 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse. Applicants for the Public Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$1.90 per Offer Share for each Public Offer Shares together with brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.90 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.tjbnv.com. For further information, see the sections headed "Structure of the Share Offer" and "How to Apply for Public Offer Shares" in this Prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus including the risk factors set out in the section headed "Risk Factors" in this Prospectus.

Our Company is incorporated, and our operations are primarily located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Taxation and Foreign Exchange", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of the Articles of Association of our Company" in this Prospectus.

* For identification purposes only.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Thursday, April 19, 2018
Application Lists open ⁽³⁾	11:45 a.m. on Thursday, April 19, 2018
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Thursday, April 19, 2018
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, April 19, 2018
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, April 19, 2018
Application Lists close	12:00 noon on Thursday, April 19, 2018
Expected Price Determination Date ⁽⁵⁾	on or about Thursday, April 19, 2018

(1) Announcement of:

- the Offer Price;
- the level of applications in the Public Offer;
- the level of indications of interest in the Placing; and
- the basis of allotment of the Public Offer Shares,

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tjtbn.com⁽⁶⁾ onThursday, April 26, 2018

EXPECTED TIMETABLE⁽¹⁾

- (2) Announcement of results of allocations in the Public Offer (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (please see "How to Apply for Public Offer Shares – 11. Publication of Results") from Thursday, April 26, 2018

Results of allocations in the Public Offer will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from Thursday, April 26, 2018

H Share certificates in respect of wholly or partially successful applications to be dispatched on or before⁽⁷⁾⁽⁸⁾ Thursday, April 26, 2018

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ Thursday, April 26, 2018

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, April 27, 2018

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- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Share Offer, including conditions of the Public Offer, are set forth in "Structure of the Share Offer".
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 19, 2018, the Application Lists will not open on that day. Please see "How to Apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists".
- (4) Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this Prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, April 19, 2018, and in any event no later than Wednesday, April 25, 2018. If, for any reason, the Offer Price is not agreed on or before Wednesday, April 25, 2018, the Share Offer (including the Public Offer and the Placing) will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this Prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, April 27, 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, April 26, 2018. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Public Offer Shares".
- (9) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.
- (10) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

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IMPORTANT NOTE TO INVESTORS

This Prospectus is issued by Tianjin Tianbao Energy Co., Ltd. solely in connection with the Public Offer and the Public Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this Prospectus pursuant to the Public Offer. No person may use this Prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective directors, employees, agents or advisers, or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. Some of the particular risks in investing in the H Shares are set out in the section headed “Risk Factors” of this Prospectus. You should read this section carefully before you invest in the H Shares.

OVERVIEW

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale, according to the Ipsos Report. Our power cogeneration technology has enabled us to enhance our thermal efficiency and reduce our fuel cost, which is more environmentally friendly compared with conventional power generation plants.

For the years ended December 31, 2015, 2016 and 2017, our revenue was RMB478.6 million, RMB432.9 million and RMB452.5 million, respectively. For the same periods, our profit for the year was RMB55.0 million, RMB54.3 million and RMB30.3 million, respectively. The table below sets forth a revenue breakdown for each of our business segments, both in actual amounts and as a percentage of total revenue during the Track Record Period:

	Year ended December 31,					
	2015		2016		2017	
	<i>RMB in thousands</i>	<i>% of Total</i>	<i>RMB in thousands</i>	<i>% of Total</i>	<i>RMB in thousands</i>	<i>% of Total</i>
Electricity dispatch and sale business	222,652	46.5	204,691	47.3	207,812	45.9
Power generation and supply business	203,494	42.5	183,522	42.4	185,461	41.0
Steam	155,341	32.5	144,821	33.5	145,043	32.1
Electricity	22,570	4.7	19,974	4.6	20,741	4.6
Heating and cooling	25,583	5.3	18,727	4.3	19,677	4.3
Other businesses	52,458	11.0	44,673	10.3	59,194	13.1
Total Revenue	478,604	100.0	432,886	100.0	452,467	100.0

In our power generation and supply business, we use cogeneration technology to generate steam together with electricity, heating and cooling to serve our customers. Our coal-fired cogeneration power plant consists of two backpressure cogeneration units with a total installed capacity of 30 MW. We sell the electricity generated to Tianjin Electric Power Company, which

SUMMARY

is a local branch of State Grid, while we also provide steam, heating and cooling to our industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).

Unlike conventional power generation plants, we have adopted coal-fired cogeneration technology utilizing backpressure turbines in our power generation and supply business, which allows us to generate electricity when we generate steam, heating and cooling. Such technology provides us with the synergies of generating steam, electricity, heating and cooling simultaneously, which has enabled us to achieve a thermal efficiency rate that is much higher than the PRC industry average and, conversely, a coal consumption rate that is much lower than the PRC industry average. In our cogeneration process, we focus on green production and ultra-low emissions, which is aligned with the power generation and environmental protection guidelines under relevant PRC regulations and policies in the power generation industry. By controlling the quality of coal we use, utilizing automated coal crushing technology and strict desulphurization, denitration and de-dusting procedures, our coal-fired cogeneration units have achieved an average level of emission of SO₂, NO_x and smoke which is much lower than the standards of ultra-low emission of SO₂, NO_x and smoke required under PRC laws and regulations.

In our electricity dispatch and sale business, we purchase electricity from Tianjin Electric Power Company Binhai Branch, which is also a local branch of State Grid, transform electricity from 35 kV to 10 kV, and then dispatch and sell it via our power facilities and grid to our end-user customers in various industries located in Tianjin Port Free Trade Zone (Seaport), including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering.

In addition, we provide other value-added services, including power facility construction services and industrial facility operation and maintenance services, to our customers in Tianjin Airport Economic Zone and central Tianjin, and sell electrical components, mainly low voltage switches, to our customers in Tianjin.

Given our power generation and electricity dispatch capabilities, we are able to serve our customers in Tianjin Port Free Trade Zone (Seaport) by meeting their diverse energy demands, including electricity, steam, heating and cooling, as well as other value-added services. Such synergistic effects and our adoption of our advanced technologies have enabled us to improve operating efficiency, reduce maintenance costs, achieve coordinated customer relationships and capture growth opportunities available from our customers.

OUR COMPETITIVE STRENGTHS

- We are the sole power operator in Tianjin Port Free Trade Zone (Seaport)
- We utilize coal-fired cogeneration and electricity transformation technologies to provide cost-efficient and high-quality power operations and services to our customers in Tianjin Port Free Trade Zone (Seaport)
- Our focus on coal-fired cogeneration technology, green production and ultra-low emission aligns with the power generation and environmental protection guidelines under relevant PRC regulations and policies

SUMMARY

- We maintain a strong relationship with State Grid
- We are well positioned to capture growth opportunities in the PRC with our experienced and visionary management team

OUR STRATEGIES

- Continue to enhance our capabilities in environmental protection and research and development, and further enhance our operational efficiency, reduce costs and improve our profitability
- Proactively adapt to the reformation of the PRC power industry and seize potential business opportunities
- Penetrate new geographic areas by leveraging our one-stop and comprehensive power services and replicable business model
- Seek strategic acquisition and investment opportunities in other electricity dispatch companies and coal-fired cogeneration power plants

OUR BUSINESS MODEL

Our operations comprise (i) power generation and supply, (ii) electricity dispatch and sale and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components. In our power generation and supply business, we use cogeneration technology to generate steam together with electricity, heating and cooling. We then sell the electricity generated to a local branch of State Grid in Tianjin and supply steam, heating and cooling to local industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport). In our electricity dispatch and sale business, we dispatch and sell electricity purchased from another local branch of State Grid in Tianjin to local industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).

OUR CUSTOMERS AND SUPPLIERS

Our Suppliers

In our electricity dispatch and sale business, our sole electricity supplier is Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid.

In our power generation and supply business, our suppliers of raw materials include primarily our coal suppliers, and to a lesser extent, our water suppliers. We do not rely on any particular coal supplier for our coal procurement because the coal market is a highly competitive and transparent market. During the Track Record Period, we conducted between nine to 11 biddings each year for the selection of our coal suppliers. We purchased the coal we used in our coal-fired cogeneration power plant from five, four and five suppliers during the

SUMMARY

years ended December 31, 2015, 2016 and 2017, respectively. One of our coal suppliers in 2015 and 2016 was our related party, which accounted for 23.8% and 21.0% of our coal purchases for the same periods, respectively. In our power generation and supply business, we primarily procure fresh water from a related party. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”. Since September 2016, we also procured recycled water from an independent third party. We outsource some of our operation and maintenance service needs for our coal-fired cogeneration power plant, including daily operations, routine maintenance, regular inspections and repair work, to third-party professional service providers. During the Track Record Period, our major third-party professional service providers included a reputable power plant operator located in Shanxi Province and a professional service provider of desulphurization and de-dusting systems.

We are also a regional distributor of a well-known global low-voltage switch producer in Tianjin. We distribute low-voltage switches we procured from this producer to our customers in Tianjin.

In 2015, 2016 and 2017, purchases from our five largest suppliers collectively accounted for approximately 74.9%, 77.1% and 76.2% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 55.7%, 57.4% and 50.2% of our total purchases, respectively. Tianjin Electric Power Company Binhai Branch was our largest supplier during each of the years ended December 31, 2015, 2016 and 2017. Our five largest suppliers during the Track Record Period also included the aforementioned well-known global low-voltage switch producer, coal suppliers and an outsourced operation and maintenance service provider.

Our Customers

We are required by the Electric Power Law of the PRC to sell all of our self-generated electricity to the State Grid or its local branch, except for a small amount for our own use. Thus, Tianjin Electric Power Company, which is also a local branch of State Grid, is our sole customer of the electricity generated by us.

Our steam, heating and cooling customers are companies located in Tianjin Port Free Trade Zone (Seaport) and its vicinity in various industries. For the year ended December 31, 2016, we supplied steam to 43 customers, heating to 61 customers and cooling to 13 customers. For the year ended December 31, 2017, we supplied steam to 44 customers, heating to 71 customers and cooling to 13 customers.

The customers of our electricity dispatch and sale business are companies located in Tianjin Port Free Trade Zone (Seaport) from various industries. For the years ended December 31, 2016 and 2017, we dispatched and sold electricity to a total of 140 customers and 146 customers, respectively.

The customers of our other businesses are companies located in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin. For the year ended December 31, 2016, we provided power facility construction services and industrial facility

SUMMARY

operation and maintenance services to 60 customers and sold electrical components to 65 customers. For the year ended December 31, 2017, we provided power facility construction services and industrial facility operation and maintenance services to 57 customers and sold electrical components to 37 customers.

In 2015, 2016 and 2017, sales to our five largest customers collectively accounted for approximately 43.8%, 47.7% and 45.4% of our total revenue during the same periods, respectively, and sales to our largest customer accounted for approximately 19.3%, 22.3% and 20.5% of our total revenue, respectively. Except for Tianjin Electric Power Company, our five largest customers during the Track Record Period were industrial and commercial customers for our electricity and steam. We also provided power facility construction services or industrial facility operation and maintenance services or sold electrical components to some of these customers.

For further details on our customers and suppliers, see the sections headed “Business – Customers” and “Business – Suppliers” of this Prospectus.

RISK FACTORS

Our business faces various risks, including those set out in the section headed “Risk Factors” starting on page 34 of this Prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the H Shares. Some of the major risks that we face include:

- We depend on our customers in Tianjin Port Free Trade Zone (Seaport) for the sales of our electricity, steam, heating and cooling and any decrease in demand from these customers, loss of major customers, or overall economic downturn in the region will expose us to operational and financial risks.
- Increasing coal costs may materially and adversely affect our operating results and we have limited ability to pass on potential coal price increases to our customer through any potential increases in on-grid tariffs.
- We are subject to risks relating to the relative geographic concentration of our business operations in Tianjin Port Free Trade Zone (Seaport).
- Our operations in Tianjin Port Free Trade Zone (Seaport) are extensively regulated by and subject to inspections and examinations by relevant PRC regulatory authorities.
- The operations of our power generation and supply and electricity dispatch and sale businesses and provision of power facility construction services and industrial facility operation and maintenance services may be adversely affected by operational risks, which could result in lost revenue, increased maintenance costs and potential liability to our customers.

SUMMARY

OUR RESULTS OF OPERATIONS

The following tables set forth selected financial data from our consolidated financial information for the years indicated, extracted from the Accountants' Report attached as Appendix I to this Prospectus:

Summary Consolidated Statements of Profit or Loss

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Revenue	478,604	432,886	452,467
Cost of sales	(386,038)	(348,398)	(393,788)
Gross profit	92,566	84,488	58,679
Other net income	220	299	6,616
Administrative expenses	(22,395)	(12,387)	(14,990)
Profit from operations	70,391	72,400	50,305
Interest income	3,179	416	1,410
Interest expense	(9)	(388)	(11,346)
Profit before tax	73,561	72,428	40,369
Income tax	(18,518)	(18,110)	(10,097)
Profit for the year	55,043	54,318	30,272

Our revenue decreased from 2015 to 2016 mainly as a result of the decrease in demand for our products and services from certain customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment. For example, to the best knowledge of our Directors, certain of our customers decreased or suspended production during the Track Record Period due to the overall PRC economic slowdown, particularly in the secondary sector in Tianjin, which contributed to the decrease in demand for steam and electricity, despite the GDP growth in the Tianjin economy, which was driven by economic activities in the tertiary industry, according to the Ipsos Report. Our revenue increased from 2016 to 2017 primarily due to an increase in sales of electrical components. Please see “Financial Information – Year to Year Comparison of Our Results of Operations” for more details.

SUMMARY

Gross Profit and Gross Profit Margin

	Year ended December 31,								
	2015			2016			2017		
	(RMB in thousands)	(% of gross profit)	(Gross profit margin)	(RMB in thousands)	(% of gross profit)	(Gross profit margin)	(RMB in thousands)	(% of gross profit)	(Gross profit margin)
Power generation and supply business	68,287	73.8%	33.6%	63,674	75.4%	34.7%	35,685	60.8%	19.2%
Electricity dispatch and sale business	19,009	20.5%	8.5%	16,383	19.4%	8.0%	14,704	25.1%	7.1%
Other businesses	5,270	5.7%	10.0%	4,431	5.2%	9.9%	8,290	14.1%	14.0%
Total	92,566	100.0%	19.3%	84,488	100.0%	19.5%	58,679	100%	13.0%

The decrease in our gross profit from 2015 to 2016 was generally in line with the decrease in our revenue. The decrease in our gross profit and gross profit margin from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily due to an increase in our cost of coal of RMB24.0 million, or 41.6%, resulting from a 40.9% increase in the average price of coal we purchased to RMB561.2 per ton for the year ended December 31, 2017 from RMB398.2 per ton for the year ended December 31, 2016.

We have adopted coal-fired cogeneration technology utilizing backpressure turbines in our power generation and supply business, which allows us to generate electricity when we generate steam, heating and cooling. Therefore, sales of steam, electricity, heating and cooling under our power generation and supply business shared common costs in connection with the operation and maintenance of our backpressure turbines and CFB boilers, which primarily include cost of coal, cost of outsourcing operation to independent third parties, cost of water and electricity, depreciation and staff costs.

For discussion of our consolidated income statements, see “Financial Information – Description of Key Statement of Profit or Loss Items” starting on page 250 of this Prospectus.

Summary Consolidated Statements of Financial Position

	As of December 31,			
	2015			
	2015	adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Current assets	125,265	168,369	140,116	186,535
Current liabilities	117,430	162,100	89,778	143,997
Net current assets	7,835	6,269	50,338	42,538

We present illustrative adjusted current assets and liabilities positions as of December 31, 2015, which combined (i) the current assets and liabilities specifically relating to the Haigang Thermal Plant Business as of December 31, 2015 that were originally excluded from our consolidated statements of financial position, with (ii) our current assets and liabilities as of

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December 31, 2015 as recorded in our consolidated statements of financial position. For further details, see “Financial Information – Net Current Assets” starting on page 266 of this Prospectus.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Net cash generated from operating activities	76,351	67,277	76,200
Net cash (used in)/generated from investing activities	(33,800)	(13,322)	3,947
Net cash used in financing activities	(167,272)	(25,297)	(58,327)
Net increase/(decrease) in cash and cash equivalents	(124,721)	28,658	21,820
Cash and cash equivalents at beginning of the year	190,310	65,591	94,251
Effect of foreign exchange rate changes, net	2	2	–
Cash and cash equivalents at end of the year	65,591	94,251	116,071

For details of our cash flows, see “Financial Information – Liquidity and Capital Resources – Cash Flows” starting on page 261 of this Prospectus.

Key Financial Ratios

	Year ended December 31,			
	2015	2015 adjusted	2016	2017
Profitability ratios				
Return on equity ⁽¹⁾	12.8%	12.8%	17.9%	13.2%
Return on total assets ⁽²⁾	9.1%	8.8%	10.0%	5.6%

SUMMARY

	As of December 31,			
	2015			
	2015	adjusted	2016	2017
Liquidity ratios				
Current ratio	1.07	1.04	1.56	1.30
Quick ratio	1.00	0.98	1.48	1.25

	As of and for the year ended December 31,			
	2015			
	2015	adjusted	2016	2017
Capital adequacy ratios				
Net debt to net assets ratio	net cash	net cash	62.2%	40.1%
Gearing ratio	–	–	43.3%	38.6%
Interest coverage	7,821.2	7,821.2	186.6	4.4

Notes:

- (1) Return on equity is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant year and multiplied by 100%.
- (2) Return on total assets is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total assets in the relevant year and multiplied by 100%.

Gearing ratio is calculated as total borrowing and other non-current liabilities divided by total assets. Please see “Financial Information – Key Financial Ratios” starting on page 282 of this Prospectus for descriptions of the calculation of other financial ratios.

Other non-current liabilities represent payables to Tianbao Holdings and Tianbao Investment in relation to our equity reduction. Please see “Financial Information – Certain Balance Sheet Items – Other non-current liabilities”. We record interest expenses in connection with such payables, which although non-recurring and not affecting our cash flows, do have an adverse impact on our results of operations and financial condition.

KEY OPERATING DATA

Utilization rate, thermal efficiency and coal consumption rate indicate how efficiently our coal-fired cogeneration power plant has been generating steam, heating, cooling and electricity, which are the principal sources of our revenue and cash flow.

SUMMARY

The following table sets forth certain production operating metrics for our power generating units for the years indicated:

	Year ended December 31,		
	2015	2016	2017
Installed capacity (MW)	2 × 15 MW	2 × 15 MW	2 × 15 MW
Utilization rate (%) ⁽¹⁾	30.7%	30.6%	30.7%
Gross electricity generated (MWh)	80,638	78,137	80,551
Net steam generated (ton)	958,184	909,895	888,871
Sales volume of steam (ton)	860,625	802,949	798,755
Price of steam (inclusive of VAT) (RMB/ton)	204.0	204.0	204.0
Sales volume of electricity to State Grid (MW/h) ⁽²⁾	67,467	66,504	67,713
Average on-grid tariff (RMB/kWh) ⁽³⁾	0.3345	0.3003	0.3063
Sales volume of heating and cooling (square meters) ⁽⁴⁾	2.5 million	1.9 million	2.0 million
Price of heating (as measured by supply area) (RMB per square per month)	9.35	9.35	9.35
Price of cooling (RMB per square per month)	14.5	14.5	14.5

Notes:

- (1) The utilization rate equals gross electricity generated in a specified period divided by the product of total installed capacity and the average designed maximum annual utilization hours of our two cogeneration units.
- (2) Sales volume of electricity to State Grid equals gross electricity generated less roughly 15% to 20% of our own use in our power generation and supply business.
- (3) Average on-grid tariff equals total revenue generated from sales of electricity divided by total sales volume of electricity to State Grid.
- (4) Sales volume of heating and cooling represents the aggregate monthly volume of heating and cooling supplied to our customers during the relevant period.

The following table sets forth certain competitive metrics for our power generating units for the years indicated:

	Year ended December 31,					
	2015		2016		2017	
	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾
Thermal efficiency ⁽¹⁾	84.0%	45.1%	82.8%	N/A	84.0%	N/A
Coal consumption rate (g/kWh) ⁽²⁾	198.6	315.0	198.7	312.0	203.6	309.0

Notes:

- (1) Thermal efficiency refers to efficiency with which a power source transforms the potential heat of its fuel into work or output; namely, the ratio of the heat and power generated by the plant to the overall heat value from the fuel consumed. According to the Ipsos Report, higher thermal efficiency indicates higher cost efficiency of a power generation plant.
- (2) Coal consumption rate equals the amount of standard coal consumed per 1.0 kWh of electricity generated or supplied. According to the Ipsos Report, lower coal consumption rate indicates higher cost efficiency of a power generation plant.

SUMMARY

- (3) From the Ipsos Report. The China Electricity Council stopped publishing national statistics for thermal efficiency after 2016.

The following table sets forth certain operating metrics for our main power transformer stations for the years indicated:

	Year ended December 31,		
	2015	2016	2017
Main power transformer stations			
Installed capacity	2 x 60,000 kVA	2 x 60,000 kVA	2 x 60,000 kVA
Utilization rate (%)			
Calculated as average load ⁽¹⁾ divided by installed capacity	26.2%	24.1%	26.0%
Calculated as peak load ⁽²⁾ divided by installed capacity	46.1%	44.8%	47.7%

Notes:

- (1) Average load represents the average kW output during a given period.
- (2) Peak load represents the maximum kW output during a given period.

OUR MATERIAL LICENSES

We are required by relevant PRC laws and regulations to obtain various licenses, permits and approvals for our operations. Please see “Business – Licenses, Permits and Approvals” starting from page 155 of the Prospectus for further details. As advised by our PRC Legal Advisers, we have obtained all material licenses, permits and approvals required for our operations in the PRC.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer, Tianbao Holdings will own approximately 71.11% of our share capital, assuming no Offer Size Adjustment Option is exercised, and will continue to be our Controlling Shareholder. Tianbao Holdings is a wholly-owned subsidiary of TFIHC. TFIHC also holds the entire equity interests in Tianbao Investment, which will own approximately 3.89% of our share capital immediately following the Share Offer, assuming no Offer Size Adjustment Option is exercised. TFIHC will collectively and indirectly own approximately 75% of our share capital immediately following the Share Offer, assuming no Offer Size Adjustment Option is exercised. TFIHC and Tianbao Holdings are collectively our Controlling Shareholders. Please see “Relationship with Controlling Shareholders” starting on page 182 of this Prospectus for further information.

Capital Reduction Payments

We are obliged to make certain payments to our existing shareholders, including payments made in connection with our capital reduction. In October 2016, we reduced our equity by RMB240.9 million. This capital reduction was to facilitate Tianbao Holdings and

SUMMARY

Tianbao Investment to recover part of the acquisition funds used to acquire the assets of Haigang Thermal Plant. See “Relationship with Controlling Shareholder – Delineation of Business of Competition – Relationship with Controlling Shareholders.” After the aforesaid capital reduction, Tianjin Tianbao Electricity was obliged to pay approximately RMB228.4 million and RMB12.5 million to Tianbao Holdings and Tianbao Investment, respectively, totalling to RMB240.9 million. According to the Repayment Agreement, we agreed to make payments in installments to Tianbao Holdings and Tianbao Investment with the last installment to be fully settled by December 2021. We recorded such payments as non-current payables based on present value, calculated by using the effective interest method, in our consolidated statements of financial position, and the difference between the total amount of outstanding payments and their present value, net of income tax, is recorded in capital reserve as capital contribution from equity owners. Such difference has been recorded as interest expenses in our consolidated statements of profit or loss for the year ended December 31, 2017 and will continue to be recorded as such until the payments are fully settled.

The following table shows the schedule of payments owed under the Repayment Agreement; our Directors believe that this related party debt will not impact the sustainability of our Group’s operations during the term of the repayment schedule.

	Year ended December 31,					
	2017	2018	2019	2020	2021	Total
	<i>(RMB in thousands)</i>					
Capital						
Reduction						
Payment	–	72,490	–	80,000	88,384	240,874

Taking into account the Company’s current working capital level, the Directors believe that we have sufficient working capital to repay the capital reduction by installment or in full as planned. In further support of that view, the following table provides an analysis of the impact on our total assets, interest bearing liabilities, debt to assets ratio, our interest expenses and our profit for the year (or “net profit”), had the capital reduction occurred prior to the Track Record Period, assuming that the payment schedule under the Repayment Agreement called for the same payments, but made as at December 31, 2014.

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Total assets	449,697	425,008	425,691
Interest-bearing liabilities	160,000	144,000	80,000
Debt to assets ratio	36%	34%	19%
Interest expenses	(9,509)	(7,988)	(6,399)
Net profit for the year	47,918	48,618	33,982

SUMMARY

For illustrative purposes only, under this scenario, our net profit for the years ended December 31, 2015 and 2016 decreases by 12.9% and 10.5%, respectively, and our net profit for the year ended December 31, 2017 increases by 12.3%, as compared with our actual net profit for the same periods.

For further illustrative purposes, the following table shows the sensitivity of our total assets, interest bearing liabilities, debt to assets ratio, interest expenses and net profit for the year during the Track Record Period under the above scenario based on the highest price of coal we purchased during the Track Record Period (RMB595.1 per ton) (assuming all other variables remain constant), resulting in an increase of RMB30.1 million, RMB21.4 million and RMB3.7 million in our cost of coal (net of income tax) for the three years ended December 31, 2015, 2016 and 2017, respectively.

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Total assets	419,617	403,608	421,989
Interest-bearing liabilities	160,000	144,000	80,000
Debt to assets ratio	38%	36%	19%
Interest expenses	(9,509)	(7,988)	(6,399)
Net profit for the year	17,839	27,218	30,281

For illustrative purposes only, our net profit under the above scenario for the years ended December 31, 2015 and 2016 decreases by 67.6% and 49.9%, respectively, and shows no significant change for the year ended December 31, 2017, as compared with our actual net profit for the same periods.

In view of these illustrative impact to our net profits during the Track Record Period which would not have affected our qualification for listing, our Directors believe that our Group will have the ability to make the capital reduction payments and pay dividends under our new dividend policy after the completion of the Share Offer. See the section headed “Financial Information – Related Party Transactions – Capital Reduction Payments” for further details.

We have entered into certain connected transactions with Tianbao Holdings and its associates. For further information, please see “Connected Transactions” starting on page 198 of this Prospectus.

LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Share Offer, including underwriting commissions) for the Share Offer are approximately RMB38.6 million. During the Track Record Period, we incurred approximately RMB3.3 million of listing expenses for the Share Offer, which was charged to the consolidated

SUMMARY

statements of profit or loss for the years ended December 31, 2016 and 2017, as administrative expenses. We expect to incur additional listing expenses of RMB35.3 million in connection with the Share Offer, of which an estimated amount of RMB2.4 million is expected to be recognized as administrative expenses and the remaining amount of RMB32.9 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect that such expenses will have a material and adverse impact on our results of operations for the year ending December 31, 2018.

OFFERING STATISTICS

Offer size	:	Initially 25% of our enlarged issued share capital
Offer Size Adjustment Option	:	Up to 15% of our initial Offer Shares
Offer Price per Share	:	HK\$1.74 to HK\$1.90 per Share
Offering structure	:	90% Placing and 10% Public Offer (subject to reallocation and the Offer Size Adjustment Option)

	Based on an Offer Price of HK\$1.74 per Offer Share	Based on an Offer Price of HK\$1.90 per Offer Share
Market capitalization of our Shares upon completion of the Share Offer	HK\$268.2 million	HK\$292.9 million
Market capitalization of H Shares	HK\$67.1 million	HK\$73.2 million
Unaudited pro forma adjusted consolidated net tangible asset value per Offer Share ⁽¹⁾	HK\$2.05	HK\$2.09

Note:

- (1) Please see “Appendix II – Unaudited Pro Forma Financial Information” regarding the assumptions used and the calculations method.

DIVIDENDS

In 2014, we declared dividends of RMB39.3 million, which were paid in 2015. In 2015, we also paid dividends of RMB14.7 million, which were declared in 2013. In addition, we declared dividends of RMB21.0 million in 2016, which we paid in November 2017 through internal resources. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. For details, please see “Financial Information – Dividends” starting on page 286 of this Prospectus.

After completion of the Share Offer, we intend to adopt a new dividend policy. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating

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and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations and other factors that our Directors may consider relevant. We currently intend, subject to the above considerations and in the absence of any adverse circumstances which might reduce the profits that are distributable whether by losses or otherwise, to distribute 30% to 50% of our profit for the year after the Share Offer in the form of dividends to our Shareholders. Based on (i) the schedule for capital reduction payments under the Repayment Agreement, (ii) the banking facilities available to the Company, (iii) the Company's current asset position and (iv) the Company's present financial position and business strategies, our Directors are confident that making dividend payments of 50% of our profit for the year will not adversely affect our financial position given the anticipated cash outflow in relation to the capital reduction which has already been taken into account in our assessment of the feasibility of the dividend policy.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately HK\$30.7 million (after deducting the underwriting fees and expenses payable by us in the Share Offer), assuming the Offer Size Adjustment Option is not exercised and an Offer Price of HK\$1.82 per Share, being the mid-point of the Offer Price range stated in this Prospectus. We intend to use these net proceeds for the following purposes:

Percentage of Net Proceeds	Future Plans	Approximate HK\$ in millions
62.2%	Upgrading our technology and equipment, including: (i) upgrading our de-dusting system to reach the super-clean standard; and (ii) upgrading our #1 and #2 power transformation stations	19.1
37.8%	Establishing Tianbao Electricity Sales Company and contribute to its registered share capital according to requirement under the latest development of the power industry reform. For details, please refer to the section headed "Future Plans and Use of Proceeds – Electricity Reform Under the New Policy".	11.6

SUMMARY

REASONS FOR LISTING

We believe that the Listing would provide us a platform to meet our expected financial needs when we implement our expansion plans in the future. Additionally, other reasons why the Listing would benefit our Company include the following:

- (i) The Listing will enhance our fundraising capability, reducing costs and allowing us to take advantage of various refinancing channels through a listed platform, including access to international capital markets;
- (ii) The Listing can help to drive reforms and modernization in our business as an SOE through market means, broaden our shareholder base, raise the profile and visibility for Tianjin-based SOEs, reinforce employee incentives and increase corporate transparency;
- (iii) In line with the PRC government policies which encourage public listing of SOEs, a listing status enables us to engage in business arrangements that might otherwise be prohibited to us as an SOE, including tendering for PPP Projects which unlisted SOEs are not eligible to tender for;
- (iv) The Listing will enhance our credibility when negotiating with third parties; and
- (v) Future mergers or acquisitions made through a listed platform could also open up other opportunities for future injections of businesses under the SASAC Tianjin as and when such businesses become mature and profitable.

Please see “Future Plans and Use of Proceeds - Reasons for Listing” for further details.

RECENT DEVELOPMENTS

Our Directors confirm that, up to the date of the Prospectus, there has been no material adverse change in our financial, operational or trading position since December 31, 2017.

HISTORICAL INCIDENTS RELATING TO COMPLIANCE MATTERS

We did not fully comply with certain applicable PRC laws and regulations and were involved in certain non-compliance incidents during the Track Record Period, including (i) commencement of our electricity generation, steam, heating and cooling generation as well as electricity dispatch and sale operations prior to obtaining certain licenses, (ii) occupation of a land parcel with title defects, (iii) failure to hold certain environmental-related permits, and (iv) employment of more dispatched employees than the permitted statutory limit. The non-compliance incidents did not result in any material operational or financial impact on us during the Track Record Period. We have been taking proactive actions to rectify such non-compliance incidents ever since the completion of the Business Combination on December 31, 2015. For the reasons for and details of these non-compliance incidents and the corresponding remedial and preventive measures, please see “Business – Legal Proceedings and Compliance – Compliance-related Matters” beginning on page 168 in this Prospectus.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them that is (are) in relation to the application of the Public Offer
“Application Lists”	the application lists for the Public Offer
“Articles of Association”	the articles of association of the Company, adopted on March 24, 2017, which shall take effect on the Listing Date, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board of Directors
“Board” or “Board of Directors”	the board of directors of our Company
“Business Combination”	in 2015, for the purpose of combining the power generation and supply business operated by our Controlling Shareholders in Tianjin Port Free Trade Zone (Seaport) into our Group, Tianbao Thermal transferred all the non-current assets (including properties, plant and lease prepayment) relating to the Haigang Thermal Plant to us by way of capital injection. Tianbao Thermal have also transferred all the relevant equipment and sales contracts relating to the Haigang Thermal Plant Business to us
“Business Day”	a day that is not a Saturday, Sunday or public holiday in Hong Kong on which banks in Hong Kong are generally open
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Prospectus, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“CIETAC”	China International Economic and Trade Arbitration Commission
“Company”, “our Company”, “we” or “us”	Tianjin Tianbao Energy Co., Ltd. (天津天保能源股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 28, 2017, and except where the context indicates otherwise, includes (i) our predecessors and (ii) with respect to the period before our Company became the holding company of its present subsidiary, the business operated by it and its present subsidiary or (as the case may be) their predecessors
“Companies Law” or “PRC Company Law”	Company Law of the PRC as amended and adopted by the Standing Committee of the Tenth National People’s Congress on December 28, 2013 and effective on March 1, 2014, as amended, supplemented and otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in this context, refers to Tianbao Holdings and TFIHC
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Shares”	ordinary shares in our capital, with the nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EIT Law”	PRC Enterprise Income Tax Law (中華人民共和國企業所得稅) amended by the NPC and became effective on February 24, 2017
“Electricity Sales Company(ies)”	a new form of entity in the electricity industry introduced by the New Policy which provides electricity sales service or electricity dispatch and sales service
“Free Trade Zone Administrative Committee”	Tianjin Port Free Trade Zone Administrative Committee (天津港保稅區管理委員會)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company commissioned by us to prepare a market research report for the purpose of this prospectus
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
“GFA”	gross floor area

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“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group”	our Company and its subsidiary, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiary, such subsidiary as it was the subsidiary of the Company at the time
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“Haigang Thermal Plant”	the power generation plant located at Tianjin Port Free Trade Zone (Seaport), which is currently held by the Group
“Haigang Thermal Plant Business”	the power generation and supply business of the Haigang Thermal Plant (海港熱電廠)
“HKIAC”	Hong Kong International Arbitration Centre
“HKSCC”	Hong Kong Securities Clearing Company Limited a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, issued by the International Accounting Standards Board

DEFINITIONS

“Independent Third Party(ies)”	a person or company who/which is or are independent of our Directors, Supervisors, substantial shareholders (as defined under the Listing Rules) and the chief executive of our Company and its subsidiaries or their respective associates
“Joint Bookrunners”	Orient Securities (Hong Kong) Limited, ChaoShang Securities Ltd., ABCI Capital Limited, SPDB International Capital Limited and China Investment Securities International Brokerage Limited
“Joint Lead Managers”	Orient Securities (Hong Kong) Limited, ChaoShang Securities Ltd., ABCI Securities Company Limited, SPDB International Capital Limited and China Investment Securities International Brokerage Limited
“Konggang Thermal Plant”	the power generation plant located at Tianjin Airport Economic Zone, which is currently held by Tianbao Holdings, our Controlling Shareholder
“Konggang Thermal Plant Business”	the power generation and supply business of the Konggang Thermal Plant (空港熱電廠)
“Latest Practicable Date”	April 7, 2018, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Listing”	listing of our H Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on April 27, 2018, on which dealings in the H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

DEFINITIONS

“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Commission and other PRC government departments on August 27, 1994, as amended, supplemented or otherwise modified from time to time
“MEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEA”	National Energy Administration of the PRC (中華人民共和國國家能源局)
“New Policy”	new policies published by the PRC government that allow entities like our Company to establish Electricity Sales Companies, purchase electricity directly from power plants and sell electricity to customers outside of Tianjin Port Free Trade Zone (Seaport) to reform the PRC power industry, including “Administrative Measures for Orderly Lifting the Control of Dispatch Grids” (《有序放開配電網業務管理辦法》), “Administrative Measures for Access and Withdrawal of Electricity Sale Companies” (《售電公司准入與退出管理辦法》) and “Circular of the NDRC and the NEA on Standardizing the Pilot Reform of the Incremental Distribution Business” (《國家發改委、國家能源局關於規範開展增量配電業務改革試點的通知》)
“Non-competition Deed”	the non-competition deed dated April 4, 2018 entered into between our Controlling Shareholders and our Company, as further described in the section headed “Relationship with Controlling Shareholders” in this Prospectus

DEFINITIONS

“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed for pursuant to the Public Offer
“Offer Shares”	the Public Offer Shares and the Placing Shares together, where relevant, with any additional H Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option expected to be granted by us to the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) exercisable under the Placing Underwriting Agreement pursuant to which we may be required by the Sole Global Coordinator to allot and issue up to an aggregate of 5,781,000 additional Placing Shares, representing in aggregate approximately 15% of the initial number of Offer Shares, at the Offer Price solely to cover any excess demand in the Placing, as described in the section headed “Structure of the Share Offer” in this Prospectus
“PBOC”	the People’s Bank of China (中國人民銀行)
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with selected professional, institutional and other investors for cash at the Offer Price, as further described in the section headed “Structure of the Share Offer” in this Prospectus
“Placing Shares”	34,686,000 H Shares initially offered by our Company for subscription under the Placing, subject to the Offer Size Adjustment Option and reallocation as described in the section headed “Structure of the Share Offer” in this Prospectus
“Placing Underwriters”	the group of placing underwriters expected to enter into the Placing Underwriting Agreement to underwrite the Placing

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“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into between, among others, our Company, the Placing Underwriters and the Sole Global Coordinator on or around the Price Determination Date, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Placing”
“PPAs”	the agreement signed by us and the Tianjin Electric Power Company in relation to power purchase
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Legal Advisers”	Tian Yuan Law Firm and Commerce & Finance Law Offices, the Company’s legal advisers as to PRC law
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or around April 19, 2018 but no later than April 25, 2018, on which the Offer Price is fixed for the purposes of the Share Offer
“Promoter(s)”	the promoters of our Company, namely, Tianbao Holdings and Tianbao Investment
“Prospectus”	this prospectus being issued in connection with the Public Offer
“PSAs”	the power supply agreement entered into by us and Tianjin Electric Power Company Binhai Branch
“Public Offer”	the conditional offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Share Offer” in this Prospectus) for cash at the Offer Price on the terms and conditions described in this Prospectus and the Application Forms

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“Public Offer Shares”	3,854,000 H Shares initially offered by our Company for subscription pursuant to the Public Offer, subject to the reallocation as described in the section headed “Structure of the Share Offer” in this Prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the underwriting agreement dated April 13, 2018 relating to the Public Offer entered into among our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer Underwriting Agreement” in this Prospectus
“PPP Projects”	public-private-partnership projects which involve a long-term partnership between the PRC government and private entities in infrastructure and public services
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board of Directors
“Reorganization”	the reorganization undergone by our Group in preparation for Listing as described in the section headed “History, Reorganization and Corporate Structure – Reorganization” in this Prospectus
“Repayment Agreement”	the repayment agreement dated December 30, 2016 and entered into among Tianjin Tianbao Electricity, Tianbao Holdings and Tianbao Investment in connection with the capital reduction, details of which are set out in the section headed “Financial Information – Related Party Transactions – Capital Reduction Payments”.
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)

DEFINITIONS

“SASAC Tianjin”	State-owned Assets Supervision and Administration Commission of Tianjin Municipal People’s Government (天津市人民政府國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including our Domestic Shares and H Shares
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“SOE(s)”	state-owned enterprise(s)
“Sole Global Coordinator”	Orient Securities (Hong Kong) Limited
“Sole Sponsor”	Orient Capital (Hong Kong) Limited
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	one (or all) of our Company’s supervisors
“Supervisory Committee”	the supervisory committee of our Company

DEFINITIONS

“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended from time to time
“TFIHC”	Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. (天津保稅區投資控股集團有限公司), a limited liability company and a wholly-owned subsidiary of Tianjin Port Free Trade Zone State-owned Assets Administration Bureau (天津港保稅區國有資產管理局) established in the PRC. It is one of our Controlling Shareholders thus a connected person of our Company
“Tianbao Electricity Company”	Tianbao Electricity Company of Tianjin Port Free Trade Zone (天津港保稅區天保電力公司), our predecessor, a limited liability company established in the PRC on October 19, 1992. After a series of restructuring, it was renamed to Tianjin Tianbao Electricity Company Limited (天津天保電力有限公司)
“Tianbao Electricity Sales Company”	a new subsidiary to be established by our Company to purchase and sell electricity as an “Electricity Sales Company” under the New Policy
“Tianbao Finance”	Tianjin Tianbao Finance Company Ltd. (天津天保財務有限公司), a direct non-banking financial institution wholly-owned subsidiary of TFIHC
“Tianbao Group”	collectively, TFIHC and its subsidiaries (unless otherwise indicated, excluding our Company and Tianjin Baorun)
“Tianbao Holdings”	Tianjin Tianbao Holdings Limited (天津天保控股有限公司), a company established in the PRC on January 28, 1999 and a wholly-owned subsidiary of TFIHC; it is our Controlling Shareholder and Promoter, thus a connected person of our Company
“Tianbao Investment”	Tianjin Free Trade Zone Investment Company Limited (天津保稅區投資有限公司), a state-owned enterprise established in the PRC on January 18, 2002 and a wholly-owned subsidiary of TFIHC; it is our Shareholder and Promoter, thus a connected person of our Company

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“Tianbao Thermal”	Tianjin Tianbao Thermal Electricity Company Limited (天津天保熱電有限公司), a limited liability company established in the PRC on April 28, 2003, an indirect wholly-owned subsidiary of TFIHC and thus a connected person of our Company
“Tianjin Baorun”	Tianjin Baorun International Trading Electrical Engineering Co., Ltd. (天津保潤國際貿易電氣工程有限公司), a limited liability company established in the PRC on November 21, 1994, a wholly-owned subsidiary of our Company
“Tianjin Port Free Trade Zone (Seaport)”	a sub-part of Tianjin Binhai New District with an area of approximately 7.0 square kilometers, which was established by the State Council in 1991. Tianjin Binhai New District is located in the center of Bohai Economic Rim, with an area of approximately 2,270 square kilometers and a population of approximately 2.98 million, and is an industrial manufacturing center, an international shipping center and a logistics center, as well as the gateway to Northern China
“Tianjin Tianbao Electricity”	Tianjin Tianbao Electricity Company Limited (天津天保電力有限公司), formerly known as Tianbao Electricity Company of Tianjin Port Free Trade Zone (天津港保稅區天保電力公司), our predecessor. After a series of restructuring, it was renamed to Tianjin Tianbao Energy Co., Ltd. (天津天保能源股份有限公司), being the name of our Company
“Track Record Period”	the years ended December 31, 2015, 2016 and 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“United States dollars” or “US dollars” or “US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“ White Form eIPO ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <u>www.eipo.com.hk</u>
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

In this Prospectus:

- The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations, the Chinese names shall prevail; and
- “We”, “us” and “our” refer to our Company or our Group (as the case may be).

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this Prospectus as they relate to us and as they are used in this Prospectus in connection with our business or us. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“cogeneration”	combined heat and power; cogeneration is the use of a heat engine or a power station to simultaneously generate both electricity and heat
“CFB boilers”	circulating fluidized bed boilers
“denitration”	chemical process, using absorbent, to remove NO _x in the flue gas from fuel combustion
“desulphurization”	chemical process, using absorbent, to remove the SO ₂ in the flue gas from fuel combustion
“dispatch”	a system that assigns electricity generation to specific areas
“excess output”	the amount by which the total output of a power plant in a particular year exceeds its planned output for such year
“GW”	gigawatt. One million kilowatts
“GWh”	gigawatt-hour. One million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power plants
“installed capacity”	total rated active power of generation units actually installed, which is denominated in kW, MW or GW, as the case may be
“kV”	kilovolt. One thousand volts
“kVA”	kilovolt-ampere. One thousand volt-amperes
“kW”	kilowatt. One thousand watts
“kWh”	kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour

GLOSSARY OF TECHNICAL TERMS

“MW”	megawatt. One million watts. The installed capacity of a power station is generally expressed in MW
“MWh”	megawatt hour. One thousand kWh
“NO _x ”	nitrogen oxide, an air pollutant produced during combustion
“on-grid tariff”	the settlement price of on-grid electricity between a power producer and a power grid company, usually denominated in RMB per kWh
“planned output”	an annually determined target gross generation level for a given power plant as the basis for determining power sales
“SO ₂ ”	sulphur dioxide, an air pollutant produce during combustion
“standard coal”	coal with an energy content of 5,000 kcal/kg
“thermal efficiency”	efficiency with which a power source transforms the potential heat of its fuel into work or output; namely, the ratio of the heat and power generated by the plant to the overall heat value from the fuel consumed
“ton”	metric ton
“TWh”	terawatt hour. One million MWh

FORWARD-LOOKING STATEMENT

This Prospectus contains forward-looking statements that are not historical facts, but relate to our plans, intentions, beliefs, expectations and predictions for the future, particularly under the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “History, Reorganization and Corporate Structure”, “Business”, “Regulatory Overview”, “Relationship with Controlling Shareholders”, “Connected Transactions”, “Financial Information” and “Future Plans and Use of Proceeds” in this Prospectus. By their nature, these forward-looking statements are subject to risks and uncertainties.

These forward-looking statements in this Prospectus include, without limitation, statements relating to:

- the competition in the market in which we operate;
- our operations and business strategies;
- general domestic and global economic conditions, including those related specifically to China;
- changes in the regulatory policies of the PRC government and other relevant government authorities relating to the industries discussed herein and their potential impact on our business;
- the effects of domestic and overseas competition in our industry and their potential impact on our business;
- changes in pricing for our services;
- changes in the availability of, or requirements for, financing;
- changes in regulations and restrictions;
- our ability to expand and manage our business and to introduce new services;
- future development, trends and conditions in the industry in which we operate;
- changes in political, economic, legal and social conditions in the PRC, including specifically, the PRC government’s policies with respect to economic growth, inflation and foreign exchange;
- macroeconomic measures taken by the PRC government to manage economic growth;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- fluctuations in exchange rates and interest rates;

FORWARD-LOOKING STATEMENT

- our financial condition and performance;
- our ability to implement our business strategy, plans objectives and goals;
- our expansion and capital expenditure plans;
- certain statements in the sections headed “Business” and “Financial Information” in this Prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical facts.

In addition, statements regarding our future financial position, strategy, projected costs and the plans and the objectives of our management for future operations are forward-looking statements. In some cases, we use words such as “aim”, “continue”, “predict”, “propose”, “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “forecast”, “target”, “plan”, “potential”, “will”, “would”, “may”, “could”, “should” and “expect”, and the negatives of these words and other similar expressions, to identify forward-looking statements.

These forward-looking statements reflect our current views on future events but are not assurance of future performance, and will be affected by certain risks, uncertainties and assumptions, including the risk factors mentioned in this Prospectus. The possible occurrence of one or more relevant risk factors or uncertainties, or the potential inaccuracy of the relevant assumptions, may cause actual results, performance or effects or industry results to differ materially from any future results, performance or presentation indicated expressly or implicitly in the forward-looking statements.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements contained in this Prospectus, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus may not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should note that we are a PRC company governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please see the sections headed “Regulatory Overview”, “Appendix V – Summary of Principal Legal and Regulatory Provisions” and “Appendix VI – Summary of the Articles of Association of our Company”.

RISKS RELATING TO OUR BUSINESS

We depend on our customers in Tianjin Port Free Trade Zone (Seaport) for the sales of our electricity, steam, heating and cooling and any decrease in demand from these customers, loss of major customers, or overall economic downturn in the region will expose us to operational and financial risks.

We derive a substantial portion of our revenue from sales of electricity purchased from the State Grid and then dispatch electricity to our customers located in Tianjin Port Free Trade Zone (Seaport), which are enterprises in different industries, such as grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering industries. For the three years ended December 31, 2015, 2016 and 2017, our revenue from the sale of electricity in our electricity dispatch and sale business accounted for 46.5%, 47.3%, and 45.9% of our total revenue, respectively. In addition, we also derive a significant portion of our revenue from power generation and supply business, which relies on our customers located in Tianjin Port Free Trade Zone (Seaport) to purchase all or a significant portion of their steam, heating and cooling demand from us. For the three years ended December 31, 2015, 2016 and 2017, our revenue from our power and generation business accounted for 42.5%, 42.4%, and 41.0% of our total revenue, respectively.

If we experience a material decrease in the demand of steam, electricity or heating and cooling from our customers located in Tianjin Port Free Trade Zone (Seaport) due to economic conditions, changes in technology and other forces, we will experience operational and financial risks. For example, our revenue decreased from RMB478.6 million for the year ended December 31, 2015 to RMB432.9 million for the year ended December 31, 2016, mainly as a result of the decrease in demand for our products and services from certain customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment. Furthermore, if we lose any of our major customers of steam electricity and heating and cooling, our power output will significantly decrease, which will affect the amount of usable heat and the power we generate. Therefore, our business and results of operations will be adversely affected if we fail to maintain our current relationships with our steam and electricity customers due to new market entrants or any other reasons.

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Increasing coal costs may materially and adversely affect our operating results and we have limited ability to pass on potential coal price increases to our customer through any potential increases in on-grid tariffs.

Our power cogeneration plant is fuelled by coal. Therefore, our results of operations have been directly affected by the cost of coal. Our cost of coal was RMB62.1 million, RMB57.7 million and RMB81.7 million for the three years ended December 31, 2015, 2016 and 2017, representing 16.1%, 16.6% and 20.7% of our total cost of sales, respectively. Coal prices applicable to our coal-fired cogeneration power plant have been negotiated between our coal suppliers and us or our procurement agent and are subject to certain variables, including, in particular, market conditions and cost of transportation. During the years ended December 31, 2015, 2016 and 2017, the average price of standard coal (5,000 kcal/kg) we purchased was RMB361.6 per ton, RMB398.2 per ton and RMB561.2 per ton, respectively. For more information, please see the section headed “Financial Information – Key Factors Affecting Our Results of Operations – Availability and Cost of Coal”. Increases in the cost of coal will increase our cost of sales and may adversely affect our profitability.

Additionally, we have limited ability to pass on coal price increases to our customer through increases in on-grid tariffs. The on-grid tariffs are fixed by the NDRC and local pricing authorities, as adjusted in accordance with policy changes implemented by such authorities. For details, please see “Business – Pricing – On-grid Tariffs”. Although the new coal-electricity price linkage mechanism was implemented from January 1, 2016 after the NDRC issued the Notice on Improving Coal-Electricity Price Linkage Mechanism (《關於完善煤電價格聯動機制有關事項的通知》) in December 2015, no adjustment in on-grid tariff will be made when the coal price changes are lower than RMB30.0 per ton. For any coal price changes between RMB30.0 per ton and RMB150.0 per ton, the tariffs will be adjusted accordingly. In addition, the tariff change will be capped when the accumulated price change exceeds RMB150.0 per ton. Therefore, coal price increases may not always result in the upward adjustment of on-grid tariffs. In addition, the provincial price bureaus’ response to changing market conditions in the coal industry may not be sufficient or timely. As a result, any significant increase in coal prices may materially and adversely affect our results of operations and profitability.

The market price of coal has maintained at a relatively high level during the year ended December 31, 2017. Any further increase in the price of coal will substantially affect our cost and profitability of our power generation and supply business.

We are subject to risks relating to the relative geographic concentration of our business operations in Tianjin Port Free Trade Zone (Seaport).

Our electricity dispatch and sale and power generation and supply businesses are located in Tianjin Port Free Trade Zone (Seaport). The majority of our revenue is also derived from electricity and power sold to customers in Tianjin Port Free Trade Zone (Seaport), which is a sub-part of Tianjin Binhai New District with an area of approximately 7.0 km². Tianjin Binhai New District is located in the center of Bohai Economic Rim with an area of approximately

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2,270 km² and a population of approximately 2.98 million, and is an industrial manufacturing center, an international shipping center and a logistics center, as well as the gateway to Northern China. Therefore, our business operations may be subject to the risks peculiar to Tianjin Port Free Trade Zone (Seaport), Tianjin Municipality and its neighbouring areas. If any event related to local policies, social and economic conditions, weather, natural disasters, infrastructure facilities and other matters were to occur in this region, our business financial condition and results of operation may be materially and adversely affected. Any negative changes in the above factors or any catastrophic events may materially and adversely affect our business, financial condition and results of operations.

Our operations in Tianjin Port Free Trade Zone (Seaport) are extensively regulated by and subject to inspections and examinations by relevant PRC regulatory authorities.

Our power generation and supply and electricity dispatch and sale businesses are subject to extensive regulation by relevant PRC government authorities, such as the SASAC, the NDRC, the NEA, the SAT, the MEP, the Administration for Industry and Commerce, the MOHURD, the MOF, the MIIT, the SAFE and the MOFCOM, as well as their provincial and local counterparts, such as Free Trade Zone Administration Committee. Government regulations address virtually all aspects of our operations, including, among others, the following:

- planning and construction of new power projects;
- the granting of power generation and electricity dispatch permits;
- the amount and timing of power generation;
- the setting of on-grid tariffs charged by power producers and power tariffs paid by customers of electricity;
- transmission system constraints and electricity dispatch;
- environmental protection, safety standards and social impact minimization; and
- taxes, in particular enterprise income tax and VAT.

Our compliance with, and reliance on, regulatory requirements is significant to our business. An increase in the cost of compliance could increase our operating and maintenance costs and expenses and materially and adversely affect our results of operations. Our results of operations and future growth prospects may be materially and adversely affected by future changes in government regulations and policies.

In addition, we are subject to periodic inspection, examination and audit by PRC regulatory authorities. If, as a result of any such audit, material irregularities or other instances of non-compliance were found to have been committed by us, we may be subject to fines and

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other administrative penalties, which may result in an adverse effect on our reputation, as well as our business and prospects. During the Track Record Period, we commenced electricity, steam, heating and cooling generation operations, as well as electricity dispatch operations, prior to obtaining the necessary licenses. Please see “Business – Legal Proceedings and Compliance – Compliance-related Matters” for more details. As of the Latest Practicable Date, we had not received any notification from PRC government authorities regarding such licensing issues.

The operations of our power generation and supply and electricity dispatch and sale businesses and provision of power facility construction services and industrial facility operation and maintenance services may be adversely affected by operational risks, which could result in lost revenue, increased maintenance costs and potential liability to our customers.

The operation of our power generation and supply and electricity dispatch and sale businesses and provision of power facility construction services and industrial facility operation and maintenance services involve many risks and hazards which may be beyond our control and could cause significant business interruptions, personal injuries or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment, and suspension of operations, and could increase power generating costs. These risks include but are not limited to:

- breakdown of power transmission systems;
- failure or substandard performance of equipment;
- improper installation or operation of equipment;
- unexpected maintenance or technical problems;
- human errors and labor disturbances;
- breakdown of our mechanical, software or monitoring systems; and
- environmental hazards and industrial accidents.

The breakdown of power generation equipment or dispatch grids or failure of other key equipment or of a civil structure in our coal-fired cogeneration power plant could disrupt our operations and result in reduced revenue. Further, any breakdown or failure of one or more of our transmission systems could disrupt transmission of electricity by our distribution facilities to our customers. Repair of such equipment failures may take a few weeks, depending on the nature of the problem and availability of spare parts. In addition, if the problem is related to the grid, we will not be able to distribute our power until the grid carries out the necessary repairs. Our key equipment may from time to time require significant capital expenditure to keep it operating efficiently. Such equipment is also likely to require periodic upgrading and

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improvement. Breakdown or failure of any of our key equipment may also prevent us from performing under the applicable power sales agreement and, in certain situations, this could result in termination of the agreement or incurring liability to our customers for damages. Although to date we have not experienced any major breakdowns or failures in our power plant or our power transformation stations, the occurrence of any of these events may reduce our ability to generate power, resulting in loss of revenue and increased maintenance costs. In addition, any of the above circumstances may also affect customers of the power we generate and result in harm to our reputation.

We procure coal from a limited number of suppliers.

Our coal-fired power plant relies on coal as a fuel source. We purchase our coal from a limited number of suppliers. We purchased the coal we used from five, four and five suppliers during the years ended December 31, 2015, 2016 and 2017, respectively. Although there are numerous suppliers transporting coal through the Tianjin Port, which is currently a logistics center of coal in North China, we cannot assure you that we can always procure sufficient amount of coal at reasonable prices and terms or at all.

We typically enter into coal supply agreements with a term of two to three months with our coal suppliers after the bidding process. Therefore, such agreements may expire, and may not be renewed on favorable or comparable terms or at all. In addition, we may be unable to obtain sufficient quantities of coal in the future as a result of a variety of factors, including a significant increase in regional or global demand for coal, a significant decrease in the regional or global supply of coal, default of any of our suppliers of the supply agreement, termination of our relationship with any of our coal suppliers, any delay of delivery of coal by our suppliers, natural disasters, severe weather conditions, construction or maintenance delays, breakdowns, accidents and unforeseen engineering, environmental or geological problems. If we are unable to obtain a stable and sufficient supply of coal to satisfy our production requirements, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We outsource a portion of our service needs to third parties. Failure of these third parties to fulfill their responsibilities may prevent us from fulfilling obligations to our customers, expose us to legal liabilities and adversely affect our ability to maintain our growth and may limit our future success.

We outsource a portion of our service needs to third parties, including facility construction services and daily operation, maintenance and repair services for our four boilers, two backpressure turbines and auxiliary equipment, and desulphurization, denitration and de-dusting systems. We enter into service agreements with these third parties. There is no assurance that these third parties can fulfil their obligations under these agreements satisfactorily and, if not, that we can always find other parties to replace them in a timely manner. As a result, we may not be able to fulfil our obligations to our customers in a timely manner or at all and our business operations and reputation may suffer. This could lead to the erosion of our relationships with potential and existing customers, and our business, financial condition, results of operations and our growth prospects may be materially and adversely affected.

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The businesses or projects we develop, acquire or invest in the future may not be as profitable as we expect, or at all, and may subject us to additional risks and liabilities.

The businesses that we develop, acquire or invest in the future may not be as profitable as we expect, or at all. Acquisitions or investments that we carry out in the future may cause us to incur liabilities, or result in the impairment of goodwill or other intangible assets or other related expenses. Business expansion carried out through acquisitions and investments could also expose us to successor liability and litigation resulting from the actions of the company we have acquired or in which we made an investment before or after the acquisition or investment. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the companies we have acquired or invested in may not be sufficient to protect us from, or compensate us for, actual liabilities and our forecast on potential demand may not meet the actual demand at such locations. Any material liability associated with an acquisition and investment could adversely affect our reputation and reduce the benefits of the acquisition and investment. Any of the events mentioned above could have a material and adverse effect on our business, financial condition, results of operations and prospects.

In particular, we plan to establish Tianbao Electricity Sales Company, which will serve as a vehicle for us to participate in the power system reform pursuant to the New Policy. While our Directors' expectation is that the New Policy will not be officially implemented locally in Tianjin until June 2018, our Directors believe setting up Tianbao Electricity Sales Company at this stage and engaging in all necessary preparatory works are imperative for us to maintain our competitive edge. Please see "Future Plans and Use of Proceeds" for more details. However, there is no assurance that the implementation of the New Policy will not be delayed, or the New Policy will be implemented as currently drafted. Our Directors cannot guarantee that the New Policy will be implemented in line with expectations, including with regards to our ability to establish Tianbao Electricity Sales Company and realizing the expected resultant benefits from the electricity sales business. If the New Policy will not be implemented as we expect, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our growth strategy is dependent upon our ability to manage our growth effectively which, if unsuccessful, could result in a material adverse impact on our financial condition and results of operations.

Our growth strategy depends in part upon our ability to manage our future development, including, for example, our ability to successfully develop new power projects, to hire, train, supervise and manage new employees, to establish and maintain adequate financial control and reporting systems and other systems and processes, and to manage a rapidly growing and much larger operation. We cannot assure you that we will be able to:

- expand our systems and processes effectively or efficiently or in a timely manner;
- allocate our human resources optimally;

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- identify and hire qualified employees or retain valued employees;
- maintain a good relationship with State Grid; or
- centralize and improve the efficiency of the management and operations of the power projects we develop.

If we fail to effectively manage our growth, our results of operations and financial condition could be materially and adversely affected. In addition, we currently only operate in the Tianjin Port Free Trade Zone (Seaport) and immediate vicinity and there is no assurance that any expansion beyond our location will be successfully implemented.

We may encounter difficulties in identifying suitable project development and acquisition opportunities, which would result in our dependence upon our current power generation and supply business and electricity dispatch and sale business and may have limited revenue growth potential.

Our ability to implement our growth strategy will depend on a number of factors, in particular our ability to identify suitable project development opportunities, select proper acquisition targets, reach agreements with governments and grid operators, and obtain the necessary authorizations, or acquire concessions for major projects from the PRC government. We believe that identifying and developing projects may become increasingly difficult in the future as competition for the development of power projects in China increases.

If we are unable to find or successfully bid for suitable opportunities to develop power projects in Tianjin Port Free Trade Zone (Seaport) or other places in China, we will continue to remain dependent on our current power generation and supply business and electricity dispatch and sale business within a limited locality and may have limited revenue growth potential. This may:

- result in our dependence upon the performance of our projects in operation;
- result in our dependence upon electricity supply and sales in the geographical area in Tianjin Port Free Trade Zone (Seaport);
- expose us to increased risks associated with natural disasters in the existing geographical areas where we operate; and
- limit our ability to grow our revenue and to obtain the economies of scale that we anticipate.

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We depend on key management personnel and professional technicians for the continuous success of our business.

Our success is built substantially upon the continuous efforts and service of our experienced management team and specialized technical personnel. There can be no assurance that we will be able to retain our key management personnel or technical staff. If any of our key management personnel stops working in his or her present position, or if any of them fails to perform their obligations under their employment agreements, we may not be able to find a suitable replacement in a timely manner. In addition, we are greatly dependent on the specialized services provided by our operation team that have been specially trained for a long time, especially the operation teams in key positions. If we fail to retain our senior management or operation team, our business may be adversely affected. Our future growth and success will also depend to a large extent on our ability to retain or recruit suitable and qualified individuals to strengthen our management, operational, technical and research teams. There can be no assurance that we will be able to cultivate, recruit and retain the key personnel that we need to achieve our business objectives, and if we are unable to do so it may lead to material and adverse impacts on our business, financial condition and results of operations.

Development and acquisition of, or investment in, new power projects (including PPP Projects) requires substantial capital. If we fail to obtain capital on reasonable commercial terms or at all, our business may be materially and adversely affected and we may not be able to expand our business as planned.

We operate in a capital-intensive industry. Developing, acquiring or investing in new power projects, developing or expanding our existing coal-fired cogeneration power plant and establishing Tianbao Electricity Sales Company require substantial capital. In particular, we plan to participate in PPP Projects as part of our expansion plan as mentioned in section headed “Business – Our Strategies – Participation in PPP Projects”. Depending on the nature and scale of the PPP Projects we may be involved in the future, we are expected to provide additional funding to finance these projects. As is the case with other power generation companies, it usually takes a long period of time for us to recoup our investment in power projects. As a result, the cash generated from operations may not be sufficient to meet all of our capital needs and we may rely on substantial debt financing, within the limits set by the government, for the expansion of our business. Our ability to obtain financing and the related finance costs are subject to various factors, including macroeconomic and capital market conditions, government policies and regulations (especially those related to currencies) and the continuous success of our business. Unfavorable global market conditions may adversely affect our ability to obtain financing. Although we mainly rely on domestic funding sources, any decline in the liquidity of the global capital markets may adversely affect the markets in Hong Kong or the PRC, and limit our ability to obtain funds. We cannot assure you that the banks that lend to us will not breach their contractual obligations or will extend to us the entire amounts of credit that they committed in a timely manner, nor can we assure you that we can obtain any international or domestic financing for future power project development and acquisitions or the expansion of our existing coal-fired cogeneration power plant on terms favorable to us, or at all. If we fail to obtain debt financing on commercial terms acceptable to us, we may have

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to obtain financing through offering our shares, which will dilute the equity interests of our existing shareholders. If we are unable to obtain financing on favorable terms or at all, we may be forced to delay, reduce or abandon our growth strategies and/or increase our financing costs, and our business, financial condition and results of operations may be materially and adversely affected.

Compliance with environmental protection regulations can be costly, and we may become subject to further environmental compliance requirements in connection with our operations, which could adversely affect our results of operations and financial condition.

We are required to comply with PRC national and local regulations regarding environmental protection for the construction and operation of our coal-fired cogeneration power plant. To the extent that our coal-fired cogeneration power plant may have been in compliance with PRC environmental protection laws and regulations at the time it was constructed, we cannot assure you that the PRC government will not require retroactive application of current laws and regulations to it. Compliance with environmental regulations can involve significant costs, and non-compliance with these regulations may result in adverse publicity, potentially significant monetary damages and fines and suspension of our business operations. We did not hold the City Water Discharge Permit (城市排水許可證) from January 1, 2016 to December 20, 2016. In addition, we did not hold the Pollutant Discharge Permit (排污許可證) until June 13, 2017. Please see “Business – Legal Proceedings – Compliance-related Matters” for more details. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend production or even cease operations, and our reputation may be adversely affected.

We have limited experience in developing power projects other than our coal-fired cogeneration power plant and our power transformation stations, which may affect our ability to grow and diversify.

We have limited experience in developing power projects other than our coal-fired cogeneration power plant and our power transformation stations, which may affect our ability to grow and diversify our business. In addition, although we have substantial experience in the development of cogeneration power projects, we have limited or no specific experience in the development of certain clean energy power projects that we may pursue in the future, such as photovoltaic power projects, CNG/LNG power projects and other clean energy power projects. The development of clean energy power projects is a particularly high-risk and capital-intensive activity and we may lack the physical service infrastructure, knowledge and experience to develop certain clean energies, which will increase both the financial and operational risk involved in such developments.

In addition, the management of our growth requires qualified personnel, systems and other resources, which we may not have or may not be able to easily obtain. Even though we believe that much of our experience is valuable for the development of clean energy power projects generally, failure to successfully develop new and future clean energy power projects or integrate newly developed or acquired businesses could have a material adverse effect on our business and financial results.

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We currently depend on State Grid to supply electricity for our electricity dispatch and sale business and failure to renew our PSA with State Grid could result in a reduction or complete loss of supply of electricity, which would have a material and adverse effect on our revenue and results of operations.

We depend on State Grid to supply electricity to us which we transform at our facilities and dispatch and sell to our customers in Tianjin Port Free Trade Zone (Seaport) as required by the PRC law. For the three years ended December 31, 2015, 2016 and 2017, our revenue from the sale of electricity in our electricity dispatch and sale business was RMB222.7 million, RMB204.7 million and RMB207.8 million, accounting for 46.5%, 47.3%, and 45.9% of our total revenue, respectively. We have entered into PSAs with Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, for the supply of electricity to us with a term of three years and the PSAs are automatically renewed upon expiry unless objected or amended by either party. For further information of our PSAs with Tianjin Electric Power Company Binhai Branch, please see “Business – Agreements for the Purchase and Sale of Electricity – Agreements for the Purchase of Electricity”. There can be no assurance that Tianjin Electric Power Company Binhai Branch will always perform its obligations under the PSA, which include sale of electricity, grid connection and dispatch services. If Tianjin Electric Power Company Binhai Branch fails to perform its obligations under the PSA or renew or terminate our PSA on terms commercially favorable to us or at all, or in the event of its insolvency or liquidation, we may not be able to find alternative suppliers readily available to us and our business, financial condition and results of operations would thus be materially and adversely affected.

Natural disasters and other factors may result in accidents or business interruption, which may materially and adversely affect our business, results of operations and financial condition.

Our business operations are subject to risks arising from natural disasters, such as typhoons, floods and earthquakes. We take precautions in the design, construction and operation of our coal-fired cogeneration power plant and distribution facilities, but there can be no assurance that natural disasters or other circumstances such as system failure, equipment malfunction, risks currently unknown or human errors, will not result in any accident or business interruption. Safety measures were incorporated into the design of our facilities and sites, and we have taken protective measures. Nonetheless, like any safety measures intended to counter an external threat, there can be no assurance that these will prove fully effective in all cases.

If an accident were to occur at one or more of our facilities, whether caused by natural disaster or other reason, our business may be interrupted, and we may also be liable for casualties, property loss, environmental contamination or other damages caused or may be subject to investigations, legal proceedings and claims in relation to such accident. For example, on August 12, 2015, a series of explosion occurred at a container storage station (outside the region of our business operations) at the Port of Tianjin. Although our operations were not affected by this explosion, we cannot assure you that accidents of this type will not

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occur again. Accidents caused by any factor or natural disasters may result in various serious damages, and other parties may attempt to make us liable for such events for the reason that the protective measures taken by us are not sufficient or even the impact from the related negative publicity, which may have a material and adverse effect on our business, results of operations and financial condition.

We may not have adequate insurance to cover all potential liabilities or losses.

We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. For more details on our insurance coverage, please refer to the section headed “Business – Insurance” in this Prospectus. There can be no assurance that the insurance maintained by us will provide adequate coverage in all circumstances. Although our coal-fired cogeneration power plant has a track record of safe operation and has never suffered any material hazard during the Track Record Period, there can be no assurance that the incidents, accidents or disasters discussed elsewhere in this section will not occur in the future. The occurrence of any such incident, accident or disaster for which we are uninsured or inadequately insured may materially and adversely affect our business, financial condition and results of operations.

We may fail to keep pace with technological changes in the rapidly evolving power generation industry.

The technologies used in the power generation industry are evolving rapidly, and in order to remain competitive and expand our business, we must be able to respond to these technological changes. Our coal-fired cogeneration power plant consists of circulating-fluidized-bed (“CFB”) boilers, backpressure turbines, power transformers, heat and pressure reducers, heating and cooling generation systems and desulphurization, denitration and de-dusting systems, which allow us to generate electricity, steam, and hot water or chilled water for heating or cooling simultaneously. We have adopted the highly advanced cogeneration technology with backpressure turbines, which has increased our thermal efficiency, minimized our fuel consumption and reduced our air-pollutant emission. Our power generation plant is equipped with two backpressure turbines which can improve the efficiency of our coal-fired cogeneration power plant by adjusting the electricity generation based on the steam demand.

With our focus on environmental protection, our coal-fired cogeneration power plant is also equipped with a desulphurization, denitration and de-dusting system, which allows us to reduce hazardous pollutant emission, such as sulphur dioxide and nitrogen oxide. By applying the desulphurization, denitration and de-dusting technologies, our pollution emission is lower than the average industry emission in the PRC and our coal-fired cogeneration power plant has satisfied the ultra-low emission requirements set forth by the relevant national and local authorities. For details, please refer to the section headed “Business – Environmental Compliance” in this Prospectus.

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We may be unable to update our technologies swiftly and regularly, possibly rendering our operations less competitive. Failure to respond to current and future technological changes in the power generation industry in an effective and timely manner may have a material adverse effect on our business, financial condition or results of operations.

Any failure by our key customers to make payment to us or any payment disputes or delays may materially and adversely affect our business, financial position and results of operations.

We had trade and bill receivables of RMB33.6 million, RMB37.5 million and RMB41.9 million as of December 31, 2015, 2016 and 2017, respectively. Our trade and bill receivables mainly represent outstanding amounts due from our customers. If our customers were to become insolvent, significantly delay their payments or otherwise become unable or unwilling to settle their outstanding receivables in a timely manner or at all, our liquidity could be materially and adversely affected and we would have to write off receivables or increase provisions against receivables, which could materially and adversely affect our business, cash flows, financial position and results of operations.

Our Controlling Shareholders' interests may differ from those of our other shareholders.

Upon the completion of the Share Offer, Tianbao Holdings will own directly an aggregate of approximately 71.11% of our issued shares assuming no exercise of the Offer Size Adjustment Option. Subject to our Articles of Association and applicable laws and regulations, Tianbao Holdings will, through its representatives on our Board or by voting at the general meetings of Shareholders, be able to influence us substantially, including on the composition of our senior management team, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment to our Articles of Association and other actions that require the approval of our Board of Directors and Shareholders. The interests of Tianbao Holdings may differ from those of our other Shareholders. We cannot assure you that Tianbao Holdings will consistently put its decisions to vote or appoint its nominee directors to act in the best interests of our minority Shareholders.

RISKS RELATING TO OUR INDUSTRY

Electricity purchase prices from State Grid are set based on regulatory guidance, and changes in these factors may materially and adversely affect our results of operations.

The electricity purchase prices from State Grid by other grid companies in the PRC are approved or fixed by the relevant pricing authorities and may change. Currently, the electricity purchase prices from State Grid by other grid companies in the PRC are also affected by the NDRC's "benchmark tariff" policy for on-grid tariffs. If the electricity purchase prices from State Grid by us increase due to future changes in policies and we are unable to mitigate such increase by passing on the increase to our customers or with enhanced operational efficiency

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of our power stations or lower construction or acquisition costs for new power generating capacity, our revenue and financial performance may be materially and adversely affected. For further details on applicable electricity purchase price from State Grid and the recent change in policy with respect to such tariffs issued by the NDRC, please refer to the section headed “Business – Pricing”.

Furthermore, we cannot assure you that regulatory reforms in the PRC will not result in changes to the tariff setting mechanism in China. Nor can we assure you that any changes such as those incorporating a greater market-based element will not result in increase in the electricity purchase prices from State Grid by us.

Any future increase in the on-grid tariffs for sale of electricity by State Grid to us, or inability to obtain lower tariffs, for example, to cover any increased costs we may have to incur, as a result of a change to such on-grid tariff-setting mechanism may materially and adversely affect our business, financial condition and results of operations.

Any fluctuation or reduction in the demand for electricity could affect our results of operations.

The power generation industry in the PRC experienced continuous growth over the last decade as a result of rapid industrialization and rising residential power demand. However, the level of demand for power in the PRC will not necessarily continue to increase or be sustained in the future. A slowdown in certain industries or in the PRC economy generally, could result in an overall lower demand for power as has occurred during the Track Record Period and have a material and adverse effect on our business, financial condition and results of operations.

The amount of our net power generation is also subject to local demand for electricity and the electricity available from State Grid for sale. There can be no assurance that the supply of electricity from other power stations and projects in regions in which we operate will not increase in the future. Any such increase in the supply of electricity in the regions where we operate could result in an imbalance between the supply of and demand for electricity in the local market, which could affect the utilization rate and power generation of the cogeneration units that we operate. If our net power generation decreases due to any of these factors, our revenue will decrease accordingly, which may materially and adversely affect our business, financial condition and results of operations.

Our business and financial condition may be adversely affected by global and domestic economic conditions.

Our results of operations may be materially affected by economic conditions in China and elsewhere around the world. Although countries around the world have adopted various economic policies to mitigate the adverse influences caused by factors such as the slowdown of the world economy and the European financial crisis, it is uncertain how quickly the world economy would grow going forward. In addition, any tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. The difficult economic

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outlook has negatively affected business and consumer confidence and contributed to unprecedented volatility levels. We cannot predict the short-term and long-term impacts of these events on our business and financial condition, which could be materially and adversely affected.

Regulatory reform of the PRC power industry may affect our business.

We are subject to PRC governmental and power generation and grid regulations in virtually all aspects of our operations, including the amount and timing of electricity generation, the setting of on-grid tariffs and end-user tariffs, the setting of prices of steam, heating and cooling, performance of scheduled maintenance, compliance with power grid control and dispatch directives and environmental protection. The PRC power industry being highly regulated has experienced and is expected to continue to experience ongoing regulatory reforms.

Following a major reform of the PRC power industry in 2002, on March 15, 2015, the CPC Central Committee and the State Council issued the Opinions on the Further Reform of the Electric Power System issued by the CPC Central Committee and the State Council (《中共中央、國務院關於進一步深化電力體制改革的若干意見》) (the “**Opinions**”), which started a new round of power system reform in the PRC. Following the Opinions, the NDRC issued further opinions and notices to implement the reform of the power system in the PRC. According to the Opinions, China will implement the following measures to reform the power system:

- open up competition in the power generation and supply industries to allow the market to determine power prices and diversify power suppliers;
- formulate rules for entry into and exit from the power supply business;
- strengthen governmental supervision and power generation planning to ensure that the system operates at its highest efficiency and produces reliable power supply;
- encourage mid- and long-term power trading for regions with excessive power with those experiencing power shortages;
- increase the proportion of renewable and distributed power generation and supply; and
- ensure relatively stable power prices for households, farming and key public services.

The new reform of the PRC power system will bring profound impact on the whole power generation and supply industries and we may benefit from such reform. However, we cannot guarantee you that the reform of the mechanism of setting on-grid tariffs and end-user tariffs, tighter power grid control and dispatch directives, and stricter environmental compliance regulations will not have a negative impact on our business, financial condition and results of operations.

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If the PRC government adopts new and stricter environmental laws and additional capital expenditure is required for complying with such laws, the operation of our coal-fired power generation business may be adversely affected and we may be required to make additional investment in order to comply with these environmental laws.

Our coal-fired power plant discharges pollutants into the environment. We are subject to the PRC government and local government environmental protection laws and regulations, which currently impose base-level discharge fees for various polluting substances and tiered fees for the discharge of waste substances. The amount of discharge fees is determined by the local environmental protection authority based on periodic inspections of the type and volume of pollution discharges. In addition, such environmental protection laws and regulations also set goals for the overall control on the discharge volume of key polluting substances. These laws and regulations impose fines for violations of laws, regulations or decrees and provide for the possible closure by the PRC government or local government of any coal-fired power plant which fails to comply with orders requiring it to cease or cure certain activities causing environmental damage.

We attach great importance to the environmental-related matters of our existing coal-fired cogeneration power plant. For example, our coal-fired cogeneration power plant is equipped with CFB boilers and desulphurization, denitration and de-dusting system to reduce the emission of air pollutants. We believe our environmental protection systems and facilities for our coal-fired cogeneration power plant are adequate for us to comply with applicable central government and local government environmental protection laws and regulations. However, the PRC government may impose new, stricter laws and regulations which would require additional expenditure on environmental protection.

China is a party to the Framework Convention on Climate Change (“**Climate Change Convention**”), which is intended to limit or capture emissions of “greenhouse” gases, such as carbon dioxide. Ceilings on such emissions could limit the production of electricity from fossil fuels, particularly coal, or increase the costs of such production. At present, ceilings on the emissions of “greenhouse” gases have not been assigned to developing countries under the Climate Change Convention. Therefore, we do not expect the Climate Change Convention to have a major effect on us in the short-term because China, as a developing country, is not obligated to reduce its emissions of “greenhouse” gases at present, and the PRC government has not adopted relevant control standards and policies. If the PRC government were to agree to such ceilings, or otherwise reduce its reliance on coal-fired power plants, our power generation and supply business could be adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in PRC economic and political policies could have a material adverse effect on the overall economic growth of China, which could reduce the demand for electricity and materially and adversely affect our business.

Our operating businesses are based in China and our electricity sale revenue is derived from those businesses. As such, our business, financial condition, results of operations and

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prospects are affected significantly by economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many aspects, including:

- the level of government involvement;
- the level of development;
- the economic growth rate;
- the level and control of capital investment;
- the control of foreign exchange; and
- the allocation of resources.

While the Chinese economy has grown significantly in the past two decades, the growth has been geographically uneven, among various sectors of the economy and during different periods. We cannot assure you that the Chinese economy will continue to grow or to do so at the pace that has prevailed in recent years, or that, if there is growth, such growth will be steady and uniform. The Chinese economy has been facing the slowdown in growth, and so could have a negative effect on our business. It is uncertain whether various macroeconomic measures and monetary policies adopted by the PRC government will be effective in sustaining the fast growth rate of the Chinese economy. In addition, such measures, even if they benefit the overall Chinese economy in the long-term, may have a negative effect on us. For example, our results of operations and financial condition may be materially and adversely affected by government control over capital investments, and our ability to access bank financing may be adversely affected by continued tightening of the PRC's monetary policy.

A substantial portion of the productive assets in China is owned by the PRC government. The PRC government also exercises significant control over Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of investments and expenditures in China, which in turn could lead to a reduction in demand for electricity and consequently have a material adverse effect on our businesses.

The interpretation and enforcement of PRC laws and regulations involves significant uncertainties and PRC laws differ from the laws of common law jurisdictions.

We are formed and exist under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations

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dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. In particular, the PRC power generation industry is a highly regulated industry. Many aspects of our business such as the determination of power generation, grid connection, on-grid tariffs and end-user tariffs are subject to PRC laws and regulations. As the PRC legal system develops together with the PRC power generation and distribution industries, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material and adverse effect on our business operations.

Furthermore, certain important aspects of PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class-action suits and measures protecting the non-controlling shareholders, restrictions on directors, disclosure requirements, different rights of classified shareholders, general meeting procedure and disbursement of dividends. These aspects of PRC corporate law can, to some extent, be mitigated through the application of mandatory provisions and certain other provisions of the Listing Rules, including the inclusion of mandatory provisions in the listing company's articles of association. This process decreases the discrepancies between Hong Kong and PRC corporate law and strengthens investor protection. Our Articles of Association include the provisions required under the Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.

Currently, RMB still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business, and we shall make up our losses of previous years according to the PRC law. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under the existing foreign exchange regulations, following the completion of the Share Offer, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to

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obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans and our business, operating results and financial condition, may be materially and adversely affected.

Investors may be subject to PRC income tax.

Under the applicable PRC tax laws, dividends of a PRC resident enterprise paid to, and gains realized through the sale or transfer by other means of shares in a PRC resident enterprise by, a non-PRC resident individual are both subject to PRC individual income tax at a rate of 20%. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993]045 (《國家稅務局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) dated June 28, 2011 issued by the SAT, dividends paid by H Share issuers to a non-PRC resident individual holder of H Shares are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the jurisdiction in which the shareholder resides. Such tax rates range from 5% to 20%. This circular further provides that, in general, the tax rate applicable to dividend income as stipulated in relevant tax treaties or arrangements is 10%; therefore, H Share issuers can withhold 10% of the dividend without seeking prior consent from competent tax authorities.

Any shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is lower than 10% shall be entitled to a refund of the excess tax withheld by H Share issuers; however, such refund shall be applied for by the shareholder directly or through a tax agent and will be subject to the approval of the competent tax authority. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is more than 10% but less than 20%, H Share issuers shall withhold the individual income tax at the actual tax rate, as stipulated in the relevant tax treaties or arrangements, without seeking prior consent from competent tax authorities. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is 20% or where there is no relevant tax treaty or arrangement with the PRC, H Share issuers shall withhold the individual income tax at the rate of 20%.

Despite these arrangements, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including the relatively short history of such laws and rules, and whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders of H Shares will be subject to PRC individual income tax at a flat rate of 20%.

According to the PRC Enterprise Income Tax Law and the rules relating to the implementation thereof, non-PRC resident enterprises that do not have any establishment or premises within the PRC are subject to enterprise income tax at a rate of 10% on any income generated within the PRC. Furthermore, pursuant to the Notice of Withholding and Payment of Enterprise Income Tax for PRC Resident Enterprises Paying Dividends to Overseas Non-resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東

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派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT on November 6, 2008, PRC resident enterprises are required to withhold enterprise income tax at a flat rate of 10% on distributions of dividends to overseas non-PRC resident enterprise holders of H Shares for the year 2008 and thereafter.

According to relevant PRC tax laws, non-PRC resident enterprise holders of H Shares are subject to enterprise income tax at a rate of 10% on profit from the sale or transfer of H Shares as well as dividends received from H Shares.

According to the Interim Measures for Source-based Withholding of Enterprise Income Tax on Nonresident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》) issued by the SAT, in offshore H Share transfers between non-PRC resident enterprises, the selling party is required to, personally or through proxy, file enterprise income taxes with the competent PRC tax authorities in the local jurisdiction where the issuer of such H Shares is registered.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-PRC resident holders of H Shares through the sale, or transfer by other means, of H Shares will be collected by the PRC tax authorities in the future. Considering these uncertainties, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on gains realized through the sale, or transfer by other means of our H Shares.

Any force majeure event could materially and adversely affect our business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease in Hong Kong or the PRC, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. Some regions in the PRC are subject to earthquake, fire, bad weather, or other natural disaster. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall rate of growth of the gross domestic product of the PRC. Our income is currently derived entirely from our PRC operations, and any labor shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant stations or potentially require a closure of our facilities to prevent the spread of the disease. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition, and results of operations.

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It may be difficult to enforce judgments rendered by courts other than PRC courts against us or the Directors, Supervisors or senior management residing in China.

We are a company incorporated under the laws of the PRC and all of our assets and all of our subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. Most of the assets of these Directors, Supervisors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors, Supervisors and senior management. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

Our Articles of Association provide that disputes between holders of our H Shares and our Company, our Directors, Supervisors or senior management, arising out of our Articles of Association, the PRC Company Law and related regulations, concerning the affairs of our Company, are to be resolved through arbitration by the CIETAC or the HKIAC. Awards made by PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our H Shares and their liquidity and market price may be volatile. If the price of the Shares declines or fluctuates, this could result in substantial losses for investors purchasing Shares in the Share Offer.

Prior to the Share Offer, there has been no public market of our H Shares. The initial Offer Price for our H Shares to the public will be agreed by us and the Underwriters, and the Offer Price may differ significantly from the market price of the H Shares following this Share Offer. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H

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Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained. In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory developments or market changes in the PRC affecting us or our industry;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances, or joint ventures by us or our competitors;
- addition or departure of our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Hong Kong Stock Exchange both have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of related companies. These broad market and industry fluctuations may adversely affect the market price of our H Shares in a similar manner.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Any future sale or availability for sale of the Shares could have an adverse effect on the Share price. The sale of a significant amount of Shares in the public market after the Share Offer, or the perception that such sales may occur, could adversely affect the market price of

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the Shares. Except as otherwise described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer” in this Prospectus, there are no restrictions imposed on the disposition by the Controlling Shareholders of their shareholdings.

Future sale of a significant amount of our H Shares or other related securities in the public market, or issuance of new H Shares or other related securities in the public market, or the perception that such sales or issuance may occur, after the expiration of relevant restrictions, could make the market price of our Shares decline. In addition, such sales may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. This could further increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Prospectus with respect to the PRC, its economy or its electricity dispatch and sale and power generation and supply industries.

Facts and statistics in this Prospectus relating to the PRC, its economy and its power generation and distribution industries, including its market share information, are derived from various official and other publicly available sources which are generally believed by us to be reliable. However, there can be no assurance as to the quality and reliability of such official source materials. In addition, these facts and statistics have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners or its advisers and therefore none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners or its advisers makes any representation as to the accuracy or fairness of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts or statistics produced for other economies and should not be unduly relied upon by investors.

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There will be a time gap of several business days between pricing and trading of our H Shares offered under the Share Offer.

The Offer Price of our H Shares sold to the public under the Share Offer will be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. During that period, investors of our H shares may not be able to sell or otherwise deal in our H Shares. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

There can be no assurance if and when we will pay dividends in the future. Dividends declared in the past may not be indicative of our dividend payments in the future.

Our Company declared dividends of RMB14.7 million in 2013, RMB39.3 million in 2014 and RMB21.0 million in 2016, which were paid in 2015, 2015 and 2017, respectively. However, historical dividend distributions are not indicative of our future distribution policy and we can give no assurance that dividends of similar amounts or at similar rates will be paid in the future.

We currently intend to distribute 30% to 50% of our profit for the year after the completion of the Share Offer in the form of dividends to our shareholders. However, our ability to pay dividends will depend on whether we can generate sufficient earnings and other factors. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends. Any profits available for distribution in a year can be retained for distribution in subsequent years. For further details, please refer to the section headed "Financial Information – Dividends" in this Prospectus. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot assure you when, if and in what form dividends will be paid in the future.

RISK FACTORS

We strongly caution investors not to place any reliance on any information contained in press or media reports regarding us and the Share Offer.

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Share Offer, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this Prospectus or the actual circumstances. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inappropriateness, inaccuracy, incompleteness or unreliability of any such information. To the extent that any such information appearing in the press or media is inconsistent or conflicts with the information contained in this Prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, investors should not rely on any such information in making a decision as to whether to purchase our H Shares, and should rely only on the information included in this Prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have applied to Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, and this normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that our business and operations are principally located, managed and conducted in the PRC and the Group's head office situates in and substantially all of the Directors currently reside in the PRC, we consider that it would be unduly burdensome for us to maintain sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

1. **Authorized Representatives:** We have appointed Ms. Fang Wei (our executive Director) and Mr. Wong Yat Tung (our joint company secretary) as our authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange. Although Ms. Fang Wei resides in the PRC, she possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. The Authorized Representatives will also provide their usual contact details, and each of the Authorized Representatives has confirmed that she will be readily contactable by the Stock Exchange and will be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time frame upon request of the Stock Exchange;
2. **Directors:** When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication between the Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (a) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the Authorized Representatives; (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives; and (c) we have provided the mobile number, office number, e-mail address and facsimile number of each Director to the Stock Exchange.

We have one independent non-executive Director (namely Mr. Lau Tsz Bun) who is ordinarily resident in Hong Kong and will act as additional channel of communication between the Stock Exchange and us.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Each of the Directors who does not ordinarily reside in Hong Kong possesses valid travel document and can apply for visa to visit Hong Kong within a reasonably short period of time. Accordingly, each of the Directors will be able to meet with the Stock Exchange within a reasonable period of time;

3. **Compliance Adviser:** We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rule 3A.19 of the Listing Rules, who will provide us with professional advice on continuing obligations under the Listing Rules and act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

We have provided the Stock Exchange with the names, office telephone numbers, facsimile numbers and e-mail addresses of at least two of the Compliance Adviser’s officers who will act as the Compliance Adviser’s contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Adviser retained by us will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorized Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange; and

4. **Legal Adviser:** We shall also retain a legal adviser after the Listing (i) to inform us on a timely manner of any amendment or supplement to the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to us, (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable Hong Kong laws and regulations as required under Rule 19A.06(3), and (iii) to provide advice to us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note (1) to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- i. a member of the Hong Kong Institute of Chartered Secretaries;
- ii. a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- iii. a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Law of Hong Kong).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s (i) length of employment with the issuer and other issuers and the roles he played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Fang Wei as one of the joint company secretaries, who does not possess any of the qualifications under Rule 3.28 and Rule 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing rules. Therefore, we have appointed Mr. Wong Yat Tung, who is a fellow member of the Hong Kong Institute of Chartered Secretaries and who fully complies with the requirements stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules to act as another joint company secretary and to provide guidance and assistance to Ms. Fang Wei for an initial period of three years from the Listing Date to enable Ms. Fang Wei to acquire the “relevant experience” under Note (2) to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Listing Rules.

Mr. Wong Yat Tung will work closely with Ms. Fang Wei to jointly discharge the duties and responsibilities as company secretary and assist Ms. Fang Wei to acquire the relevant experience as required under Rule 3.28 and Rule 8.17 of the Listing Rules. In addition, Ms. Fang Wei will endeavor to attend relevant training and familiarize herself with the Listing Rules and duties required for a company secretary of a PRC issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

granted on the condition that we engage Mr. Wong Yat Tung, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Ms. Fang Wei in discharging her duties as a joint company secretary and in gaining the “relevant experience” as required under Note (2) to Rule 3.28 of the Listing Rules. Before the expiry of the initial three-year period, the qualifications of Ms. Fang Wei will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 and Rule 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will be made. In the event Ms. Fang Wei has obtained relevant experience at the end of the initial three-year period, the above joint company secretary arrangement would no longer be necessary for our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, continuing connected transactions on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules, is/are on an annual basis more than 5% are subject to announcement and annual review requirements as set out in Rule 14A.35 and Rules 14A.55 to 14A.59, circular requirements as set out in Rules 14A.46 to 14A.48, annual reporting requirements as set out in Rule 14A.49, and shareholders’ approval requirements as set out in Rules 14A.36 to 14A.45 of the Listing Rules.

We have entered into, or will enter into, certain transactions which are expected to continue after the Listing and which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and/or independent shareholders’ approval requirements in respect of such non-exempt continuing connected transactions. Further details of such continuing connected transactions are set out in the section headed “Connected Transactions” in this Prospectus.

WAIVER IN RELATION TO THE PUBLICATION OF ANNUAL REPORT AND RELEASE OF ANNUAL FINANCIAL RESULTS

Rule 13.46(2) of the Listing Rules requires an issuer to send a copy of its annual report including its annual accounts or summary financial report to its shareholders within four months after its financial year-end. As the Company has included in this Prospectus the financial information in respect of the year ended December 31, 2017, our Directors believe that strict compliance with the requirements of Rules 13.46(2) of the Listing Rules would not provide our Shareholders and potential investors with further material information of the Company and would incur unnecessary administrative cost and be unduly burdensome for the Company.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements of Rules 13.46(2) of the Listing Rules in respect of the issue of an annual report for the year ended December 31, 2017. The Company will not be in breach of the Articles of Association or the laws and regulations of the PRC or other regulatory requirements regarding its obligation to publish our annual report.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In addition, the Company has included in this Prospectus a statement as to whether we intend to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after its Listing. Please see “Directors, Supervisors and Senior Management – Corporate Governance”.

The Company will issue an announcement to inform the Shareholders and investors upon its Listing on the status of this waiver application.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters or omission of which would make any statement herein or this Prospectus misleading.

CSRC APPROVAL

We have obtained the approval from CSRC for the Share Offer and the making of the application to list our H Shares on the Stock Exchange on May 24, 2017. In granting such approval, CSRC does not accept any responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms.

UNDERWRITING AND INFORMATION ON THE SHARE OFFER

This Prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure of the Share Offer" in this Prospectus.

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Share Offer is managed by the Sole Global Coordinator. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to determination of the pricing of the Offer Shares. For further details about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting".

The H Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Share Offer or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Thursday, April 19, 2018 or such later date as may be agreed upon between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, and in any event no later than Wednesday, April 25, 2018. If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on such date, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or by his acquisition of the Offer Shares will be deemed to confirm, that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit an offering of the Offer Shares other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the U.S..

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

CERTAIN MATTERS RELATING TO THE SHARE OFFER

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our H Shares including any H Shares which may be issued by us pursuant to the Share Offer and upon the exercise of the Offer Size Adjustment Option. Dealings in the H Shares on the Stock Exchange are expected to commence on Friday, April 27, 2018.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Our Domestic Shares may be converted to H Shares after obtaining the approval of CSRC or the authorized securities approval authorities of the State Council and after satisfying certain procedural requirements.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Public Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Public Offer will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our headquarter in the PRC. Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. Please see the section headed “Appendix IV – Taxation and Foreign Exchange”.

Dividends Payable to Holders of H Shares

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of H Shares will be paid to Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders’ own risk, to the registered address of each Shareholder of the H Shares.

Professional Tax Advice Recommended

Applicants for the Public Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that we nor the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor their respective directors, officers, employees, advisers, agents or representatives nor any other person or party involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of the H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Registration of Subscription, Purchase and Transfer of H Shares

In accordance with the requirements of Rule 19A.52 of the Listing Rules, we have instructed the H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws, rules and regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- (iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Share Offer are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Listing Rules) of any of our Directors or an existing Shareholder or a nominee of any of the foregoing.

Procedure for Application for Public Offer Shares

The procedure for applying for Public Offer Shares is set forth in the section headed “How to Apply for Public Offer Shares” and the Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set forth in the section headed “Structure of the Share Offer”.

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set forth in the section headed “Structure of the Share Offer”.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.8359 to HK\$1.00, quoted by the PBOC for foreign exchange transactions prevailing on December 31, 2017. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, certificates, titles, natural persons or other entities included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only, and if there is any inconsistency in this regard, the Chinese name shall prevail.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
-------------	----------------------------	--------------------

Executive Directors

GAO Hongxin (高洪新)	Room 502, Gate 5, Block 4 Xiaoxingyuan Dagu South Road, Hexi District Tianjin, PRC	Chinese
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XING Cheng (邢城)	Room 502, Gate 1, Block 10 Biboyuan Dazhigu Fifth Road Hedong District Tianjin, PRC	Chinese
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PENG Chong (彭冲)	Room 202, Unit 2, Block 5 Xinghe Garden, Weiguo Road Hedong District Tianjin, PRC	Chinese
-----------------	--	---------

FANG Wei (房璋)	Room 401, Gate 3, Block 12 Shang Cheng No. 17 Taihu Road Hexi District Tianjin, PRC	Chinese
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Non-executive Directors

YU Yang (于暘)	Room 301, Gate 3, Block 5 Sanyuan Gongyu Xilouhou Street Hexi District Tianjin, PRC	Chinese
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WU Tao (武韜)	Room 902, Block B, Building 1 Bomeiyuan Huanghai Road Tanggu District Tianjin, PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
-------------	----------------------------	--------------------

Independent non-executive Directors

LAU Tsz Bun (劉子斌)	Flat 2108, Wang Sun House Wang Fuk Court Tai Po, Hong Kong	Chinese (Hong Kong)
HAN Xiaoping (韓曉平)	Room 1, Gate 2, 1/F Nanshagou Xicheng District Beijing, PRC	Chinese
YANG Ying (楊瑩)	Room 1123, Block 3 Zhekun Building Zhanjiang Road Hexi District Tianjin, PRC	Chinese

Supervisors

Name	Residential Address	Nationality
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XUE Xiaofang (薛曉芳)	Room 112, Gate 1 No. 98 Menggu Road Heping District Tianjin, PRC	Chinese
SHAO Guoyong (邵國永)	No. 165 Zhuan Yang Da Dao Hanyang District Wuhan, Hubei Province, PRC	Chinese
YANG Kui (楊逵)	Room 502, Gate 3, Building 24 Fangyun Yuan Tanggu District Tianjin, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Orient Capital (Hong Kong) Limited
28-29/F, 100 Queen's Road Central
Central
Hong Kong

Sole Global Coordinator

Orient Securities (Hong Kong) Limited
28-29/F, 100 Queen's Road Central
Central
Hong Kong

Joint Bookrunners

Orient Securities (Hong Kong) Limited
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Central
Hong Kong

ChaoShang Securities Ltd.
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26 Harbour Road, Wanchai
Hong Kong

ABCI Capital Limited
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50 Connaught Road Central
Hong Kong

SPDB International Capital Limited
Suites 3207-3212
32/F One Pacific Place, 88 Queensway
Hong Kong

China Investment Securities International
Brokerage Limited
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1 Austin Road West
Kowloon, Hong Kong

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Hong Kong

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Room 4001-2, China Resources Building
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Hong Kong

ABCI Securities Company Limited
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Hong Kong

SPDB International Capital Limited
Suites 3207-3212
32/F One Pacific Place, 88 Queensway
Hong Kong

China Investment Securities International
Brokerage Limited
Unit Nos. 7701A & 05B-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong Law
Shearman & Sterling
12th Floor, Gloucester Tower
The Landmark
15 Queen's Road, Central
Hong Kong

As to PRC Law
Tian Yuan Law Firm
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No. 28 Fengsheng Lane
Xicheng District
Beijing, PRC

Commerce & Finance Law Offices
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A12 Jianguomenwai Avenue
Beijing, PRC

Legal advisers to the Sole Sponsor and Underwriters

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13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC Law
Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing, PRC

Reporting accountants and Auditors

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry consultant

Ipsos Limited
22nd Floor, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.
1018, Tower B
500 Yunjin Road
Xuhui District, Shanghai
PRC

Property valuer

Jones Lang LaSalle Corporate Appraisal and
Advisory Limited
6th Floor, Three Pacific Place
1 Queen's Road East
Hong Kong

Receiving banker

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC
Head office	No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC
Principal place of business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Company's Website	www.tjtbny.com (<i>contents of this website do not form part of this Prospectus</i>)
Joint Company Secretaries	Ms. Fang Wei No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC Mr. Wong Yat Tung (<i>An associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators</i>) 18/F, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Authorized representatives	Ms. Fang Wei No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC Mr. Wong Yat Tung 18/F, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Audit Committee	Mr. Lau Tsz Bun (<i>Chairperson</i>) Ms. Yang Ying Mr. Wu Tao

CORPORATE INFORMATION

Remuneration Committee	Mr. Lau Tsz Bun (<i>Chairperson</i>) Ms. Yang Ying Mr. Peng Chong
Nomination Committee	Mr. Gao Hongxin (<i>Chairperson</i>) Ms. Yang Ying Mr. Han Xiaoping
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance adviser	Orient Capital (Hong Kong) Limited 28-29/F 100 Queen's Road Central Central, Hong Kong
Principal bankers	Bank of China (Tianjin Pilot Free Trade Zone Branch) No. 88 Haibinjiu Road Tianjin Port Free Trade Zone Tianjin, PRC Industrial and Commercial Bank of China Limited (Tianjin Tianbao Branch) No. 176 Tianbao Avenue Tianjin Port Free Trade Zone Tianjin, PRC

INDUSTRY OVERVIEW

SOURCE OF INFORMATION

We have commissioned Ipsos Limited to analyze and report on the current status of and forecasts for the power generation and electricity dispatch market in Tianjin Municipality and China as a whole. We have agreed to pay Ipsos Limited a fee of HK\$338,000 for the preparation and use of the Ipsos Report. Unless otherwise indicated, market estimates or forecasts in this section represent Ipsos Limited's views on industry development, trends, and competitive landscape of power generation and electricity dispatch.

Ipsos Limited is a professional research and consulting firm founded in 1994 and a subsidiary of Ipsos Group, the third largest research and consulting firm in the world. Ipsos Group has 16,000 employees in offices in 87 countries. Ipsos Limited has experience and capability in conducting business consulting in more than 100 countries in the world. This section also cites materials prepared by the International Monetary Fund, The Economist, National Bureau of Statistics of China, Tianjin Municipality Bureau of Statistics, China Energy Conservation Association, NDRC, Tianjin Municipality Development and Reform Commission, China Electricity Council, International Energy Agency, SASAC, NEA, the State Council, the Standardization Administration of China, MEP, Tianjin Power Trading Exchange and State Grid and filings and websites of certain electrical power companies in the PRC.

METHODOLOGY AND ASSUMPTIONS

The Ipsos Report utilizes a full-circle and multi-level information sourcing process to ensure accuracy, and Ipsos' in-house analysis models and techniques to provide industry related insights. The Ipsos Report has assumed that the supply and demand in the power generation and electricity dispatch industry in China and Tianjin will remain stable over the forecast period. The Ipsos Report has also assumed that there will be no external events, such as financial crises or natural disasters, which may affect the supply and demand in the power generation and electricity dispatch industry in China and Tianjin during the forecast period.

INDUSTRY OVERVIEW

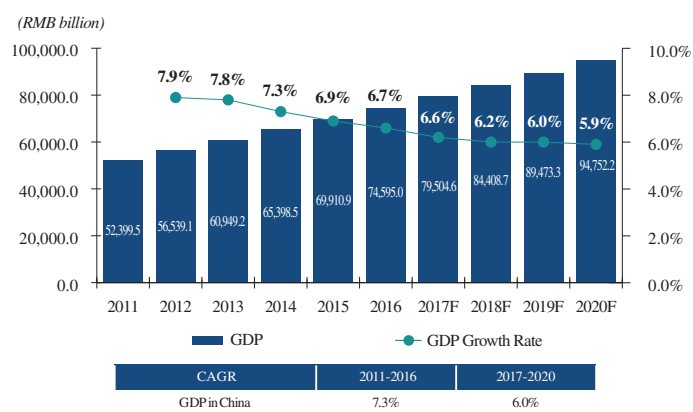
MACROECONOMIC ENVIRONMENT AND ENERGY INDUSTRY IN CHINA

Macroeconomic Environment in China

GDP in China

The GDP in China grew from approximately RMB52,399.5 billion in 2011 to RMB74,595.0 billion in 2016, representing a CAGR of approximately 7.3%. According to IMF's economic forecast, China's GDP growth rate from 2017 to 2020 is expected to be 6.0%.

GDP and GDP growth rate in China from 2011 to 2020



Notes: GDP and GDP growth rate are in constant prices, local currency

Sources: International Monetary Fund (IMF); Ipsos Research and Analysis

GDP in Tianjin

The GDP in Tianjin maintained a fast growth from RMB1,289.4 billion in 2012 to RMB1,788.5 billion in 2016, at a CAGR of approximately 8.5%, driven by the booming tertiary industry. However, the GDP growth rate slowed down from approximately 12.3% in 2012 to 8.1% in 2016 due to a slowdown in the manufacturing sector as factories moved up north for lower labor costs.

The secondary industry, which includes the manufacturing sector in Tianjin, saw its GDP grow at a CAGR of approximately 4.7% from 2012 to 2016, which was considerably slower than overall GDP growth in Tianjin. Considering that the Group's customers mainly belong to the secondary industry in Tianjin, some of the Group's customers may experience a decrease or suspension of operations owing to the slower GDP growth of the secondary industry sector in Tianjin and the PRC generally.

Despite the slowdown in certain sectors, Tianjin's GDP growth is still expected to continue to grow at a CAGR of approximately 8.5% from RMB1,940.5 billion in 2017 to RMB2,478.6 billion in 2020, according to the Tianjin government.

Looking ahead from 2017 to 2020, the economic slowdown in China as a whole is expected to present a challenge for Tianjin's development. Tianjin, as one of the leading

INDUSTRY OVERVIEW

financial hubs in China, had experienced tremendous growth due to prosperous exports and fixed asset investment before 2011. From 2017 to 2020, Tianjin GDP growth is expected to be slightly lower than it was from 2011 to 2016, partially due to the weakening purchasing power and more cautious investment spending in the financial industry. However, Tianjin Binhai New District is expected to continue to be a focus of development with the support from the government.

GDP and GDP growth rate in Tianjin from 2011 to 2020



Notes: GDP and GDP growth rate are in constant prices, local currency

Source: Ipsos Research and Analysis

Power generation by sources of energy in China in 2016

In 2016, thermal power plants constituted the largest share in the power generation mix in China, accounting for approximately 71.6% of the total national power generation. Hydropower takes the second highest share, accounting for approximately 19.7% of the total power generation.

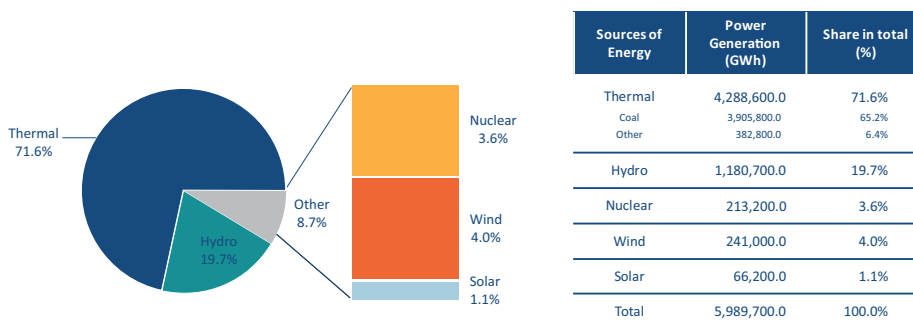
Of the thermal power generation fleet in China, combined heat and power generation is an important sub-segment. In 2014, combined heat and power (“CHP”) generation capacity in China reached approximately 280.1 GW, accounting for approximately 30.3% of the total installed capacity of all thermal power plants. According to the 13th Five-year Plan for Power Sector Development, the total CHP capacity is expected to reach 300.0 GW in 2020.

Considering the higher overall thermal efficiency of CHP facilities compared to conventional power generation facilities and the rising public demand for cleaner power and heat generating sources to mitigate the serious air pollution in Northern China during the heating supply season, there is ample room for further deployment of CHP facilities. In addition, with the recent joint release of the Administrative Measures for Cogeneration by the NDRC, the NEA, the MOF, the MOHURD and the MEP in March 2016, which reaffirmed the

INDUSTRY OVERVIEW

importance of CHP facilities in concentrated heating and electric supply, more new CHP facilities are expected to be established in the near future and further plans to renovate existing power plants to cogeneration plants in Northern China will proceed further as well.

Power Generation in China by Sources of Energy in 2016



Sources: National Bureau of Statistics; China Energy Conservation Association; China Electricity Council; Ipsos Research and Analysis

In 2016, the total thermal power generation in China reached 4,288,600.0 GWh. Coal-fired power generation contributed approximately 71.6% of the total power generation. Other thermal power sources accounted for approximately 6.4% of the total power generation, including (i) natural gas; (ii) fuel; (iii) waste heat, waste gas, waste pressure power generation; (iv) crop stalk, bagasse and forestry residue based power generation; and (v) waste incineration power generation.

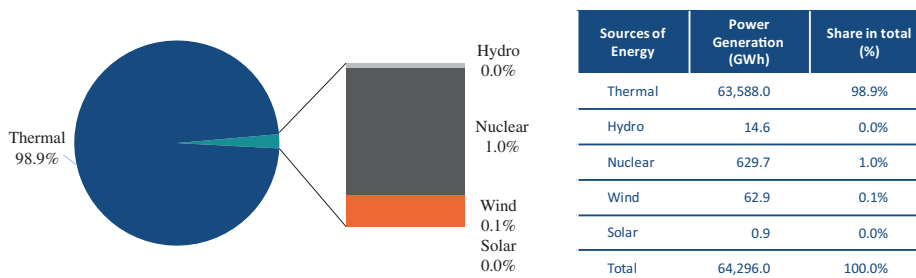
Power generation by sources of energy in Tianjin in 2016

In 2015, thermal power plants constituted the dominant share in the power generation mix in Tianjin. Of the 64,296.0 GWh total electricity generation in Tianjin in 2015, thermal power plants (including CHP) accounted for approximately 98.9% of the total generation with approximately 63,588.0 GWh electricity generated. In 2016, thermal power plants generated approximately 61,030.0 GWh, which accounted for approximately 99.1% of total electricity generation in Tianjin. Total electricity generation in Tianjin reached approximately 61,610.0 GWh in 2016.

INDUSTRY OVERVIEW

CHP plants played an important role in thermal power generation in Tianjin. In 2016, CHP generation in Tianjin reached approximately 25,536.2 GWh, which accounted for approximately 73.8% of the total thermal power generation.

Power Generation in Tianjin by Sources of Energy in 2015



Sources: Tianjin Bureau of Statistics; Tianjin Development and Reform Commission; Ipsos Research and Analysis

Joint Ventures in Coal and Electricity Generation Industries

Joint ventures in coal and electricity generation industries are encouraged by the PRC government as one of the solutions for excess capacity in coal industry caused by competition among coal mining and electricity generation companies and the economic slowdown. According to the Guidelines on Joint Ventures between Coal and Electric Power Companies (《關於發展煤電聯營的指導意見》), the joint ventures are encouraged to (i) reduce capacity of coal mining and enhance coal consumption efficiency; (ii) reduce management risk by securing stable supply and demand within the vertical supply chain and supporting each other during non-peak seasons; and (iii) reduce coal transportation resources by converting coal into power in joint venture companies in the same region. By delivering electricity through power grids across regions instead of transporting coal to different power plants, both transportation cost and emission level can be reduced.

OVERVIEW OF POWER GENERATION AND SUPPLY IN CHINA AND TIANJIN MUNICIPALITY

Power Generation and Supply in China

The growth of power generation industry in China has been strong due to rapid economic growth in China in recent years. The total national installed capacity in China increased from 1,062.5 GW in 2011 to 1,645.8 GW in 2016, at a CAGR of 9.2%, and the national electricity generation increased from 4,730.6 TWh to 5,989.7 TWh, at a CAGR of 4.8%. The total demand of electricity increased from 4,702.2 TW in 2011 to 5,919.8 TW in 2016, at a CAGR of 4.7%.

Coal-fired electricity generation remained the key source of energy generation in China. From 2011 to 2016, total installed capacity of coal-fired electricity generation grew from 768.3 GW to 1,053.9 GW. However, the share of coal-fired installed capacity in the total national installed capacity dropped from 72.3% in 2011 to 64.0% in 2016, which reflected the government's efforts to replace coal-fired electricity generation by other clean and renewable energies.

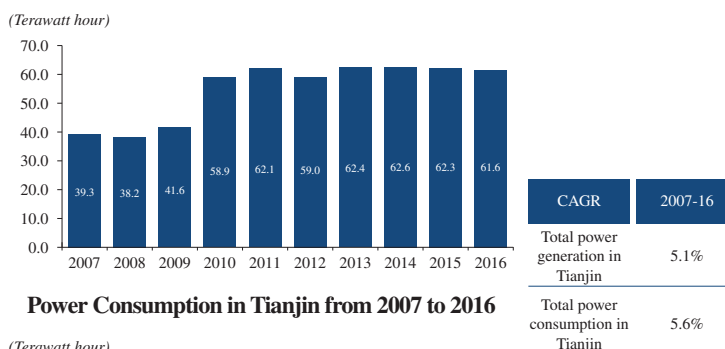
INDUSTRY OVERVIEW

Power Generation and Supply in Tianjin

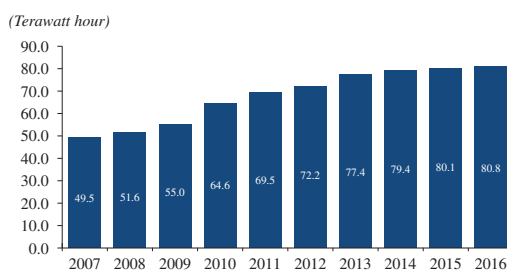
The total electricity consumption in Tianjin increased from 69.5 TWh GW in 2011 to 80.8 TWh in 2016, at a CAGR of 3.1%.

Thermal power is the key energy generation method in Tianjin which contributed to the increases in total installed capacity between 2011 and 2016. From 2011 to 2016, thermal power generation produced approximately 60.5 TWh of electricity, which was equivalent to approximately 98.1% of the total electricity generation of approximately 61.6 TWh.

Total Power Generation in Tianjin from 2007 to 2016



Power Consumption in Tianjin from 2007 to 2016



Sources: National Bureau of Statistics; Tianjin Bureau of Statistics; Ipsos Research and Analysis

Future trends of the power generation and supply industry in China

Given the national policy goals of energy conservation, low carbon development and further improvement of overall efficiency of power generation plants in China, it is expected that clean power sources will take greater share in the power generation mix in China.

While the share of renewable energy in China's power generation mix will greatly expand, the cornerstone of the power generation sectors in China is still and will be dominated by the coal-fired power plants. The CHP plants, due to high thermal efficiency and environmental friendliness in providing both electricity and heating, will continue to grow in providing cleaner source of electricity and heating compared to conventional boilers.

Development of Cogeneration in China and Tianjin

Cogeneration, also called the Combined Heat and Power Production (CHP) generation, is an energy production method which is capable of achieving advanced energy efficiency, reducing impact of emissions and helping meeting increasing heat energy demand in China. CHP generates electricity and useful heat energy from a combustion of fuel.

INDUSTRY OVERVIEW

The Administrative Measures for Cogeneration (《熱電聯產管理辦法》) jointly announced by the NDRC, the NEA, the MOF, the MOHURD and the MEP has emphasized the importance of CHP development. Targets have been set by the NDRC to achieve 60% heat energy supplied by CHP energy source among middle- to large- cities in Northern China and a CHP energy supply coverage among all cities with population of above 200,000 in Northern China. For heating generation, especially in the Northern China, CHP generation is expected to gradually replace coal-fired boiler. Turbines that can only generate electricity will be redesigned for CHP generation to improve efficiency.

Development of Backpressure Turbines

Compared to extraction condensing steam turbines, backpressure turbines have improved efficiency and are environmentally friendly. Backpressure turbines reduce approximately 70g/kWh or more of coal consumption and enhance heat productivity of by approximately 20.0% to 35.0%.

Backpressure turbines reduce approximately 30.0% of emission of pollutants than extraction condensing steam turbines, and approximately 80.0% of emission of pollutants than traditional heating boilers.

Development of the cogeneration industry in Tianjin

Cogeneration is vital in the power sector in Tianjin as an efficient and conservative heating and electricity generation method. Several targets have been set for cogeneration development:

- (i) heating supply from CHP is expected to reach approximately 65% in Tianjin Municipality by 2020;
- (ii) the installed capacity of cogeneration power plants is expected to reach approximately 22 GW by 2020; and
- (iii) increase adaption of gas-fired plants and coal-fired backpressure turbines for cogeneration in order to reduce coal consumption and enhance efficiency.

COMPETITIVE LANDSCAPE OF COGENERATION POWER PLANTS IN TIANJIN MUNICIPALITY

As of December 31, 2016, there were approximately 15 power operators in Tianjin engaged in cogeneration. We are the only company in Tianjin Port Free Trade Zone (Seaport) engaged in cogeneration of steam together with electricity, heating and cooling.

We were authorized to operate electricity generation business for Tianjin Port Free Trade Zone (Seaport) in 1992, after State Grid Tianjin Electric Power Company decided not to operate electricity dispatching business in Tianjin Port Free Trade Zone (Seaport).

INDUSTRY OVERVIEW

Moreover, pursuant to the Standards for Primary Dispatching Reform Pilot Project (《關於規範開展增量配電業務改革試點的通知》) in 2016, only one company will be allowed to operate electricity dispatch in one specific area, as determined by the government. For example, we are the sole electricity dispatch company in Tianjin Port Free Trade Zone (Seaport).

OVERVIEW OF ELECTRICITY DISPATCH INDUSTRY IN CHINA AND TIANJIN MUNICIPALITY

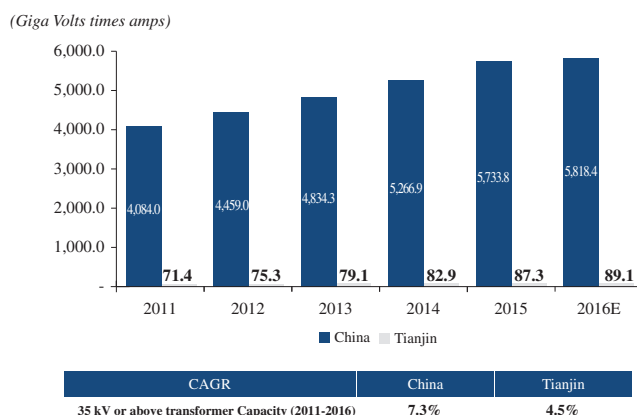
Electricity transmission and dispatch in China is dominated by two state-owned enterprises, State Grid and China Southern Power Grid Company.

The State Grid Tianjin Electric Power Company is responsible for power transmission, dispatching and construction in Tianjin. Tianjin Electric Power Corporation operates as a state-owned enterprise under State Grid.

The total capacity of transformers with installed capacity of 35 kV or above in China increased from approximately 4,084.0 GVA in 2011 to approximately 5,818.4 GVA in 2016, with a CAGR of 7.3%. In Tianjin, total capacity of transformers with installed capacity of 35 kV or above increased from approximately 71.4 GVA in 2011 to approximately 89.1 GVA in 2016, with a CAGR of 4.5%.

The increase in the total capacity of transformers in China and Tianjin was mainly due to the development of power dispatching during the 12th Five-Year Plan period. The development of power grids and the long-distance electricity transmission, such as West-East electricity transmission, has resulted in increasing demand of transformer capacity.

35 kV or Above Transformer Capacity in China and Tianjin from 2011 to 2016



Notes: GVA = Giga Volts times amps/VA = Watts (VA is the specific unit name used in the China Electricity Yearbook)

E = 2016 numbers are estimated figures

Sources: China Electricity Yearbook 2015; China Electricity Council; Ipsos Research and Analysis

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF ELECTRICITY DISPATCHING IN TIANJIN MUNICIPALITY

Overview of Electricity Dispatching in Tianjin

State Grid Tianjin Electricity Power Company, Tianjin TEDA Electric Power Company and us are the three major players in the industry as of December 31, 2016. We are the only company in Tianjin Port Free Trade Zone (Seaport) engaged in electricity dispatch and sale.

Key electricity dispatch companies in Tianjin

Apart from State Grid Tianjin Electric Power Company, which is the regional subsidiary company of State Grid in Tianjin Municipality, Tianjin TEDA Electric Power Company and us are the only two companies in the Tianjin electricity dispatch industry. We operate and distribute electricity for industrial and commercial uses in the Tianjin Port Free Trade Zone (Seaport).

State Grid Tianjin Electric Power Company has its own electricity dispatching grid network covering Tianjin Municipality, providing electricity for residential, industrial and commercial uses. Before the transmission and dispatch reform, the majority of power plants sold their electricity generated to State Grid Tianjin Electric Power Company.

Key factors of competition

Proactively reach potential end-customers

It is essential for electricity producers to develop their business strategies and proactively reach potential end-users in the market, since neither private companies nor state-owned grid companies in China have experience in marketing electricity.

Importance of developing smart grid technology

Smart grid technology improves the reliability of the electricity dispatching system and facilitates peak shaving when demand peak occurs. By upgrading the transmission grids and developing smart grid technology, power generation companies will have a competitive advantage in the market.

MARKET DRIVERS AND ENTRY BARRIERS

Market Drivers

Continuous economic development and urbanization

From 2011 to 2016, the total electricity consumption in Tianjin increased from 69.5 TWh to 80.8 TWh, as a result of the development of special economic zones and urbanization. Growing electricity consumption is expected as urbanization development continues and is supported by the Tianjin government.

INDUSTRY OVERVIEW

Government policies to reform the power generation standards and existing structure

The PRC government plays an important role in driving the electricity generation industry. Recent policies are focused on the reform of electricity generation reliability, reinforcement of energy saving and environmental protection standards, such as lowering carbon dioxide emission level progressively. In terms of the energy source structure, it is expected that coal efficiency will be improved and conventional coal-fired power generation will be replaced gradually by green fuel sources. To implement such changes, the PRC government has restricted all construction applications for coal-fired power plants in Tianjin, except for CHP plants. These changes implemented by the PRC government are expected to drive the electricity generation industry in Tianjin to be more sustainable and environment-friendly. Meanwhile, according to the Administrative Measures for Cogeneration (《熱電聯產管理辦法》), the PRC government is promoting cogeneration in order to maximize the utilization of coal as fuel for producing both heat and power. Cogeneration, especially using backpressure turbines, has been encouraged by the PRC government as more environmentally friendly compared with conventional coal-fired power generation. Therefore, we expect an increasing number of power generation companies will utilize cogeneration technology, while the number of conventional coal-fired power plants without cogeneration technology is expected to decrease. As we are the sole power operator in Tianjin Port Free Trade Zone (Seaport) and our backpressure cogeneration units have enabled us to enhance our thermal efficiency and reduce our fuel cost, which is more environmentally friendly compared with conventional power generation plants, we do not expect such increasing trend will materially and adversely affect our competitive position. In 2015, 2016 and 2017, our average level of emission of SO₂, NO_x and smoke was 11.49/39.14/8.42 mg/m³, 12.83/35.67/6.07 mg/m³ and 8.91/31.69/3.93 mg/m³, respectively, which was much lower than the standards of ultra-low emission of SO₂, NO_x and smoke of 35/50/10 mg/m³ to be achieved by 2020 as set by the PRC government. In addition, we have achieved a thermal efficiency of approximately 84.0% in 2017, which is higher than the PRC industry average of 45.1% and we had an average coal consumption rate of approximately 203.6 g/kWh in 2017, which is much lower than the PRC industry average of 309.0 g/kWh.

Development of smart electric grid

Smart electric grid is an automated inter-connected dispatching network for delivering electricity from suppliers to distributors and end-users. This technological advancement aims to facilitate information flow among all stages in the dispatching process for data analysis and troubleshooting purposes. Following the policies of the central government, Tianjin has also begun developing smart electric grid around the city to improve power dispatching flow and efficiency level in Tianjin, which will benefit the electricity generation and dispatching industry as a whole. In particular, for electricity dispatch and sale companies, the development of smart electric grid would improve the efficiency of electricity dispatching, lower the risks of electricity interruption, explosion of switch panels and fires due to overloading.

INDUSTRY OVERVIEW

Market Entry Barriers

Technology and capital-intensive nature of the industry

The technology and capital-intensive nature of the industry is considered a barrier to new entrants competing in the electricity generation and dispatching industry in Tianjin. Considering the significant amount of investment required to establish reliable facilities, maintenance and upgrading works, such as technological advancement works and compliance with legal requirements of the local government, new entrants need to access their financial capability and competitiveness in the market to be able to sustain growth in long run.

Competition structure

In 2016, the power generation industry was dominated by the top three players in the industry which together accounted for approximately 51.4% of the market share in terms of revenue.

Similar competition structure exists in the electricity dispatching industry in Tianjin as it is dominated by State Grid Tianjin Electricity Power Company. Even with Tianjin government's recent reform to allow private companies to compete in the dispatching market, the dominance of State Grid Tianjin Electricity Power Company in the market would pose a great challenge for new entrants who are not familiar with the market condition.

Rising environmental standards for industry players

Rapid changes have been observed in the electricity generation industry in recent years. For instance, the fuel source structure in Tianjin is transitioning as coal is expected to gradually reduce its importance in electricity generation. Tianjin government has also continued to leverage the environmental standards and prohibit construction of new coal-fired power plants except for the CHP power plants. Rapid changes in the industry will pose challenges for new entrants, coal-fired power plants in specific, to adapt to and compete with existing competitors.

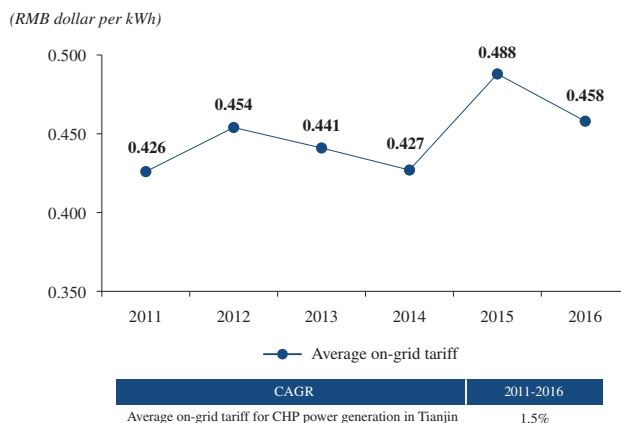
HISTORICAL PRICE TREND OF ELECTRICITY, STEAM, HEATING AND COOLING

On-grid Tariff

The average on-grid tariff for CHP power generation plants in Tianjin increased from RMB0.426 in 2011 to RMB0.458 in 2016, at a CAGR of 1.5%, as a result of increasing generation costs led by rising coal prices during the same period. The fluctuation of average on-grid tariff was mainly due to decrease in production cost in 2012; also there were a number of CHP power generation companies shifted from coal-fired to natural gas-fired electricity production method with the concern of emission level, such as Tianjin Chentang Thermal Power Co. Ltd (天津陳塘熱電有限公司), which boosted the average on-grid tariff in 2015.

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Average On-grid Tariff for CHP Power Generation in Tianjin from 2011 to 2016

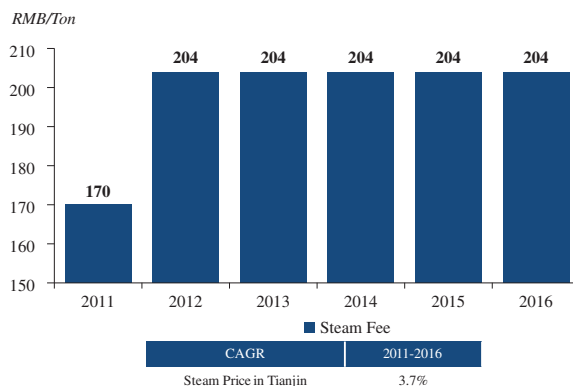


Sources: NDRC; Tianjin Development and Reform Commission; Ipsos Research and Analysis

Steam Price

The steam pricing structure is determined by the Tianjin government. Steam prices (inclusive of VAT) increased from RMB170.0 per ton in 2011 to RMB204.0 per ton in 2012 and remained at RMB204.0 per ton from 2012 to 2016.

Steam Fee in Tianjin from 2011 to 2016



Sources: Free Trade Zone Administrative Committee; Ipsos Research and Analysis

Heating Price

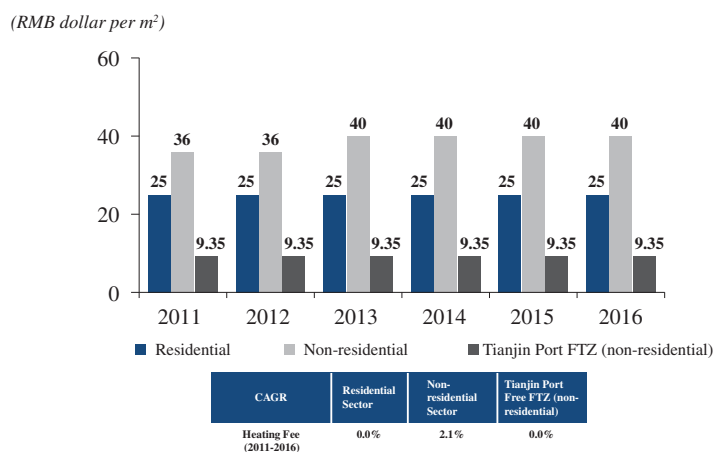
Heating price is calculated based on building area and is relatively stable in Tianjin. Heating price for residential use in Tianjin remained unchanged at RMB25.0 per m². Heating price for non-residential use in Tianjin increased from RMB36.0 per m² to RMB40.0 per m² at a CAGR of 2.1% from 2011 to 2016, with one adjustment made in 2013. Heating price for non-residential use in Tianjin Port Free Trade Zone remained unchanged at RMB9.35 per m².

Alternatively, heating price can be paid based on both building area and heating consumption amount in Tianjin. The heating price using such structure for non-residential use in Tianjin Port Free Trade Zone remained unchanged from 2011 to 2016. While the base price

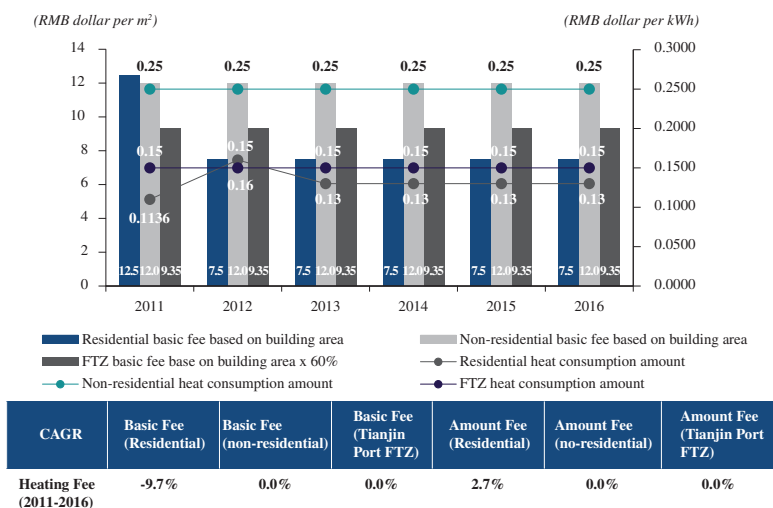
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for residential use decreased from RMB12.5 per m² in 2011 to RMB7.5 per m² in 2016. Consumption amount fee for residential use increased from RMB0.1136 per kWh in 2011 to RMB0.13 per kWh in 2016 at a CAGR of 2.7%.

Heating Fee Base on Building Area in Tianjin from 2011 to 2016



Heating Fee Base on Building Area and Heat Consumption in Tianjin from 2011 to 2016



Note: For basic fee based on building area in Tianjin Port Free Trade Zone, there is an incentive as only 60% of area will be charged.

Sources: Tianjin Development and Reform Commission; Free Trade Zone Administrative Committee; Ipsos Research and Analysis

Cooling Price

Pricing structure for cooling is determined by the Tianjin government. The price of cooling as measured by supply area was set at RMB14.5 per square meter per month. The pricing structure remained unchanged since 1993.

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In addition, there is also an alternative cooling price calculated for contract-based project. For example, the Tianjin Cultural Centre is a contract-based energy station project and it pays a cooling price of RMB65.0 per m² in 2016.

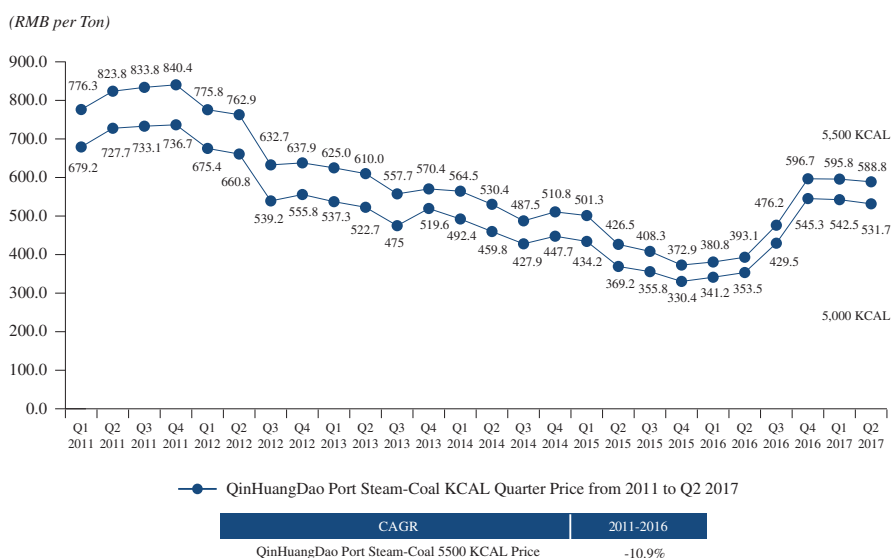
Steam-Coal Price

Qinhuangdao Port Steam-Coal 5500 KCAL has declined from RMB819.0 per ton in 2011 to RMB460.6 per ton in 2016 at a CAGR of -10.9%. This is a representative price disclosed to public by Qinhuangdao Haiyun Coal Transaction Market Limited Company in order to reflect key steam-coal price trend to the steam coal market, also to enhance transparency.

Both demand and supply of coal decreased in China as new national energy policy aimed towards reducing emission of pollutants by shifting to developing renewable energy and enhancing power generation efficiency, while demand declined faster than supply in 2011 and 2015, which resulted in continuous drop in coal price. Declining profitability of coal production has forced the steam-coal price to decrease. Furthermore, NDRC has set new target of phasing out surplus capacity in coal industry by 0.8 billion ton per year during the 13th Five Year Plan (2016-2020), which indicated that coal consumption volume is likely to continue becoming lower in China.

However, the coal price recorded a significant growth in the second half of 2016, resulted in a rebound from RMB380.8 in the first quarter of 2016 to RMB596.7 in the fourth quarter of 2016. The key driver for the raising coal price in China referred to de-capacity in coal industry. De-capacity in China has directly influenced coal production in China and led to shortage in coal and increasing demand in imported coal from other countries such as Australia, which eventually resulted in an increase in coal price in China.

Qinhuangdao Port Steam-Coal Quarter Price from 2011 to Q2 2017



Notes: Steam-coal is a type of coal mainly used for power generation; KCAL refers to kilocalorie (大卡)

Sources: NDRC; Ipsos Research and Analysis

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Coal prices are expected to show a stable or decreasing trend in China between 2017 and 2021, based on (i) the Commodities Price Forecast conducted by the World Bank in April 2017, which reports that the price of Australian coal is expected to decrease progressively from approximately US\$70.0 per metric ton in 2017 to approximately US\$55.9 per metric ton in 2021 at a CAGR of approximately -5.5%; and (ii) the policy issued by the NDRC in 2017 which sets upper and lower limits on coal inventories for coal-fired power plants in China. The key purpose of the policy is to control fluctuations in coal prices in China by maintaining a sufficient level of coal inventories for power plants and coal production and trading enterprises, especially during peak periods in summer and winter which there is a high consumption of coal.

ELECTRICITY REFORM UNDER THE NEW POLICY

Source of Information and Methodology and Assumptions

We have commissioned Frost & Sullivan to analyze and report on the current status of and forecasts for electricity reform under the New Policy and its impact on the industry. We have agreed to pay Frost & Sullivan a fee of RMB380,000 for the preparation and use of its report (the “**Frost & Sullivan Report**”). Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan’s views on the following discussion.

In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry participants and recognized third-party industry associations. Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. The forecasts were made by Frost & Sullivan based on the following assumptions: (i) the social, economic and political conditions in the PRC will remain stable during the forecast period, and (ii) central and regional government policies on electricity system reform in the PRC will be consistent during the forecast period.

Historical Background and Goals of Electricity System Reform

China has implemented several rounds of electricity system reforms since the liberalization of its economy began in the early 1980s. Each round of reforms aimed to match the development of the electricity industry with the growth in electricity demand. Since the electricity system reform in 2002, the electricity industry in China has substantially addressed a series of problems, such as supplier monopolies, inefficiencies of central planning, administrative interference in corporate management and blurred boundaries between electricity generation plants and grid companies. However, several urgent issues still exist in the current China’s electricity industry. A market-based transaction scheme has not been established and utilization of resources is inefficient. A market-oriented pricing mechanism is still absent. The “New Policy” reforms to the electricity system seek to encourage clean, efficient, secure and sustainable development and to comprehensively implement the national energy strategy. The goal is to accelerate the development of a competitive market structure,

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form a market-oriented pricing mechanism, change the manner of government supervision of the energy industry, establish and improve a legal system in the field of energy, and create a favorable environment for building a modern energy system and ensuring energy security for China. The government aims to consider the needs of all stakeholders and follow the objective laws of the electricity industry, ensuring complete reform while maintaining social stability.

Central Government Policies for the New Policy

In March 2015, Several Opinions on Further Deepening the Reform of the Electric Power System (Zhong Fa [2015] Policy No. 9) was issued, marking the start of a new round of reform to electricity system in China. The New Policy will be gradual and carried out in stages. The emphasis and approach of the new round of reform are as follows:

- Orderly liberalize the competitive tariff of sectors other than electricity transmission and distribution, orderly open the electricity dispatch and sale market to the private sector, and orderly approve the electricity generation and consumption plans related to public welfare and market regulation;
- Promoting the relatively independent and normative operation of transactional institutions;
- Deepening the research on the construction of regional power grids and a transmission and distribution system suitable for China;
- Reinforcing government supervision and electricity system planning, and increasing the security and efficiency of electricity system operations and the reliability of electricity supply.

Thereafter, a number of supplementary policies to promote the implementation of Several Opinions on Further Deepening the Reform of the Electric Power System were issued. Their purpose was to open the electricity sales market to private capital and encourage diversification of competitors in this market. As a result, it is expected that more electricity consumers will have alternatives and the quality of electricity sales services and users' experience will be improved.

Regional Government Policies for the New Policy

In September 2017, the Tianjin Government issued Tianjin Electric Power System Reform Comprehensive Pilot Program, thereby initiating a new round of reforms for the Tianjin electricity system. This program requires that Tianjin deepen the reform of its electricity system with the goal of establishing and improving a market-oriented electricity industry. The reform will establish a rational pricing mechanism, reduce electricity costs and lift controls on competitive markets. Additionally, the program requires Tianjin to orderly open the market of electricity generation and consumption and establish a relatively independent electricity trading organization. The program also calls for the establishment of an electricity trading

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market by standardizing market trading rules, which will encourage the direct trading of electricity and refining the ancillary services mechanism, thereby accomplishing the gradual opening of the electricity sales market. Since the issue of Several Opinions on Further Deepening the Reform of the Electric Power System, many provincial governments have issued reform plans suitable for the economic condition and electricity industry development situation in their respective provinces.

Guangdong is the leading province for the New Policy in China. In 2006, Guangdong became one of the first pilot provinces for the direct purchase of electricity by large electricity consumers. In 2015, Guangdong became one of the first provinces allowed by central government to develop pilot programs on electricity sales reform. In 2016, Guangdong became the first province in China to allow Electricity Sales Companies to participate in electricity transactions. As an increasing number of provinces have issued electricity system reform policies and have promoted electricity sales reforms, it is expected that the procedures to ratify Electricity Sales Companies and for their participation in market transactions will become increasingly standardized.

**Table 3 Comparison of Reform Process of Electricity System in Major Provinces
Where Electricity Trading Started**

Process of Electricity System Reform	Direct Power Purchase by Large Power Consumer	Provincial Policy for Electricity System Reform	Establishment of Electricity Exchange Center	Ratifying of Electricity Sales Companies	Participation of Electricity Sales Companies in Transactions
Guangdong	Started as the pilot province in 2006 Expanded pilot works in 2013 Deepened pilot works in 2015	Issued Opinions on Further Deepening the Reform of the Electricity System in December 2015	Established Guangdong Electricity Exchange Center in November 2014 Established Guangdong Electricity Exchange Center in corporation form in June 2016 Established Guangdong Electricity Exchange Center in form of joint-stock company in March 2017	Ratified 13 pilot companies and most of the companies were established during July 2015 to January 2016	Electricity Sales Companies started to participate in centralized price bidding in March 2016, became the first province in China allowing Electricity Sales Companies to participate in competitive transactions of electricity

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<u>Process of Electricity System Reform</u>	<u>Direct Power Purchase by Large Power Consumer</u>	<u>Provincial Policy for Electricity System Reform</u>	<u>Establishment of Electricity Exchange Center</u>	<u>Ratifying of Electricity Sales Companies</u>	<u>Participation of Electricity Sales Companies in Transactions</u>
Chongqing	Pilot transmission and distribution power prices between direct power purchasers and power generation plants were ratified in 2010	Issued Pilot Program for Implementing Reform in Electricity Sales Market in Chongqing in February 2016	Established Chongqing Electricity Exchange Center in September 2016	Announced the first list of Electricity Sales Companies in October 2016	Allowed Electricity Sales Companies to participate in power transactions in August 2016
Shanxi	Transmission and distribution power prices of direct power purchase were ratified in 2013	Issued Pilot Program for Implementing Electricity System Reform in Shanxi Province in March 2016	Established Shanxi Electricity Exchange Center in September 2016	Announced the first list of Electricity Sales Companies in January 2017	Electricity Sales Companies started to participate in monthly transaction in March 2017
Yunnan	Pilot transmission and distribution power prices between direct power purchasers and power generation plants were ratified in 2014	Issued Pilot Program for Deepening Electricity System Reform in Yunnan Province in April 2016	Established Kunming Electricity Exchange Center in August 2016	The first Electricity Sales Companies were allowed to enter the market in January 2017	Electricity Sales Companies participated in transaction in February 2017
Guangxi	Started direct power purchase by large power consumer in 2015	Issued Pilot Program for Implementing Electricity System Reform in Guangxi Province in May 2016	Established Guangxi Electricity Exchange Center in June 2016	Announced the first list of Electricity Sales Companies in December 2016	Electricity Sales Companies started to participate in centralized price bidding in February 2017

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Process of Electricity System Reform	Direct Power Purchase by Large Power Consumer	Provincial Policy for Electricity System Reform	Establishment of Electricity Exchange Center	Ratifying of Electricity Sales Companies	Participation of Electricity Sales Companies in Transactions
Tianjin	Announced the first batch of electricity consumers to participate in direct purchase of electricity in 2016	Issued Comprehensive Pilot Scheme of Power System Reform in Tianjin in September 2017	Established the Tianjin Electricity Exchange Center in April 2016	Not started yet	Not started yet

Under the relatively sound regulatory policies and the active participation of Electricity Sales Companies, the direct transaction volume of electricity in Guangdong in 2016 was 43.0 billion kWh, accounting for 7.7% of the total electricity consumption of Guangdong Province, as well as accounting for 11.9% of the total amount of industrial-use electricity. In August 2017, Guangdong Electricity Exchange Centre stated to target to an annual electricity trading volume of 100.0 billion kWh in Guangdong in 2017, accounting for 17.8% of the total electricity consumption in Guangdong in 2016.

Tianjin announced the first group of electricity consumers that will participate in the direct purchase of electricity in 2016 and established the Tianjin Electricity Exchange Center in April 2016. Tianjin has issued Tianjin Electric Power System Reform Comprehensive Pilot Program, requiring that detailed rules for entry and exit of Electricity Sales Companies in Tianjin be published according to the Administrative Measures for Access and Withdrawal of Electricity Sales Companies issued by the central government. Tianjin will further promote the establishment of Electricity Sales Companies and encourage these companies to take part in transactions in the electricity market. In other provinces where electricity trading has taken place, the time interval between the issuance of a provincial reform plan and the actual engagement of Electricity Sales Companies in the market ranges from 4 to 12 months, so it is expected that the actual rollout of electricity trading by Electricity Sales Companies in Tianjin will start between January and September of 2018.

Electricity Sales Company Overview

An “Electricity Sales Company” is a new form of entity in the electricity industry introduced by the New Policy which provides electricity sales service or electricity dispatch and sales service. In March 2015, Policy No. 9 kicked off this new round of electricity system reform. Furthermore, since the announcement of Policy No. 9, the NDRC, NEA and other departments have actively worked together and published a series of related policies to enforce the implementation.

Under the current reform, the government has introduced a package of schemes to ensure that the pricing of electricity shifts from an administrative instruction model to a market-based model. Before the reform, China’s power transmission and distribution market was dominated

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by state-owned grid companies, including the State Grid in 26 provinces, municipalities and autonomous regions, the China Southern Power Grid in five provinces, municipalities and autonomous regions, and a few smaller regional grid companies.

The feed-in tariff for the price of power generation and electricity charged by grid companies is determined by administrative instruction. After the current reform of the electricity system, the feed-in tariff for electricity generation companies who engage in the electricity trade and sales market will be decided through market-oriented approaches such as direct negotiation with electricity consumers or Electricity Sales Companies and centralized bidding. Meanwhile, grid companies will collect wheeling charges on electricity transmission and distribution, subject to government approval. Therefore, by analogy, the grid would function like a highway in this model, providing infrastructure for the liberalized electricity market. The changes in the operational model of the electricity system will directly affect end-users and optimize retail electricity prices.

Through electricity exchange centers, the New Policy allows end-users to directly purchase from power generation enterprises or, more likely, through Electricity Sales Companies that match supply and demand more efficiently and reduce unreasonable premiums due to monopoly in the electricity grid market. According to the data published by the NDRC on October 21 2017, the liberalization of the electricity trading market has decreased enterprises' expenditure on electricity by nearly RMB50.0 billion, with annual trading volume of 800.0 billion kWh nationwide and an average price decline of RMB0.064 per kWh in 2016.

After the current reform, the role of participants in the electricity market will change. Among related implementation policies in the New Policy, the Implementation Opinions on Promoting Reform in Electricity Sales Market defined the role and position for each of the main market participants (Electricity Generation Companies, Electricity Sales Companies and Electricity Consumers) in the electricity market. It encouraged the investment in distribution grids by mixed ownership, and opened investment opportunities for the incremental distribution business to qualified market participants. Grid companies are no longer the single seller for consumers or the single buyer for electricity generation companies, but a bridge between electricity generation company and electricity consumer.

To participate in the electricity trading market, end-users have to possess relevant professional knowledge and accurately estimate their electricity consumption. Deviation in the actual electricity consumption from the contracted volume beyond outside certain level will incur penalties. Therefore, it is not economically feasible for end-users who lack knowledge of the electricity industry or who consume a small volume of electricity to directly participate in the electricity trading market. In the electricity trading market in Guangdong in 2017, only 2.56 billion kWh was purchased directly by seven large electricity users without the engagement of Electricity Sales Companies, accounting for 3.1% of the total trading volume in long-term electricity purchase contracts (83 billion kWh).

The Electricity Sales Company under the New Policy connects the electricity end-user and the producer, providing professional services, purchasing the electricity from the power wholesale market and selling the electricity to the end-user in the electricity retail market. The

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Electricity Sales Company will partially fill the role of the current grid companies. For distribution grid operators such as Tianbao Energy, establishing an Electricity Sale Corporation subsidiary like Tianbao Electricity Sales Company is a natural extension of their current electricity dispatch business via their own grid.

Figure 1 Operation Mechanism of Electricity System before the Reform

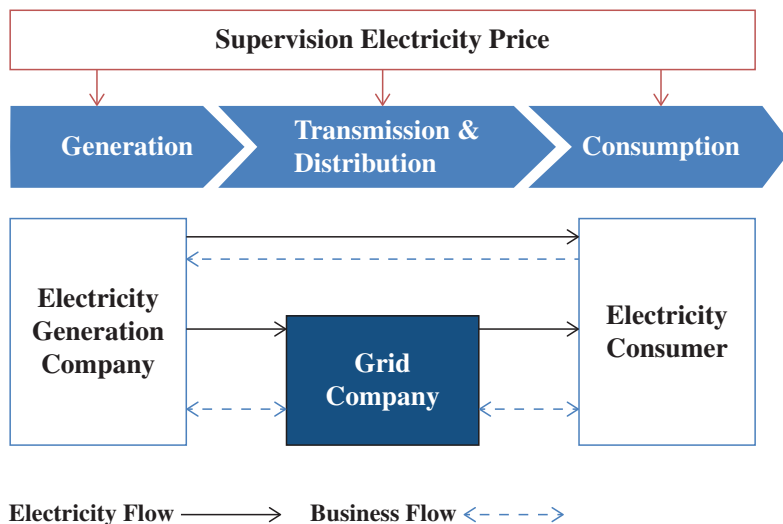
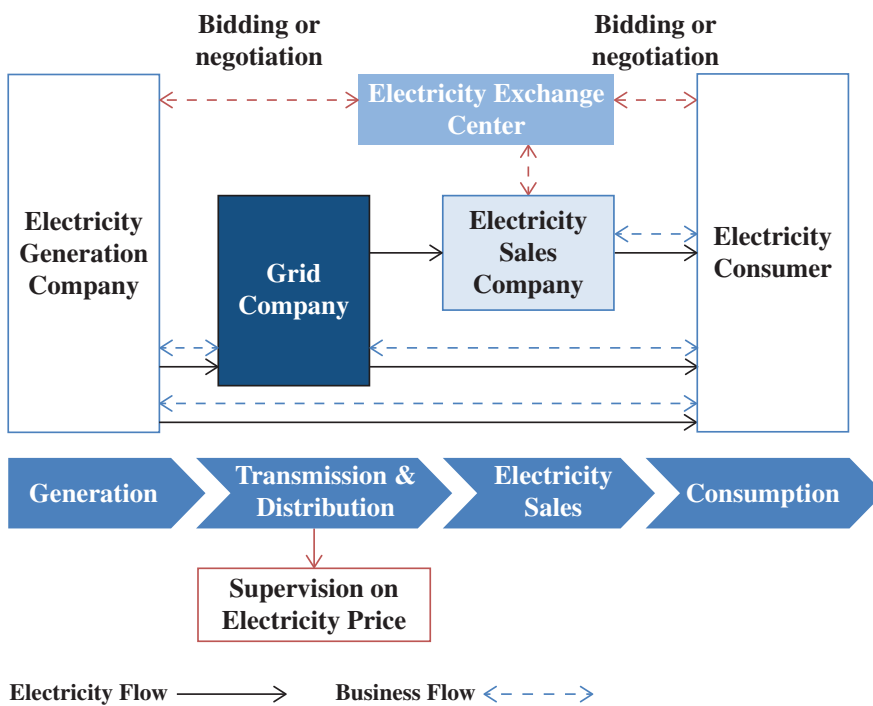


Figure 2 Operation Mechanism of Electricity System after the Reform



Market Entry Analysis of Electricity Sales Companies

NDRC and NEA jointly released the Administrative Measures for Access and Withdrawal of Electricity Sale Companies (《售電公司准入及退出管理辦法》) and the Administrative Measures for Orderly Lifting the Control of Dispatch Grids (《有序放開配電網業務管理辦法》) in October 2016, allowing grid companies to operate an electricity sales business through an Electricity Sales Company. According to the regulations, there can be more than one Electricity Sales Company in a single electricity supply area, while only one company can operate the electricity dispatch business and guarantee the supply of electricity for the area. Additionally, an Electricity Sales Company can provide services in multiple business areas.

According to the regulations, Electricity Sales Company can be categorized into three groups: those affiliated to grid companies, those having operational rights for power distribution networks invested by social capital, and those which are independent.

The regulations set out the market entry standards of Electricity Sales Companies in terms of market admission standards, employee qualifications, technology requirements and capital thresholds.

1. Market Admission Standards

The regulations establish relatively low standards for market admission for those establishing Electricity Sales Companies, using a registration approach instead of an administrative licensing approach. Companies are not required to obtain operational licenses, and only need to register with the local Electricity Exchange Centers and energy management bureaus in accordance with the procedures under the regulations.

According to the Administrative Measures for Access and Withdrawal of Electricity Sales Companies (《售電公司准入及退出管理辦法》), Electricity Sales Companies must comply with the following standards:

1. They must be a legal enterprise registered in accordance with the Company Law.
2. They cannot have negative credit history, and must undertake to operate honestly.
3. They must comply with other related laws and regulations.

Electricity Sales Companies with operational rights for an electricity distribution network must comply with the following regulations in addition to the standards above:

1. They must obtain the Electric Power Business Certification for Electricity Dispatch.
2. They must undertake to provide general electricity services and fulfil local power supplying obligations.
3. They must possess a complete and effective structure and system of safe productions.

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2. *Employee Qualifications*

The regulations set out standards on work experience, certifications and number of employees for Electricity Sales Companies. Additionally, Electricity Sales Companies having the operational rights for electricity distribution networks are required to have extra staff for technology, sales, finance and electricity dispatch, and experienced managers and supervisors with advanced safety training.

According to the Administrative Measures for Access and Withdrawal of Electricity Sales Companies, Electricity Sales Companies must comply with the following standards:

1. They shall have at least ten professional staff who possess expertise in the basic technology and economics of power systems and skills in power management, energy saving management and supply side management with at least three years of work experience. They shall also have at least one professional management staff with senior qualifications and three professional management staff with mid-level qualifications.
2. They must have at least one senior and three mid-level management team members.

Electricity Sales Companies having the operational rights for power distribution networks must comply with the following regulations in addition to the above standards:

1. They shall hire at least 20 additional professional technology, marketing and finance staff that meet the requirements of the electricity dispatch business, of which at least two shall be professional management staff with senior qualifications and five shall be professional management staff with mid-level qualifications.
2. The directors for production, technology and safety must have at least five years of experience related to electricity dispatch, with mid-level or above mid-level Certificate for Professional Technique Occupations or a Station Incumbency Certificate.
3. They must organize safe production training and assign safety supervision staff as required by law and regulations.
4. They must possess equipment and maintenance staffs that match the electricity dispatch capability of the Electricity Sales Company. Electricity Sales Companies that outsource electric installation to qualified contractors must take responsibility for supervising the work process.
5. They shall have relevant facilities, equipment and staff appropriate to the electricity dispatch business and which meet dispatch standards and requirements.

3. *Technology Requirements*

The technology requirements of Electricity Sales Companies focus on building IT systems and service platforms. The regulations also require Electricity Sales Companies to have fixed operation places that match with the electricity sales business of the Company.

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According to the Administrative Measures for Access and Withdrawal of Electricity Sales Companies, Electricity Sales Companies must comply with the following standards:

1. They must have operating facilities and equipment that correspond with the requirements of the electricity sales business. They shall also have fixed operating premises appropriate for the size of the electricity sale business as well as information systems and a customer service platform that meets the requirements of technical support systems in the electricity market in order to provide quotation, filing, contract execution, customer service and other functions for market transactions.

4. Capital Requirement

The regulations specify the capital requirements for Electricity Sales Companies, which must possess no less than RMB20.0 million in total assets. Besides registered capital injection, no other substantive capital injection for the Electricity Sales Company is required.

According to the Administrative Measures for Access and Withdrawal of Electricity Sale Companies, Electricity Sales Companies must comply with the following standards:

1. They must possess a gross value of assets of no less than RMB20.0 million.
2. An Electricity Sales Company with a total value of assets between RMB20.0 million and RMB100.0 million is allowed to sell electricity of between 600 million and 3 billion kWh.
3. An Electricity Sales Company with a total value of assets between RMB100.0 million and RMB200.0 million is allowed to sell electricity of between 3 billion and 6 billion kWh.
4. An Electricity Sales Company with a total value of assets over 200.0 million has no limitation on its volume of electricity sales.

Electricity Sales Companies having the operational rights for power distribution networks must comply with the following regulations in addition to the above standards: the registered capital of the company must be no less than 20% of its total assets.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON PRC POWER INDUSTRY

The Electric Power Law of the PRC (《中華人民共和國電力法》) promulgated by the Standing Committee of the NPC on December 28, 1995, which became effective on April 1, 1996 and was amended on August 27, 2009 and April 24, 2015 and effective on April 24, 2015, is the basic law that regulates the development of the PRC electricity industry. The purposes of the Electric Power Law are to protect the legitimate interests of investors, operators and users in the electricity industry and to ensure the safety of electricity operations. The Electric Power Law also states that the PRC government encourages the PRC and foreign companies or individuals to invest in the electricity and power industry and set up power stations and regulates these investments.

In addition, the Electric Power Regulatory Ordinance (《電力監管條例》) promulgated by the State Council on February 15, 2005, which became effective on May 1, 2005, aims to enhance power regulation, set up rules for power regulation and optimize the system on power regulation, including the issuance of Electric Power Business Permit, the regulatory inspections of power producers and grid companies, and the legal liabilities from violations of the regulatory requirements.

In order to further deepen the Reform of the Electric Power System, solve the outstanding contradictions and deep-seated problems that restrict the scientific development of the electric power industry, promote both quality and speed in developing the electric power industry and drive the structural transformation and industrial upgrading, in March, 2015, the State Council issued and executed the Several Opinions on Further Deepening the Reform of the Electric Power System (《關於進一步深化電力體制改革的若干意見》, the “**Opinions**”). The major tasks raised by the “Opinion for promoting the Reform of the Electric Power System” in the near term mainly include: promoting the reform of power tariffs and straightening out the formation mechanism of power tariffs; promoting the reform of power trading system and refining the market-driven system of power trading; establishing a relatively independent institution for power trading and forming a fair and normative market trading platform; promoting the reform of the power generation and consumption plan and making the market mechanism to play a more important role; promoting the reform of marketing electricity side and opening the power trading business to the public; opening the equitable access of grid and establishing a new mechanism in connection with the development of distributed generation; and strengthening the power overall planning and scientific supervision and increasing the reliable level of electrical safety.

IMPLEMENTATION OF REFORMS

In order to thoroughly implement the Several Opinions on Further Deepening the Reform of the Electric Power System (《關於進一步深化電力體制改革的若干意見》) the NDRC and the NEA promulgated the Circular of the National Development and Reform Commission and the National Energy Administration on Issuing Supporting Documents for Electric Power System Reforms (《國家發展改革委、國家能源局關於印發電力體制改革配套文件的通知》) on November 26, 2015.

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The General Office of the NDRC issued the Circular on Improving the Implementing Methods for Base Power Price for Consumers Subject to the Two-tier Power Pricing System (《關於完善兩部制電價用戶基本電價執行方式的通知》, the “**Circular**”) on June 30, 2016. The Circular makes specific arrangements for relaxing restrictions on the alteration circle for the charging mode of base power price and on the time limit for capacity reduction (suspension). The Circular specifies that the base power price is calculated based on the transformer capacity or the maximum demand at the option of consumers; the alteration circle for the charging mode of base power price is adjusted from the current annual adjustment to quarter adjustment, and a power consumer may, 15 working days in advance, apply to the power grid enterprise for altering the charging mode of base power price for the next quarter. The Circular also prescribes that a power consumer who opts to have the base power price calculated and charged based on the maximum demand shall sign a contract with the power grid enterprise which shall calculate and charge the base power price based on the maximum demand specified in the contract. Where the actual maximum demand of a power consumer exceeds 105% of the demand determined in the contract, the base power price for the excessive part shall be doubled; while in case of not exceeding 105% of the demand determined in the contract, the base power price shall be charged based on the said demand. Based on the Circular, Tianjin Development and Reform Commission issued the Circular on Improving the Implementing Methods for Base Power Price for Consumers Subject to the Two-tier Power Pricing System (《關於完善兩部制電價用戶基本電價執行方式的通知》) on July 25, 2016.

On October 8, 2016, the NDRC and the NEA released the Administrative Measures for Access and Withdrawal of Electricity Sale Companies (《售電公司准入與退出管理辦法》, the “**Measures**”) and the Administrative Measures for Orderly Lifting the Control of Dispatch Grids (《有序放開配電網業務管理辦法》), both of which shall take effect as of the promulgation date and remain effective for a period of three years. According to the Measures, Electricity Sales Companies can adopt various methods to purchase electricity in the electricity market, including purchasing electricity from power generation enterprises, purchasing electricity by concentrated bidding and purchasing electricity from other Electricity Sales Companies, and sell the electric quantity they have purchased to users or other Electricity Sales Companies. The Measures specify the access conditions for Electricity Sales Companies such that an Electricity Sales Company shall possess the gross value of assets of not less than RMB20 million and have ten or more professional staff. Electricity Sales Companies having the operational rights for power distribution networks shall also meet eight conditions, one of which states “the registered capital of an Electricity Sales Company having the operation rights for power distribution networks is not less than 20% of its total assets”. Also, the Measures make stipulations on access procedures, rights and obligations, withdrawal methods and the establishment of credit systems of Electricity Sales Companies.

On the basis of the Administrative Measures for Orderly Relaxing the Control over the Power Distribution Network Business (《有序放開配電網業務管理辦法》), the NDRC and the NEA promulgated the Circular of the National Development and Reform Commission and the National Energy Administration on Standardizing the Pilot Reform of the Incremental Distribution Business (《國家發展改革委、國家能源局關於規範開展增量配電業務改革試點的通知》) on November 27, 2016, which identified 105 projects as the first batch of incremental distribution business reform pilot project.

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CONSTRUCTION OF POWER STATIONS

According to the Law of the People's Republic of China on Land Administration (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the NPC on June 25, 1986, which was amended on December 29, 1988, August 29, 1998 and August 28, 2004, respectively and became effective on August 28, 2004, and the Law of the People's Republic of China on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》) promulgated on July 5, 1994, which was amended and became effective on August 27, 2009, land use rights and real estate ownership shall be registered and identified by certificates.

According to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on June 25, 2014, which became effective on October 25, 2014, in order to conduct construction of various kinds of buildings and the installation of accessory facilities in China, the owner of the project shall, in accordance with these Measures, apply for a construction permit from the construction administration department of the people's government above county level (hereinafter the "**Permit Issuing Authority**") of the place in which the project is located before commencing construction.

According to the Law on Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the NPC on October 28, 2007, which was amended on April 24, 2015 and became effective on April 24, 2015, an enterprise, which needs to apply land within a planned urban area for construction purpose, shall obtain the Planning Permit for Construction Land approved and issued by the competent administrative urban planning authorities. Construction, expansion and renovation of buildings, structures, roads, pipelines and other facilities within a planned urban area shall have the Planning Permit for Construction Works approved and issued by the competent administrative urban planning authorities.

According to the Regulations on the Administration of Quality of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000, which was amended and became effective on October 7, 2017, the owner of any construction project may not commence the construction prior to its receipt of the construction permit. A construction project may not be delivered for use until after it passes the acceptance test.

According to the Law of the People's Republic of China on Bidding and Tendering (《中華人民共和國招標投標法》) promulgated by the Standing Committee of the NPC on August 30, 1999, which was amended and became effective on December 28, 2017, and the Implementing Rules of the Law of the People's Republic of China on Bidding and Tendering (《中華人民共和國招投標法實施條例》) promulgated by the State Council on December 20, 2011, which was amended and became effective on March 1, 2017, with respect to any construction project located in China that meets certain criteria, the survey, design, construction, supervision of the project as well as the procurement of substantial equipment and materials related to the project shall be put out to bid. No entity or individual may circumvent the bidding requirements by splitting a project that must be put out to bid under law into small pieces or otherwise.

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OBTAINING AN ELECTRIC POWER BUSINESS PERMIT

Pursuant to the Provision on the Administration of the Electric Power Business Permit (《電力業務許可證管理規定》) promulgated by the former State Electricity Regulatory Commission of the PRC on October 13, 2005, which was amended on May 30, 2015, the electric power business permit should be obtained before engaging in any electric power business in the PRC. Unless otherwise provided by the former State Electricity Regulatory Commission of the PRC, any company or individual in the PRC may not engage in any electric power business (including power generation, transmission, distribution and sales) without obtaining an electric power business permit from the former State Electricity Regulatory Commission of the PRC. In addition to basic qualifications for applying for the electric power business permit, the applicant for the electric power business permit for power generation should satisfy the following conditions: the construction of power generation projects has been approved by the relevant competent authorities; the generating facilities possess generation operation abilities; and the generation projects comply with the relevant regulations and requirements of environment protection. Since the former State Electricity Regulatory Commission of the PRC has been incorporated into the National Energy Administration of the PRC, the said function and power of issuance of electric power business permit shall be exercised by the National Energy Administration of the PRC.

DISPATCH

According to the Regulations on the Administration of Electric Power Dispatch to Grids (《電網調度管理條例》), the “**Dispatch Regulations**”) promulgated by the State Council on June 29, 1993, which became effective on November 1, 1993 and was amended and effective on January 8, 2011, all electric power producers and grid companies must comply with the general dispatch of the dispatch institution. Dispatch institutions are responsible for the administration and dispatch of power stations connected to the grid. According to the Dispatch Regulations, dispatch institutions are established at five levels: the national dispatch institution, the dispatch institutions of the interprovincial power grid, the dispatch institutions of the provincial power grid, the dispatch institutions of the power grid of municipalities under provinces and the dispatch institutions of the county power grid.

ON-GRID TARIFF ADMINISTRATION

The Electric Power Law sets out the general principles for the determination of power tariffs, according to which, tariffs are to be formulated to provide reasonable compensation for costs and reasonable profit to be ascertained, to share expenses fairly and to promote the construction of further power projects. The on-grid power tariffs of power stations, the supply power tariffs between the grid companies and the sales power tariffs of the grid companies are based on a centralized policy, fixed in accordance with a unified principle and administered at different levels. The on-grid tariffs are subject to review and approval by the NDRC and other competent pricing bureaus.

The Power Tariff Reform Plan (《電價改革方案》) promulgated by the General Office of the State Council and effective on July 9, 2003, stated that their long-term objective is to establish a standardized and transparent tariff management system.

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On March 28, 2005, the NDRC issued the Provisional Measures for the Administration of On-grid Tariffs (《上網電價管理暫行辦法》), which provides regulatory guidance for the Power Tariff Reform Plan. For power stations within the regional grids that have not implemented competitive bidding tariff-setting mechanisms, on-grid tariffs will be set by relevant pricing bureaus based on economic life cycle of power projects and in accordance with the principles of reasonable compensation for costs, reasonable profit to be ascertained and tax compliance. For power stations within the regional grids that have implemented competitive bidding tariff-setting mechanisms, on-grid tariffs include two elements: (i) a capacity tariff determined by the NDRC based on the average investment cost of the power producers competing within the same regional grid and (ii) a competitive tariff determined through the competitive bidding process.

The Circular Regulations on the Administration of Issues Related to the Electricity Energy Transaction Prices (《關於規範電能交易價格管理等有關問題的通知》) issued by the NDRC, the former State Electricity Regulatory Commission of the PRC and the NEA dated October 11, 2009 provides that other than the interprovincial or cross-regional electricity energy transactions, all on-grid power should be priced in accordance with the tariffs set by the pricing bureaus of the government unless otherwise provided by the state.

In order to promote and enhance the supervision of direct trade between electric power consumers and power generating enterprises, the NEA promulgated the Notice of the General Department of the National Energy Administration of the PRC concerning Launching Direct Trade between Electric Power Consumers and Power Generating Enterprises at the Current Stage (《國家能源局綜合司關於當前開展電力用戶與發電企業直接交易有關事項的通知》) in July 2013. The Notice provides that the relevant PRC governmental authorities shall not impose administrative approvals on pilot programs for direct trade of electric power; meanwhile, such Notice has improved the market access thresholds for direct trade of electric power and accelerated the calculation of and approval for the tariff for transmission and distribution of electric power.

In November 2015, the NDRC and the NEA promulgated the Suggestion on the Implementation of Promoting the Tariff Reform of Power Transmission and Dispatch (《關於推進輸配電價改革的實施意見》), the “**Suggestion**”). The Suggestion provides the overall goals for establishing a scientific, transparent and independent transmission and dispatch tariff system and a transmission and dispatch price formation mechanism with clear rules, reasonable price level and robust supervision. In accordance with the principle of “Permitted Costs and Reasonable Profits”, the implementation of tariff reform will ratify the permitted gross income of grid enterprises and the transmission and dispatch tariff of various voltage grades and specify the government funds and cross subsidization.

ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the NPC on December 26, 1989, as amended on April 24, 2014 and to be implemented on January 1, 2015, all entities and individuals shall

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have the obligation to protect the environment and the right to report and charge the entities and individuals that have caused pollution and damage to the environment. The amended “Environmental Protection Law of the PRC” has strengthened the responsibilities of enterprises to prevent environmental pollution, increased the punishment for enterprises breaking environmental laws and established the environmental public interest litigation system.

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on May 11, 1984, amended on June 27, 2017 and implemented on January 1, 2018, discharge of water pollutants shall be within national or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. Any enterprise, institution or other producers that directly or indirectly discharges industrial sewage, and any other types of sewage, the discharge of which is subject to a pollutant discharge permit, must obtain the relevant pollutant discharge permit.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) promulgated on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016 respectively and implemented on that day by the Standing Committee of the NPC, the entities and individuals that produce solid waste, shall take initiatives to prevent or minimize the pollution to the environment by the solid waste. An entity that engages in activities of collection, storage and disposal of hazardous waste shall apply and obtain business license from the competent departments of environmental protection of the people’s government at or above the county level.

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated on April 29, 2000 by the Standing Committee of the NPC, which was amended on August 29, 2015, the discharge of atmospheric pollutants must not exceed the state and local discharging standards.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the NPC on October 28, 2002, which was amended on July 2, 2016, construction unit shall organize to develop the environmental impact report and environmental impact report forms, or fill up and submit the environmental impact registration form according to the relevant requirements. In the event the environmental impact assessment documents of a construction project have not been reviewed by the approving authorities, or approval is not granted after the review, the construction unit shall not commence the construction.

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council and effective on November 29, 1998, which amended on July 16, 2017 and became effective on October 1, 2017, matching environmental protection facilities construction required for the construction project must be designed, constructed and go into operation at the same time as the main construction project. The said construction project may only formally go into operation or commence use when the matching construction of the environmental protection facilities required for the construction project has passed acceptance tests.

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In order to thoroughly implement the Implementing Plan for the Permit System for Controlling the Discharge of Pollutants (Guo Ban Fa [2016] No. 81) (《控制污染物排放許可制實施方案》國辦發[2016]81號) and regulate the procedures for the application, approval, issuance and administration of the pollutant discharge permit, the MEP promulgated Circular on Issuing the Interim Provisions for the Administration of Pollutant Discharge License (《關於印發〈排污許可證管理暫行規定〉的通知》) on December 23, 2016. The local governments at all levels may, in accordance with the Interim Provisions for the Administration of Pollutant Discharge License (《排污許可證管理暫行規定》), further refine the administrative procedures and requirements to formulate local implementing rules.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT IN CHINA

Company Law of the People's Republic of China

The Company Law of the People's Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of NPC on December 29, 1993 and came into effect on July 1, 1994 (subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013), provides that companies established in China may take form of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company's liability. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Wholly Foreign-Owned Enterprise Law of the People's Republic of China and its implementation measures

The Wholly Foreign-Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), which was promulgated by the Standing Committee of the NPC on April 12, 1986 and came into effect on the same day, and amended on October 31, 2000 and September 3, 2016, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which were promulgated by the former Ministry of Foreign Trade and Economic Cooperation on December 12, 1990 and came into effect on the same day, and amended on April 12, 2001 and February 19, 2014, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises (“WFOEs”) in China. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before a certificate of approval (for establishment of enterprises with foreign investment in PRC) is issued.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (《關於外商投資企業境內投資的暫行規定》), which were jointly promulgated by MOFCOM and the State Administration of Industry and Commerce on July 25, 2000 and amended on October 28, 2015, stipulate that the provisions of the “Interim Provisions Guiding Foreign

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Investment Direction and the Industry Catalog for Guiding Foreign Investment” will govern foreign-invested enterprises’ investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in an encouraged or permitted sector, the foreign-invested enterprise must file an application and provide required documents with the company registration authority of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People’s Republic China (《中華人民共和國公司登記管理條例》), decide whether to grant the registration or not. If the registration is granted, a Business License of an Enterprise Legal Person will be issued with the designation “Invested by a Foreign-Invested Enterprise” added. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application and provide required documents with the provincial commercial department of the place where the investee company is located. After receiving such application, the provincial approval authority shall seek the opinions of the same level or the national industry management department in accordance with the business scope of the invested company. Where the provincial approval authority makes a written approval to a foreign-invested enterprise, the foreign-invested enterprise shall apply for the establishment of a registration with the company registration authority at the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People’s Republic China (《中華人民共和國公司登記管理條例》), decide whether to grant the registration or not. If the registration is granted, a Business License of an Enterprise Legal Person will be issued with the designation “Invested by a Foreign-Invested Enterprise” added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Catalogue of Industries for Guiding Foreign Investment

Projects with foreign investment in the PRC are subject to the supervision and administration requirements as provided in the Foreign Investment Industries Guidance Catalogue (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂))(the “**Guidance Catalogue**”) which was amended and promulgated jointly by the NDRC and the MOFCOM on 28 June 2017 and become effective on 28 July 2017. Under the Guidance Catalogue, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries and (ii) foreign-invested industries which are subject to Special Administrative Measures for Access of Foreign Investment (Negative List for Access of Foreign Investments) (the “**Negative List**”). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign-invested industries.

According to the Guidance Catalogue, thermal business (thermal construction and operation in cities with a population over 500,000) are listed under the “restricted foreign-invested industries”, meaning that foreign investment in the thermal industry (thermal

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construction and operation in cities with a population over 500,000) is restricted to Chinese-controlled foreign joint venture.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which were jointly promulgated by the MOF, the SASAC, the SAT, the State Administration of Industry and Commerce, the CSRC, and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises

On October 8, 2016, the MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Filings Measures**”) and became effective on the same date. The Decision of the National People’s Congress on Revision of Four Laws and the Filings Measures of the People’s Republic of China revised relevant administrative approval provisions of the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People’s Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People’s Republic of China on the Protection of the Investments of Taiwan Compatriots (《中華人民共和國台灣同胞投資保護法》) and the relevant formality regime for the establishment and change of foreign-invested enterprises, whereby if the incorporation and changes of foreign-invested enterprises and enterprises funded by Taiwan compatriots does not involve special access administrative measures prescribed by the government (the “**Negative List**”), the examination and approval thereof has been changed to the record-filing administration. According to the Filings Measures, where the incorporation of foreign-invested enterprises does not fall within the Negative List, such enterprises shall go through the record-filing procedures after obtaining the prior approval of the enterprise name and prior to the issuance of a business license, or within 30 days after the issuance of a business license. Within the record-filing scope of the Filings Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises’ property or rights and interests to others and other matters, the foreign-invested enterprises shall file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administration system. On October 8, 2016, Announcement of the NDRC and the MOFCOM [2016] No. 22 (《中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告》2016年第22號) was published and specifies that the Negative List shall be in line with the Catalogue.

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SAFETY AND LABOR PROTECTION

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the Standing Committee of the NPC on June 29, 2002 and effective on November 1, 2002, and first amended on August 27, 2009, recently amended on August 31, 2014 and to be implemented on December 1, 2014, is the principal law governing the supervision and administration of work safety and labor protection for power projects. In accordance with the Measures on Supervision and Administration of the Work Safety of Electricity Industry (《電力安全生產監督管理辦法》), promulgated by the NDRC on February 17, 2015, power stations are responsible for maintaining their safety operations.

The main PRC employment laws and regulations include the Labor Law of the PRC (《中華人民共和國勞動法》), the Employment Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Implementing Regulations of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》). The Employment Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on June 29, 2007 and became effective on January 1, 2008 and was amended on December 28, 2012. This law governs the establishment of employment relationships between employers and employees, and the execution, performance, termination of, and the amendment to, employment contracts. Compared to the PRC Labor Law, the PRC Employment Contract Law provides additional protections to employees by requiring written labor employment contracts, limiting the scope of the circumstances under which employees could be required to pay damages for breach of employment contracts and imposing stricter sanctions on employers who fail to pay remuneration or social security contributions for their employees.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on October 28, 2010, which became effective on July 1, 2011, an enterprise shall enter into labor contracts with its employees and maintain their social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, according to the law.

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

REGULATORY OVERVIEW

According to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council and effective on April 3, 1994, and amended and effective on March 24, 2002, enterprises shall make full and timely contributions to a housing provident fund for their employees and the deposit ratio shall be no less than 5% of the employees' average monthly wage in the previous year.

TAXATION

Enterprise Income Tax Law

On March 16, 2007, the NPC enacted the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was amended and became effective on February 24, 2017. The EIT Law imposes a single uniform income tax rate of 25% on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax regulations.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Tax Treaty**”), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (《國家稅務總局關於如何理解和認定稅收協議中“受益所有人”的通知》) issued by the SAT on October 27, 2009, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

VAT Law

According to the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) (the “**Interim Regulation on Value Added Tax**”) of the State Council, which became effective on January 1, 1994, amended on November 5,

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2008, February 6, 2016 and November 19, 2017, all entities and individuals engaged in the sale of goods or provision of processing, repairing and replacing services and import of goods within the territory of the PRC shall pay the VAT. The amount of the VAT payable shall be calculated based on the VAT received and the VAT paid. In respect of the sale and import of goods or provision of processing, repairing and replacing services by the taxpayer, the VAT rate is 17%, while for the sale and import of particular commodities listed on the Interim Regulation on Value Added Tax by the taxpayer, the VAT rate is 11% and for the export of applicable commodities by the taxpayer, the VAT rate is zero, unless otherwise stipulated by the State Council.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries. The Trial Implementing Measures of the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), which were promulgated on March 24, 2016, came into effect on May 1, 2016, set out that it collected value-added tax in lieu of business tax in all regions and industries.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《關於簡並增值稅稅率有關政策的通知》), which was issued by the SAT and MOF on April 28, 2017, became effective on July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% VAT rate is to be canceled. Taxpayers that sell or import the following goods will be subject to VAT at the 11% rate: Agricultural products (including grains), tap water, heating, liquefied petroleum gas, natural gas, edible vegetable oil, air conditioning, hot water, coal gas, coal products for household use, food-grade salt, farm machinery, fodder, pesticides, agricultural film, fertilizer, methane gas, dimethyl ether, books, newspapers, magazines, audio-visual products and electronic publications.

LAWS AND REGULATIONS RELATED TO THE TRANSFER OF STATE-OWNED SHARES

On November 9, 2017, the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (No. 49 [2017] of the State Council) (《國務院關於印發劃轉部分國有資本充實社保基金實施方案的通知》)(the “**No. 49 Notice**”) promulgated by the State Council took effect and the details of The Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (《劃轉部分國有資本充實社保基金實施方案》)(the “**Plan**”) were announced. According to the Plan, medium and large-sized local and central state-owned and state-controlled enterprises and financial institutions shall be included in the scope of transferors, except public-welfare enterprises, cultural enterprises, policy and development financial institutions, or unless otherwise provided by the State Council. Local and central enterprise groups that have completed the reform of corporate system shall directly transfer their equities; local and central enterprise groups that have not completed the reform of corporate system shall advance

REGULATORY OVERVIEW

the reform without delay and transfer their equities upon completion; and at the same time, it shall be explored to transfer the equities of first-tier subsidiaries of enterprise groups that have not completed the reform of corporate system, except the equities of listed enterprises and unlisted enterprises formed by the Social Security Fund for reasons such as transfer of state-owned equities and investment. Furthermore, according to the requirements under the No.49 Notice, the policies in relation to the transfer of state-owned shares which were in force before the No.49 Notice such as the Notice of the State Council on Issuing the Provisional Measures to Reduce the State-Owned Shares for Raising the Fund of Social Security (No. 22 [2001] of the State Council) (《國務院關於印發減持國有股籌集社會保障資金管理暫行辦法的通知》) (the “**No. 22 Notice**”) have ceased to have effect since the effective date of the Plan. As such, the state-owned shareholders of the Company are no longer obliged to transfer any state-owned shares under the No. 22 Notice for the purpose of the proposed offering.

OUR HISTORY AND DEVELOPMENT

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale according to the Ipsos Report. Our operations comprise (i) power generation and supply, (ii) electricity dispatch and sale and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components.

Our history and development are divided into three phases:

I. 1992 – 2007

In October 1992, our predecessor, Tianbao Electricity Company was established by Tianjin Port Free Trade Zone Development Services Company (天津港保稅區開發服務總公司) with a registered capital of RMB45,000,000. The business scope of Tianbao Electricity Company included management of the electricity system of the Tianjin Port Free Trade Zone, installation, maintenance, repair of and research on electricity systems, design and construction of electricity facilities, and sale of electricity equipment. Tianbao Electricity Company's business scope did not change until Tianjin Tianbao Electricity acquired Tianbao Thermal in 2015.

In August 1993, Tianbao Electricity Company became a subsidiary of Tianjin Port Free Trade Zone Construction Services Company (天津港保稅區建設服務總公司).

In April 1997, our predecessor Tianbao Electricity Company merged with Telecommunication Service Company of Tianjin Port Free Trade Zone (天津港保稅區通信服務公司) (the “**Telecommunication Service Company**”) (the “**Merger**”), after which the registered capital of our predecessor Tianbao Electricity Company increased to RMB49,000,000. Regarding the Merger, Tianbao Electricity Company has not completed the following procedures according to the requirement: (i) request for approval of the Merger from the competent state-owned assets department of Telecommunication Service Company; (ii) complete the assets appraisal process for the Merger; and (iii) obtain the confirmation documents from the competent state-owned assets department confirming the appraisal results. However, based on the following reasons, the PRC Legal Advisers of our Company are of the opinion that the possibility for the validity of the Merger being questioned or overruled by the competent authority is remote: (i) the State-owned Assets Administration Bureau of Tianjin Port Free Trade Zone (天津港保稅區國有資產管理局) has issued a letter of confirmation, which confirmed that the State-owned Assets Administration Bureau of Tianjin Port Free Trade Zone (天津港保稅區國有資產管理局) approved the consideration adopted by Tianbao Electricity Company for its Merger with Telecommunication Service Company and the Merger is valid; and (ii) we have not received objections from any government departments in respect of the Merger.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In 1999, during the restructuring of Tianjin Port Free Trade Zone Development Services Company (天津港保稅區開發服務總公司) and Tianjin Port Free Trade Zone Construction Services Company (天津港保稅區建設服務總公司), Free Trade Zone Administrative Committee established Tianbao Holdings. Our predecessor Tianbao Electricity Company became a wholly-owned subsidiary of Tianbao Holdings.

In May 2007, Tianbao Holdings transferred all its shares of our predecessor Tianbao Electricity Company to Tianbao Thermal at a consideration of RMB110,297,600 based on the appraised net asset value of Tianbao Electricity Company as of December 31, 2006 (the “**2007 Equity Transfer**”). Concurrently, our predecessor Tianbao Electricity Company was converted into a limited liability company and its company name was changed from “Tianbao Electricity Company of Tianjin Port Free Trade Zone (天津港保稅區天保電力公司)” to “Tianjin Tianbao Electricity Company Limited (天津天保電力有限公司)”. The registered capital of our predecessor, Tianjin Tianbao Electricity was increased to RMB110,290,000 and it became a wholly-owned subsidiary of Tianbao Thermal. Tianbao Holdings has not obtained the approval from SASAC Tianjin or complete the filing procedures for the 2007 Equity Transfer (including the assets appraisal results). Nevertheless, based on the following reasons, the PRC Legal Advisers of our Company are of the opinion that the possibility for the validity of the 2007 Equity Transfer being questioned or overruled by the competent authority is remote: (i) as confirmed by the Company, Tianbao Thermal (as the transferee) was a wholly-owned subsidiary of Tianbao Holdings (as the transferor), and given that both the transferor and the transferee were solely state-owned companies, the 2007 Equity Transfer was a transfer occurred between two solely state-owned companies; (ii) as confirmed by the Company, the consideration of the 2007 Equity Transfer was based on an appraised value, therefore the 2007 Equity Transfer did not result in any loss of state-owned assets; (iii) Tianbao Holdings had reported the 2007 Equity Transfer to the Finance Bureau of Tianjin Port Free Trade Zone (天津港保稅區財政局), and obtained the approval documents from the Finance Bureau of Tianjin Port Free Trade Zone (天津港保稅區財政局) in respect of the 2007 Equity Transfer; (iv) the relevant registration procedure in respect of the 2007 Equity Transfer has been completed with the relevant industrial and commercial administration authority; and (v) we have not received objections from any government departments for the 2007 Equity Transfer.

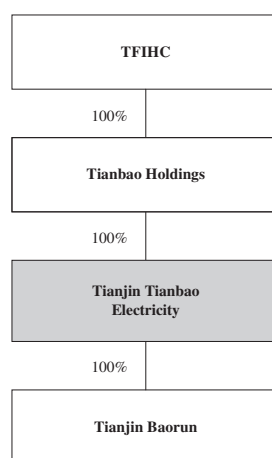
II. 2007 – 2015

In April 2012, Tianbao Thermal transferred 100% of the equity interest of our predecessor Tianjin Tianbao Electricity to Tianbao Holdings at a consideration of RMB131,346,300 (the “**2012 Equity Transfer**”). Tianbao Thermal and Tianbao Holdings have not obtained the approval documents from SASAC Tianjin or complete the filing procedures of the appraised results for the 2012 Equity Transfer. Nevertheless, based on the following reasons, the PRC Legal Advisers of our Company are of the opinion that the possibility of the validity of 2012 Equity Transfer being questioned or overruled by the competent authority is remote: (i) as confirmed by the Company, Tianbao Thermal (as the transferor) was a wholly-owned subsidiary of Tianbao Holdings (as the transferee), and given that both the transferor and the transferee were solely state-owned companies, the 2012 Equity Transfer was a transfer occurred between two solely state-owned companies; (ii) as confirmed by the Company, the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

consideration of the 2012 Equity Transfer was calculated by reference to the net book assets value of Tianjin Tianbao Electricity as at September 30, 2011, thus the 2012 Equity Transfer did not result in loss of state-owned assets; (iii) Tianbao Holdings had reported the 2012 Equity Transfer to the State-owned Assets Administration Bureau of Tianjin Port Free Trade Zone, and obtained the approval documents from the State-owned Assets Administration Bureau of Tianjin Port Free Trade Zone (天津港保稅區國有資產管理局); (iv) the registration procedures in respect of the 2012 Equity Transfer (including the changes in the articles) with the relevant industrial and commercial administration authority were completed; and (v) we have not received objections from any government departments in respect of the 2012 Equity Transfer.

The following chart sets out our corporate structure immediately before the Business Combination:



For the purpose of including the power generation and supply business operated by our Controlling Shareholders in Tianjin Port Free Trade Zone (Seaport) into our Group, the following steps of Business Combination have been carried out:

(i) Tianbao Thermal transferred machineries and electronic equipment of Haigang Thermal Plant to Tianjin Tianbao Electricity

Tianbao Thermal transferred machineries and electronic equipment of Haigang Thermal Plant to Tianjin Tianbao Electricity. An agreement was entered into between Tianbao Thermal and Tianjin Tianbao Electricity on December 1, 2015, pursuant to which Tianbao Thermal agreed to transfer certain machineries and electronic equipment of Haigang Thermal Plant to Tianjin Tianbao Electricity at a consideration of RMB138,938,000 (including value added tax). The transfer was completed before December 31, 2015.

(ii) Tianbao Thermal injected the non-current assets of Haigang Thermal Plant to Tianjin Tianbao Electricity as capital contribution

In December 2015, Tianbao Thermal was permitted to contribute the non-current assets (including, among others, properties) of Haigang Thermal Plant as in-kind contribution to the capital of Tianjin Tianbao Electricity (“**2015 Capital Injection**”). The value of such in-kind

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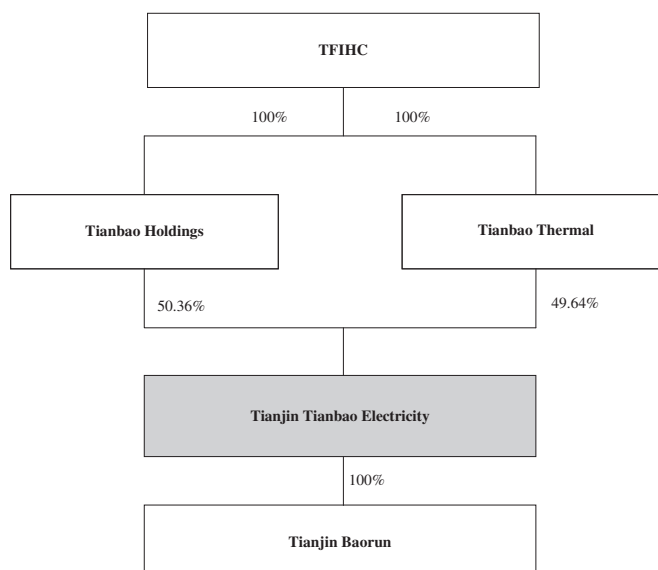
contribution was RMB187,855,500, which was confirmed by the appraisal report issued by Tianjin Zhongda Xincheng Asset Appraisal Company Limited (天津中大信誠資產評估有限公司) with December 31, 2014 as the appraisal date. Such report was duly filed at the State-owned Assets Supervision and Administration Commission of Tianjin Binhai New District. An agreement was entered into between Tianbao Thermal and Tianjin Tianbao Electricity on December 21, 2015, pursuant to which Tianbao Thermal agreed to transfer the non-current assets of Haigang Thermal Plant to Tianjin Tianbao Electricity at a consideration of RMB187,855,500 as capital investment.

In view of such capital injection, the registered capital of Tianjin Tianbao Electricity was increased by RMB108,712,673 and the remaining in-kind contribution in the amount of RMB79,142,827 was transferred to the capital reserve of our predecessor company Tianjin Tianbao Electricity and booked as share premium. Thereafter, Tianbao Holdings and Tianbao Thermal held 50.36% and 49.64% of the equity interest in our predecessor Tianjin Tianbao Electricity, respectively. Tianjin Tianbao Electricity also amended its business scope in 2015 to include power grid operation and management, sales of electricity and research, construction, consultation and other services in relation to new energy and distributed energy.

A supplemental agreement was entered into between Tianbao Thermal and Tianjin Tianbao Electricity on December 30, 2015, pursuant to a revised value of the in-kind contribution based on an updated supplemental explanation issued by same valuer based on subsequent events, the assets value was RMB6,112,761.37, which was recognized as share premium in the capital reserve of Tianjin Tianbao Electricity.

The 2015 Capital Injection was completed on or around December 31, 2015.

The following chart sets out our corporate structure immediately after the 2015 Capital Injection:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Historically, the power generation and supply businesses of TFIHC were conducted principally by its subsidiaries Tianbao Thermal and Tianjin Tianbao Electricity, and prior to the Business Combination, Haigang Thermal Plant and Konggang Thermal Plant were both the assets of Tianbao Thermal. Central heating, cooling and steam services were provided to the industrial and commercial end-users in Tianjin Port Free Trade Zone (Seaport) through the operation of the Haigang Thermal Plant and in Tianjin Airport Economic Zone through the operation of the Konggang Thermal Plant. For the purpose of including the power generation and supply businesses operated by our Controlling Shareholders in Tianjin Port Free Trade Zone (Seaport) into our Group, Tianbao Thermal transferred all the properties, plants and equipment, constructions in progress and lease prepayments as well as all sales contracts relating to the Haigang Thermal Plant Business to us. After years of cooperation and as the economy of Tianjin Port Free Trade Zone (Seaport) continued to grow, the Haigang Thermal Plant has grown to a mature stage of business operation. Through the operation of the Haigang Thermal Plant, we derived an important portion of our revenue from power generation and supply business, which relies on the demands of our customers located in Tianjin Port Free Trade Zone (Seaport) from us all or a significant portion of their electricity, steam, heating and cooling. For details, please refer to the section of the Prospectus headed “Relationship with Controlling Shareholders” and “Financial Information – Basis of Presentation”.

III. 2015 – present

Tianbao Thermal transferred the 49.64% shareholding in Tianjin Tianbao Electricity to Tianbao Holdings and Tianbao Investment

On May 24, 2016, Tianbao Thermal entered into equity transfer agreement with Tianbao Holdings and Tianbao Investment respectively, pursuant to which (i) Tianbao Thermal transferred the 44.4546% shareholding of Tianjin Tianbao Electricity to Tianbao Holdings at a consideration of RMB171,459,377.57, which was based on Tianjin Tianbao Electricity’s finalized audited net assets as of December 31, 2015 and (ii) Tianbao Thermal transferred the 5.1854% shareholding of Tianjin Tianbao Electricity to Tianbao Investment at a consideration of RMB20,000,000, which was based on Tianjin Tianbao Electricity’s finalized audited net assets as at December 31, 2015. After the above transfers, the shareholders of Tianjin Tianbao Electricity comprised of Tianbao Holdings and Tianbao Investment, which held 94.8146% and 5.1854% of the shares of Tianjin Tianbao Electricity, respectively.

All considerations in respect of the above-mentioned transfers have been fully settled and the transactions were legally completed.

Tianjin Tianbao Electricity’s capital reduction

In October 2016, Tianjin Tianbao Electricity carried out a capital reduction based on the value of its audited net assets as of May 31, 2016. The capital reduction was to facilitate our then Shareholders to recover part of the acquisition funds used to acquire the assets of Haigang Thermal Plant. Such acquisition financing arrangement was commercially preferred over acquisition by way of cash available from bank borrowing due to: (a) a saving of business tax

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

in the amount of approximately RMB9,393,000 under the relevant PRC tax regulations from the perspective of the Controlling Shareholders; (b) the incurring of deductible value added tax in the amount of approximately RMB19,017,000 which could be utilized in the coming years for the Company under the relevant PRC tax regulations; and (c) avoidance of annual interest cash outflow from the Company's perspective in view of the interest-free nature of the shareholders' loans which would have resulted in an annual interest savings of approximately RMB8,900,000 at a rate of 4.75% per annum had the acquisition been funded through bank borrowing.

Other than being such commercial arrangement and taking into account the Company's best interest, the capital reduction also enables our Group's consolidated net assets to maintain at a level in line with its operations and capital requirement. The registered capital of Tianjin Tianbao Electricity was reduced from RMB219,002,673 to RMB87,002,673 and the capital reserve of Tianjin Tianbao Electricity was reduced from RMB136,725,216.38 to RMB27,851,616.38. After the capital reduction, Tianbao Holdings and Tianbao Investment contributed RMB82,491,236.39 and RMB4,511,436.61 registered capital of Tianjin Tianbao Electricity, respectively. Thereafter, Tianjin Tianbao Electricity was held by Tianbao Holdings and Tianbao Investment as to 94.8146% and 5.1854%, respectively.

After the aforesaid capital reduction, Tianjin Tianbao Electricity was obliged to return approximately RMB228,383,339.95 and RMB12,490,260.05 to Tianbao Holdings and Tianbao Investment, respectively. In December 2016, Tianjin Tianbao Electricity entered into an agreement with Tianbao Holdings and Tianbao Investment, under which, Tianjin Tianbao Electricity shall repay the capital reduction payment by installments, with the last installment to be fully settled by December 2021 or earlier. Such payments are interest free. Please see "Relationship with Controlling Shareholders – Repayments of the capital reduction" for further details.

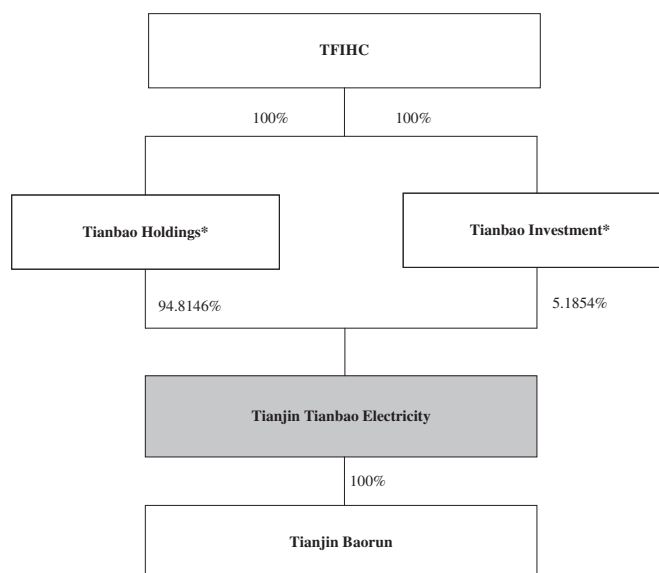
Key Milestones of Our Company

1992	Tianbao Electricity Company was established by Tianjin Port Free Trade Zone Development Services Company (天津港保稅區開發服務總公司)
1998	Tianbao Electricity Company was accredited with the Quality Management System Certification by China's national Accreditation of Registrars, which successfully transferred to GB/T19001:2008/ISO 9001:2008 and GB/T50430-2007 Standard Accreditation in June, 2013
2007	Tianbao Electricity Company was restructured into a limited liability company
2014	Our coal-fired cogeneration power plant commenced operation in Tianjin Port Free Trade Zone (Seaport)

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- 2015 Our Company completed the integration of the power generation and supply business of Haigang Thermal Plant into our operations
- 2017 Our predecessor Tianjin Tianbao Electricity was restructured into a joint stock company, our Company which was incorporated in the PRC on February 28, 2017

The following chart sets out our corporate structure immediately before the Reorganization:



- * Tianbao Holdings and Tianbao Investment are both wholly-owned subsidiaries of TFIHC, which is 100% owned and supervised by the State Assets Supervision and Administration Bureau of Tianjin Port Free Trade Zone.

REORGANIZATION

In preparation for the Share Offer, our Company was established through Reorganization by converting Tianjin Tianbao Electricity, our predecessor, into a joint stock company with limited liability. Prior to the Reorganization, Tianjin Tianbao Electricity was the holding company of the subsidiary now comprising our Group. Upon the conversion into a joint stock company, we continue to be the holding company of Tianjin Tianbao Electricity's subsidiary.

On February 28, 2017, acting as Promoters, Tianbao Holdings and Tianbao Investment, both wholly-owned subsidiaries of TFIHC, established our Company with a registered capital of RMB115,600,907. Pursuant to the promoter agreement dated January 19, 2017, we retained all of the assets, liabilities and equity interests of Tianjin Tianbao Electricity.

We were established based on net assets of total of RMB177,847,549.41 of Tianjin Tianbao Electricity as of November 30, 2016 as shown in the audited financial statements of Tianjin Tianbao Electricity for the period ended November 30, 2016. Upon establishment, we

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

had a total of 115,600,907 Domestic Shares, with a par value of RMB1.00 each. Of which, Tianbao Holdings directly held 109,606,538 Domestic Shares, representing 94.81% of our total share capital. Tianbao Investment directly held 5,994,369 Domestic Shares, representing 5.19% of our total share capital.

The table below shows the shareholding structure of the Company before and after the Share Offer:

Name of Shareholders	Before Share Offer		After Share Offer			
	Number of shares held	Percentage of shares held	Before exercise of Offer Size Adjustment Option		After exercise of Offer Size Adjustment Option	
			Number of shares held	Percentage of shares held	Number of shares held	Percentage of shares held
		%		%		%
Tianbao Holdings	109,606,538	94.81%	109,606,538	71.11%	109,606,538	68.54%
Tianbao Investment	5,994,369	5.19%	5,994,369	3.89%	5,994,369	3.75%
Other H Shares Shareholders	–	–	38,540,000	25.00%	44,321,000	27.71%
Total	115,600,907	100.00%	154,140,907	100.00%	159,921,907	100.00%

Approvals

The Reorganization has been duly approved by Free Trade Zone Administrative Committee and SASAC Tianjin and the Reorganization has been legally and duly completed. Our PRC Legal Advisers are of the view that the Reorganization has been approved by competent authorities.

Retained Business and Non-competition

After the completion of the Reorganization, our Controlling Shareholders have retained certain power generation and supply business operated in the Konggang Thermal Plant. Please refer to the section headed “Relationship with Controlling Shareholders – Delineation of Business and Competition” for further details. Please also refer to “Relationship with Controlling Shareholders – Non-competition Deed and Undertakings” for details of the measures to prevent any potential future competition between our Group and the other members of our Controlling Shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRINCIPAL SUBSIDIARY

Our Company currently holds one subsidiary in the PRC, details of which are set out below:

Tianjin Baorun was established in the PRC by Tianbao Electricity Company and Victory Union International Limited (a company incorporated in Hong Kong) on November 21, 1994. Tianjin Baorun became a wholly-owned subsidiary of Tianjin Tianbao Electricity on September 6, 2007. After the Reorganization, Tianjin Baorun is a wholly-owned subsidiary of our Company. The registered capital of Tianjin Baorun is RMB1,708,900 and Tianjin Baorun is primarily engaged in the business of manufacturing and repairing electrical engineering facilities and devices.

THE PARTY COMMITTEE

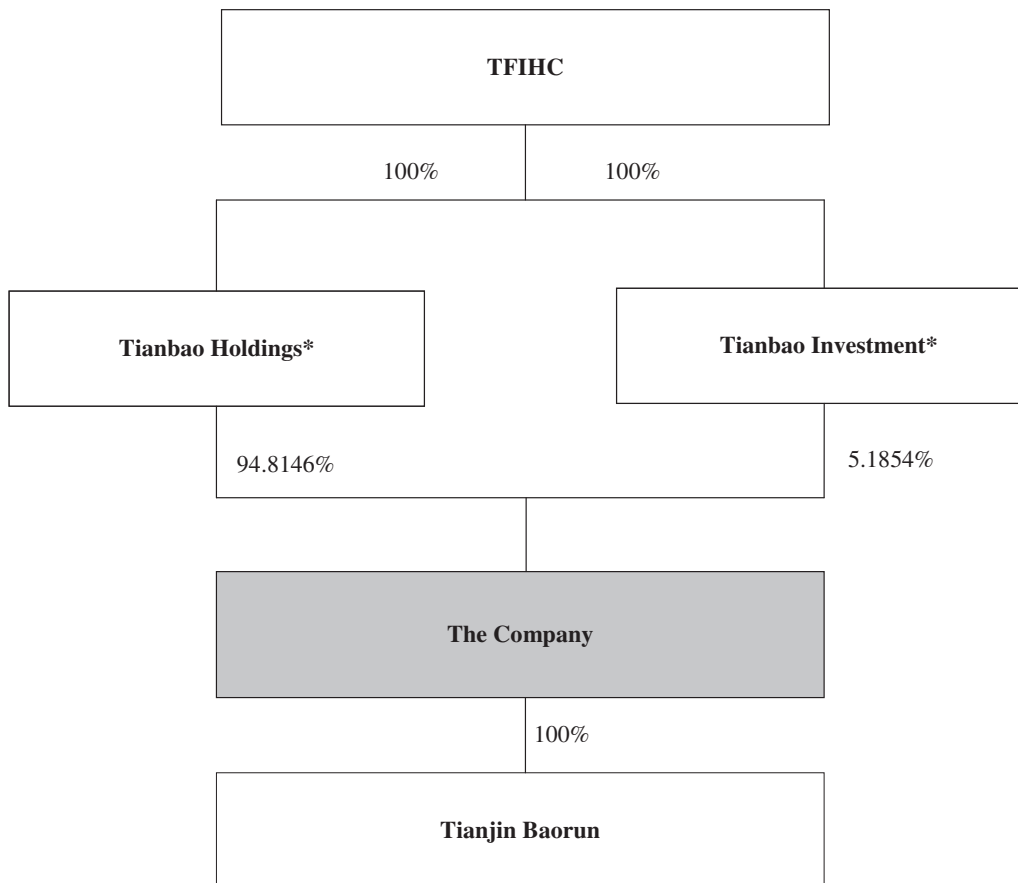
According to the Constitution of the Communist Party of China, the Company has established the Committee of Communist Party of the Company (the “**Party Committee**”), which plays a core political role in the Company. The Party Committee mainly assumes the following duties and responsibilities:

- ensuring and supervising the implementation of national policies and strategies and the Communist Party of China, and supporting major decisions made by Central Committee of the Communist Party of China and the State Council, as well as the work deployment of relevant state ministries and higher Party organizations.
- insisting on the integration of the principle of management of cadres by the Party with the function of the Board in the lawful selection of the operation management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management, considering and advising on the candidates nominated by the Board or the president, and evaluating candidates for directors and presidents with the Board and putting forth opinions and suggestions.
- researching and discussing on issues relating to the Company’s stable reform and development, major business management and operation matters and matters relating to employees’ interest as a whole, advising on decision-making of major issues of the Company, and giving prime attention to unity in thinking, leading in trend, grasping the big picture and planning on development.
- leading the ideological and political education work, promoting cultural and ideological progress of the Company, enhancing corporate culture construction and talent cultivation, and guiding and supporting the work of labor union and the communist youth league of the Company, and leading the Company in building an honest and clean Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

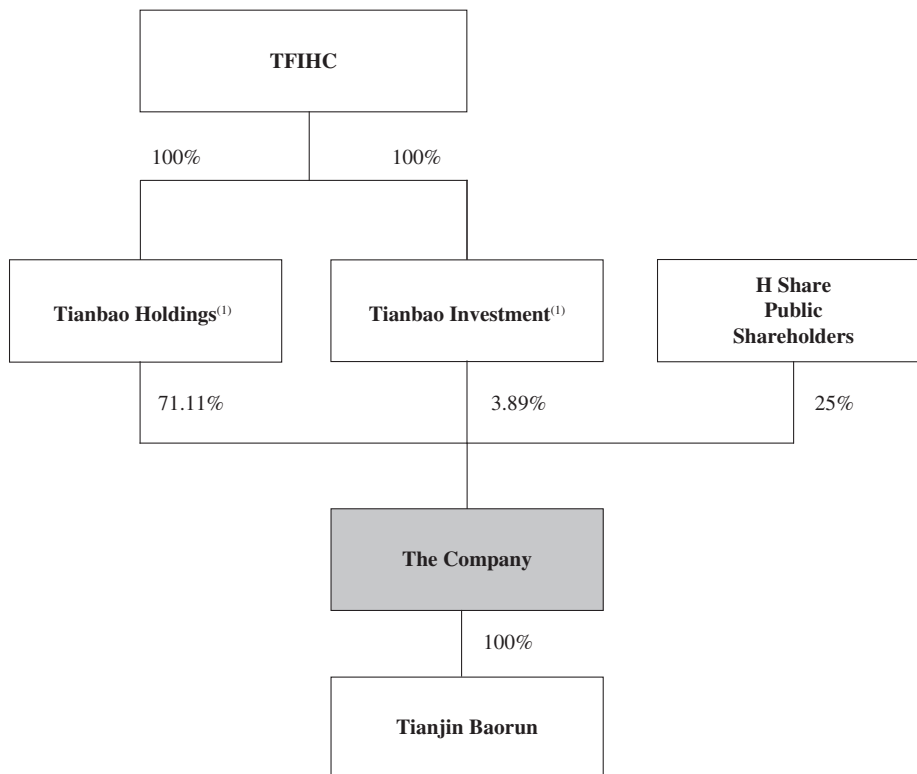
The following chart sets out our corporate structure immediately after the completion of Reorganization and as of the Latest Practicable Date:



* Tianbao Holdings and Tianbao Investment are both wholly-owned subsidiaries of TFIHC, which is 100% owned and supervised by the State Assets Supervision and Administration Bureau of Tianjin Port Free Trade Zone* (天津港保稅區國有資產監督管理局).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out our corporate structure immediately following the completion of the Share Offer, assuming the Offer Size Adjustment Option is not exercised:



Note:

- (1) Tianbao Holdings and Tianbao Investment are both wholly-owned subsidiaries of TFIHC, which is 100% owned and supervised by the State Assets Supervision and Administration Bureau of Tianjin Port Free Trade Zone.

OVERVIEW

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale according to the Ipsos Report. Our power cogeneration technology has enabled us to enhance our thermal efficiency and reduce our fuel cost, which is more environmentally friendly compared with conventional power generation plants.

In our power generation and supply business, we use cogeneration technology to generate steam together with electricity, heating and cooling to serve our customers. Our coal-fired cogeneration power plant consists of two backpressure cogeneration units with a total installed capacity of 30 MW. We sell the electricity generated to Tianjin Electric Power Company, which is a local branch of State Grid, while we also provide steam, heating and cooling to our industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).

Unlike conventional power generation plants, we have adopted coal-fired cogeneration technology utilizing backpressure turbines in our power generation and supply business, which allows us to generate electricity when we generate steam, heating and cooling. Such technology provides us with the synergies of generating steam, electricity, heating and cooling simultaneously, which has enabled us to achieve a thermal efficiency rate that is much higher than the PRC industry average and, conversely, a coal consumption rate that is much lower than the PRC industry average. In our cogeneration process, we focus on green production and ultra-low emissions, which is aligned with the power generation and environmental protection guidelines under relevant PRC regulations and policies in the power generation industry. By controlling the quality of coal we use, utilizing automated coal crushing technology and strict desulphurization, denitration and de-dusting procedures, our coal-fired cogeneration units have achieved an average level of emission of SO₂, NO_x and smoke which is much lower than the standards of ultra-low emission of SO₂, NO_x and smoke required under PRC laws and regulations. During the years ended December 31, 2015, 2016 and 2017, we generated revenue from our power generation and supply business in the amount of RMB203.5 million, RMB183.5 million and RMB185.4 million, representing 42.5%, 42.4% and 41.0% of our total revenue, respectively.

In our electricity dispatch and sale business, we purchase electricity from Tianjin Electric Power Company Binhai Branch, which is also a local branch of State Grid, transform electricity from 35 kV to 10 kV, and then dispatch and sell it via our power facilities and grid to our end-user customers in various industries located in Tianjin Port Free Trade Zone (Seaport), including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering. During the years ended December 31, 2015, 2016 and 2017, we generated revenue from our electricity dispatch and sale business of RMB222.7 million, RMB204.7 million and RMB207.8 million, representing 46.5%, 47.3% and 45.9% of our total revenue, respectively.

BUSINESS

In addition, we provide other value-added services, including power facility construction services and industrial facility operation and maintenance services, to our customers in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin, and sell electrical components, mainly low voltage switches, to our customers in Tianjin. During the years ended December 31, 2015, 2016 and 2017, we generated revenue from our other businesses in the amount of RMB52.5 million, RMB44.7 million and RMB59.2 million, representing 11.0%, 10.3% and 13.1% of our total revenue, respectively.

Given our power generation and electricity dispatch capabilities, we are able to serve our customers in Tianjin Port Free Trade Zone (Seaport) by meeting their diverse energy demands, including electricity, steam, heating and cooling, as well as other value-added services. Such synergistic effects and our adoption of our advanced technologies have enabled us to improve operating efficiency, reduce maintenance costs, achieve coordinated customer relationships, and capture growth opportunities available from our customers.

For the years ended December 31, 2015, 2016 and 2017, our revenue was RMB478.6 million, RMB432.9 million and RMB452.5 million, respectively. For the same periods, our profit for the year was RMB55.0 million, RMB54.3 million and RMB30.3 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed and will continue to contribute to our success in the power generation and supply industry:

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport)

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). Our operations comprise (i) power generation and supply, (ii) electricity dispatch and sale and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components. Our power operations enable us to provide one-stop and comprehensive power services to our customers in Tianjin Port Free Trade Zone (Seaport) and neighboring areas.

Our coal-fired cogeneration power plant is located in Tianjin Port Free Trade Zone (Seaport) and consists of two backpressure cogeneration units with an installed capacity of 15 MW each, which only generates electricity when steam, heating or cooling is generated. According to the Electric Power Law of the PRC, a local power plant is required to sell the electricity it generated to State Grid or its local branch. Therefore, we cannot dispatch and sell the electricity generated by us to our customers directly in our electricity dispatch and sale business; instead we first have to sell all the electricity we generate to State Grid and then purchase the electricity from State Grid for our electricity dispatch and sale business. In our power generation and supply business, we directly sell the steam, heating and cooling generated to our customers for industrial and commercial use. In our electricity dispatch and sale business, we purchase electricity from State Grid which we transform at our facilities and

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dispatch and sell to our customers. According to the Ipsos Report, we are the only company in Tianjin Port Free Trade Zone (Seaport) that owns upstream power transformation facilities, dispatch grids and cables and ancillary facilities for supplying electricity, steam, heating and cooling. We are able to set up new facilities and cables in accordance with our customers' demand of electricity, steam, heating and cooling. In addition, we can provide power facility construction and industrial facility operation and maintenance services to our customers on a 24-hour-7-day basis, including operation and maintenance of power facilities, fire control equipment, air-conditioners, elevators, telecommunication equipment and other facilities and regular check-up and evaluation of these facilities for our customers.

We believe that leveraging our unique geographic location in Tianjin Port Free Trade Zone (Seaport), track record of power generation and supplying electricity, steam, heating and cooling and capability of providing one-stop power services to our customers, we are well positioned to benefit from the relatively stable demand for electricity, steam, heating and cooling from industrial customers in Tianjin Port Free Trade Zone (Seaport) and its neighboring areas and realize the constant growth of our business.

We utilize coal-fired cogeneration and electricity transformation technologies to provide cost-efficient and high-quality power operations and services to our customers in Tianjin Port Free Trade Zone (Seaport)

We believe our power generation and supply business is more cost-efficient than conventional power plant, as demonstrated by our relatively high thermal efficiency and low coal consumption rate. During the years ended December 31, 2015, 2016 and 2017, revenue generated from our power generation and supply business accounted for 42.5%, 42.4% and 41.0% of our total revenue, respectively. In our power generation and supply business, we have adopted coal-fired cogeneration technology utilizing backpressure turbines, which allows us to generate electricity when we generate steam, heating and cooling. Such technology has increased our thermal efficiency and minimized our fuel cost compared with conventional electricity generation technologies. By utilizing cogeneration technology with backpressure turbines, we have achieved a thermal efficiency of approximately 84.0% in 2017, which is higher than the PRC industry average of 45.1% and an average coal consumption rate of approximately 203.6 g/kWh in 2017, which is much lower than the PRC industry average of 309.0 g/kWh and the 2017 - 2020 coal consumption target set by the PRC government, according to the Ipsos Report.

We believe our superior operation stability and reliability not only improve the safety of our operations, but also help reduce our cost of sales and enhance our profitability. During the three years ended December 31, 2015, 2016 and 2017, revenue generated from our electricity dispatch and sale business accounted for 46.5%, 47.3% and 45.9% of our total revenue, respectively. According to the Ipsos Report, during the period of 2011 to 2016, the prices of electricity used by industrial customers are higher than the prices of electricity used by resident customers, which gives us competitive advantage as we only provide electricity to our customers for industrial or commercial use. We have adopted advanced electricity dispatch technologies and highly efficient operations in the industry. According to the Ipsos Report, in

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2016, the average line loss rate, an important indicator of electricity dispatch efficiency of an electricity dispatch company, in Tianjin and the PRC were 6.7% and 6.5%, respectively, while our line loss rate in the same year was 1.65%, benefiting from our refined operation management and maintenance. Our operation stability and reliability were also much better than industry average. In 2015, 2016 and 2017, our electricity supply availability percentage was 99.99036%, 99.99027% and 99.990125%, respectively, compared with the PRC industry average of 99.81% and Tianjin industry average of 99.950%, respectively, in 2016. Our average annual customer interruption duration for 2015, 2016 and 2017 was 0.8442 hours per customer, 0.8735 hours per customer and 0.8649 hours per customer, respectively, compared with the PRC average of 17.1 hours per customer and Tianjin industry average of 4.4 hours per customer, respectively, in 2016. In 2017, our voltage eligibility percentage of electricity supply was 100%, compared with an urban target set by the National Development and Reform Commission of 99.97% by 2020.

Our focus on coal-fired cogeneration technology, green production and ultra-low emission aligns with the power generation and environmental protection guidelines under relevant PRC regulations and policies

The PRC government issued the Administrative Measures for Cogeneration (《熱電聯產管理辦法》) on March 22, 2016, which included a series of policies to, among others, encourage the installation of backpressure cogeneration units with respect to electricity prices, government subsidies, power generation and supply to the grid, electricity industry acquisition, approval of installation capacity of backpressure cogeneration units, capital investment in the installation of backpressure units and the formation of dispatch companies by companies with backpressure cogeneration units. According to the Administrative Measures for Cogeneration, the PRC government will not approve any new cogeneration unit within an area where steam and heating demand can be satisfied by an existing cogeneration plant in that particular area, namely an area within a 10 km radius of the cogeneration plant. Therefore, we believe we have the advantage of selling steam and heating within Tianjin Port Free Trade Zone (Seaport). According to the Administrative Measures for Orderly Lifting the Control of Dispatch Grids (《有序放開配電網業務管理辦法》) and the Notice by the NDRC and NEA of Regulating the Pilot Reformation of the New Electricity Dispatch Business (《國家發展改革委國家能源局關於規範開展增量配電業務改革試點的通知》), Tianjin Port Free Trade Zone (Seaport) was named as one of the 105 pilot reformation districts for the new electricity dispatch business in China. We expect that the new policies would allow us to establish Tianbao Electricity Sales Company as an Electricity Sales Company under the New Policy, and sell electricity to customers outside of Tianjin Port Free Trade Zone (Seaport) in the future. For details, please see “Regulatory Overview – Laws and Regulations on PRC Power Industry”.

Our coal-fired cogeneration units have achieved ultra-low emissions. By controlling the quality of coal we use, utilizing automated coal crushing technology and strict desulphurization, denitration and de-dusting procedures, our average level of emission of SO₂, NO_x and smoke in 2015, 2016 and 2017 was 11.49/39.14/8.42 mg/m³, 12.83/35.67/6.07 mg/m³ and 8.91/31.69/3.93 mg/m³, respectively, which was much lower than the standards of ultra-low emission of SO₂, NO_x and smoke of 35/50/10 mg/m³ to be achieved by 2020 set by

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the Implementation Plan of the Standards of Ultra-Low Emissions and Energy-saving Equipment Upgrade for Coal-Fired Power Plants (《全面實施燃煤電廠超低排放和節能改造工作方案》) jointly issued by the MEP, the NDRC and the NEA in December 2015. As we have reached the 2020 emission target, we are eligible for an additional grant of RMB0.01 for each kWh of electricity we sell to State Grid, thereby enhancing our competitiveness. For the years ended December 31, 2015, 2016 and 2017, the total amount of such grant awarded to us amounted to RMB674.7 thousand, RMB665.0 thousand and RMB677.1 thousand, respectively. In addition, our coal-fired cogeneration plant is in full operation on a 24-hour-7-day basis.

We believe the emissions and environmental protection standards we have adopted are higher than those required by the Tianjin and PRC government, which gives us competitive advantages in further complying with relevant environmental protection regulations and achieve economic benefits from our low emission standards.

We maintain a strong relationship with State Grid

According to the Electric Power Law of the PRC, a local power plant is required to sell the electricity it generates to State Grid or its local branch. Therefore, we are required to sell all the electricity generated by us to State Grid, which then dispatches to its customers. We also purchase electricity from State Grid which we transform at our facilities and dispatch and sell to our industrial and commercial customers. As such, State Grid is the sole customer of our electricity generation and supply business and the sole supplier of our electricity dispatch and sale business. For our power generation and supply business and electricity dispatch and sale business, we have entered into PSAs and PPAs with State Grid, respectively. For details, please see “– Agreements for the Purchase and Sale of Electricity”. We have maintained a strong relationship for over 20 years since 1992. Our strong and long-standing relationship with State Grid has provided a solid foundation for us to continue to develop both our power generation and supply business and our electricity dispatch and sale businesses.

We are well positioned to capture growth opportunities in the PRC with our experienced and visionary management team

Our management team has extensive experience in the PRC power industry, including extensive experience in the areas of power supply, coal-fired cogeneration, industrial facility management, investment and finance and human resources management. Most of our senior management members have work experience of an average of more than 20 years. Our Chairman of the Board of Directors, Mr. Gao Hongxin (高洪新) has more than 25 years of experience in the power industry. Our General Manager, Mr. Xing Cheng (邢城) has over 30 years of experience in thermodynamics. We believe that our senior management members are able to foresee market trends, seize market opportunities, formulate and execute business strategies, and control operation risks in the power generation and industrial facility management industries. We believe that our management team will enhance our profitability and maximize the value of our Company and Shareholders.

OUR STRATEGIES

We aim to strengthen our leading position in the power generation and supply industry in Tianjin through the following strategies:

Continue to enhance our capabilities in environmental protection and research and development, and further enhance our operation efficiency, reduce costs and improve our profitability

We will continue to optimize our operations, management and technology capabilities and further enhance our operation efficiency, reduce costs and improve our profitability. Leveraging our effective operation of cogeneration units and low emissions, we will continue to enhance our capability in environmental protection to reduce the emissions through controlling coal quality, optimizing and upgrading the coal treatment process and desulphurization and denitration, and maintain our high standards of environmental protection, which we believe are above those required by the Tianjin and the PRC government. We will also adopt measures such as updating our desulphurization and de-dusting systems to reach super-clean standard which will further enhance our thermal efficiency, reduce coal consumption and costs.

We believe our service reliability, equipment availability and line loss rate of our electricity dispatch and sale business are higher than the PRC industry average standards. We will continue to improve our technologies and upgrade our facilities, including upgrading our power transformation stations. We will endeavor to further enhance our service reliability, equipment reliability and reduce line loss rate to improve our electricity dispatch efficiency and enhance profitability.

We will continue to increase our investment in research and development and actively pursue cooperation opportunities with universities, research institutions and other companies in the power industry to develop new technologies to optimize our business. We believe that our continuous efforts in research and development and our innovative capability will keep us ahead of our peers and continue to reduce our costs and enhance our profitability.

Proactively adapt to the reformation of the PRC power industry and seize potential business opportunities

Leveraging our efficient operations and use of advanced technologies, we believe we are in a strong position to capitalize on the new business opportunities in the reformation of the PRC power industry and actively expand new business lines within the new policy framework. We expect the “Opinions on the Further Reform of the Electric Power System issued by the CPC Central Committee and the State Council” (《中共中央、國務院關於進一步深化電力體制改革的若干意見》) and other relevant policies will be implemented in Tianjin. We expect that these new policies would allow us to establish Tianbao Electricity Sales Company as an Electricity Sales Company under the New Policy and sell electricity to customers outside of Tianjin Port Free Trade Zone (Seaport) in the future. In addition, according to the “Measures

for the Administration of Orderly Lifting the Control of Dispatch Grids” (《有序放開配電網業務管理辦法》) and the “Notice by the NDRC and NEA of Regulating the Pilot Reformation of the New Electricity Dispatch Business” (《國家發展改革委、國家能源局關於規範開展增量配電業務改革試點的通知》), Tianjin Port Free Trade Zone (Seaport) was named as one of the 105 pilot reformation districts for the new electricity dispatch business in China. As we are the only company in Tianjin Port Free Trade Zone (Seaport) that owns and operates an integrated network of power transformation facilities, dispatch grids and cables and ancillary facilities, we expect that these new policies would allow us to selectively purchase electricity directly from power plants at more competitive prices than the purchase prices at which we purchase electricity from Tianjin Electric Power Company, and dispatch and sell to end-user customers in Tianjin Port Free Trade Zone (Seaport), which may enhance our profits. With the establishment of Tianbao Electricity Sales Company, we may also be able to purchase electricity directly from power plants and sell to end-user customers outside of Tianjin Port Free Trade Zone (Seaport).

We believe that our advanced technologies in the generation and supply of electricity, steam, heating and cooling, excellent track record and the ability to adapt to the new policies have furnished us with competitive advantages to seize the new business opportunities in the power industry in China. For details, please see “Future Plans and Use of Proceeds – Electricity Reform Under the New Policy”.

Penetrate new geographic areas by leveraging our one-stop and comprehensive power services and replicable business model

We will also seek to expand our market share and explore new market opportunities outside of Tianjin Port Free Trade Zone (Seaport). We intend to leverage our ability to provide one-stop and comprehensive power services and identify potential opportunities to replicate our current business and operation model to broader geographic areas, which may include other new business areas in China (Tianjin) Pilot Free Trade Zone, Tianjin Municipality and North China.

Participation in PPP Projects

By pursuing opportunities to expand our business, we are able to identify new sources of revenue that can strengthen the sustainability of our business and increase the value of our shareholders’ investment after completion of the Share Offer, especially through participating in PPP Projects outside of Tianjin Port Free Trade Zone (Seaport) by leveraging our existing resources and technology. We may be engaged to provide any of our existing services to these PPP Projects, including electricity dispatch and sale, power generation and supply and other services. Our involvement in these PPP Projects will not result in any substantive change to our existing business model. Local governments’ and public infrastructure projects that have adopted a public-private-partnership model (“**PPP model**”) generally forbid tendering from government financing platform companies of the same hierarchy or their controlled SOEs such as the Controlling Shareholders. According to the “Notice on the Administration of Contracts and Co-operations between the PRC Government and Social Capital Enterprises (Cai Jin [2014] No. 156)” (《關於規範政府和社會資本合作合同管理工作的通知》(財金[2014] 156號)), listed companies are however allowed to participate in such tendering process.

PPP Projects involve a long-term partnership between government and private entities in infrastructure and public services, including utility services business similar to our existing business. The PPP model is a major task set by the PRC government for economic reform, which is significant to hasten the construction of new urbanization. We believe there is no substantial difference between the funding requirements in raising capital required for PPP Projects and that of other projects models. According to “Government and Social Capital Cooperation (PPP Projects) Special Bond Issuance Guidelines” (《政府和社會資本合作(PPP)項目專項債券發行指引》(發改辦財金[2017]730號) and “Guideline on encouragement from NDRC regarding participation of social capital in cooperation with the Government on PPP Projects” (《國家發展改革委關於鼓勵民間資本參與政府和社會資本合作(PPP)項目的指導意見》(發改投資[2017]2059號), financial institutions are encouraged to support PPP Projects (including PPP Projects for energy sector) by offering high-quality and innovative financing services to social capital stakeholders or investors of PPP Projects, such as PPP Projects bonds, asset securitization and other feasible project financing channels. To the best of the Company’s knowledge, financial institutions tend to be supportive in providing financing for PPP Projects by offering more favourable terms of financing, such as lower financing costs and longer repayment terms, having considered in particular the relatively low credit risk for projects in which the government participates. Depending on the liquidity position of the Group and the size of these projects, we may fund these PPP Projects (in case we successfully win the bids) through our internal sources of fund or external funding raised through other financing channels. Potential external financing sources include bank financing and, after our Listing, we may also consider raising funds through other alternative financing options, including bond offerings.

Becoming a listed company enables us to take part in PPP Projects while at the same time benefits arising from the Listing enhance our competitiveness in our ability to tender for projects adopting other models. For details, please see “Future Plans and Use of Proceeds – Reasons for Listing”.

Seek strategic acquisition and investment opportunities in other electricity dispatch companies and coal-fired cogeneration power plants

Mergers and acquisitions have become an important strategy for power companies in China to expand their businesses. Large-and medium-sized power companies with sufficient capital and advanced technology tend to acquire other smaller power companies to enter into new markets and increase their market shares. As part of our expansion plan, we will actively seek to acquire or invest in electricity dispatch and sale companies and coal-fired cogeneration power plants outside of Tianjin Port Free Trade Zone (Seaport) to expand into new markets. As of the Latest Practicable Date, we have not executed any letter of intent or agreement, nor have we identified any suitable target for acquisition or investment. In addition, we have been granted a right by our Controlling Shareholders to acquire at any time during the term of the Non-competition deed, whether or not our Controlling Shareholders intends to dispose of, their interest in the Konggang Thermal Plant Business. Please see “Relationships with Controlling Shareholders – Non-competition Deed and Undertakings”.

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OUR BUSINESS

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale according to Ipsos Report. We sell the electricity generated to a local branch of State Grid in Tianjin and supply steam, heating and cooling to local industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport). We also dispatch and sell electricity purchased from another local branch of State Grid in Tianjin to local industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).

Our business operation is principally located in Tianjin Port Free Trade Zone (Seaport) with an area of approximately 7.0 km² established by the State Council in 1991, which is within Tianjin Binhai New District. Tianjin Binhai New District is located in the center of Bohai Economic Rim, with an area of approximately 2,270 km² and a population of approximately 2.98 million, and is an industrial manufacturing center, an international shipping center and a logistics center, as well as the gateway to Northern China.

The following table sets forth the revenue breakdown for each of our business segments during the Track Record Period:

	Year ended December 31,					
	2015		2016		2017	
	Revenue <i>(RMB in thousands)</i>	<i>% of Total Revenue</i>	Revenue <i>(RMB in thousands)</i>	<i>% of Total Revenue</i>	Revenue <i>(RMB in thousands)</i>	<i>% of Total Revenue</i>
Electricity dispatch and sale business	222,652	46.5%	204,691	47.3%	207,812	45.9%
Power generation and supply business	203,494	42.5%	183,522	42.4%	185,461	41.0%
Other businesses	52,458	11.0%	44,673	10.3%	59,194	13.1%
Total	478,604	100.0%	432,886	100.0%	452,467	100.0%

In our power generation and supply business, our coal-fired cogeneration power plant uses cogeneration technology to generate steam together with electricity, heating and cooling to serve our customers. The electricity generated is sold to Tianjin Electric Power Company, which is a local branch of State Grid. The steam, heating and cooling generated by us are sold directly to our industrial and commercial end-users in Tianjin Port Free Trade Zone (Seaport). Our coal-fired cogeneration power plant is located in Tianjin Port Free Trade Zone (Seaport) and in close proximity to our customers.

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In our electricity dispatch and sale business, we purchase electricity from Tianjin Electric Power Company Binhai Branch, which is also a local branch of State Grid, transform it from 35 kV to 10 kV, and then dispatch and sell to end-users for industrial and commercial use via our own facilities and grid. We are the only company in Tianjin Port Free Trade Zone (Seaport) that owns and operates an integrated network of power transformation facilities, dispatch grids and cables and ancillary facilities. Customers include industrial and commercial end-users in various industries located in Tianjin Port Free Trade Zone (Seaport), including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering.

We also provide other value-added services, including power facility construction services and industrial facility operation and maintenance services, to our customers in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin, and sell electrical components, mainly low voltage switches, to our customers in Tianjin. Our power facility construction services include construction of power transmission facilities, installation of power transformer facilities and cables and ancillary facilities. Our industrial facility operation and maintenance services include operation and maintenance services for electric power facilities, power transformer facilities, municipal lighting, firefighting apparatus, air-conditioning and heating equipment, and communication lines.

Our Power Plant and Power Transformer Stations

The table below illustrates information about our power plant and power transformer stations in operation as of December 31, 2017:

	<u>Location</u>	<u>Installed Capacity</u>	<u>Ownership</u>	<u>Commencement of Operation</u>
35 kV Power Transformer Station No. 1	Tianjin Port Free Trade Zone (Seaport)	60,000 kVA	100%	January 1994
35 kV Power Transformer Station No. 2	Tianjin Port Free Trade Zone (Seaport)	60,000 kVA	100%	May 2004
Coal-fired Cogeneration Power Plant	Tianjin Port Free Trade Zone (Seaport)	2 × 15 MW ¹	100%	March 2014

Note:

1. The total installed capacity equals the number of generation units in use multiplied by the power generation capacity of each generation unit.

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Installed Capacity and Utilization Rate

Utilization rate, thermal efficiency and coal consumption rate indicate how efficiently our coal-fired cogeneration power plant has been generating steam, heating, cooling and electricity, which are the principal sources of our revenue and cash flow. The utilization rate of our coal-fired cogeneration power plant is an important factor that affects our overall results of operations and profitability.

The following table sets forth certain production operating metrics for our power generating units for the years indicated:

	Year ended December 31,		
	2015	2016	2017
Installed capacity (MW)	2 × 15 MW	2 × 15 MW	2 × 15 MW
Utilization rate (%) ⁽¹⁾	30.7%	30.6%	30.7%
Gross electricity generated (MWh)	80,638	78,137	80,551
Net steam generated (tons)	958,184	909,895	888,871

Note:

- (1) The utilization rate equals gross electricity generated in a specified period divided by the product of total installed capacity and the average designed maximum annual utilization hours of our two cogeneration units.

The utilization rate of our coal-fired cogeneration power plant in a certain period is primarily affected by the demand of the end-users of steam, which determines the output of our coal-fired cogeneration power plant. The low utilization rate of our coal-fired cogeneration power plant during the Track Record Period was primarily due to the decrease in demand for steam by certain of our customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment. For example, to the best knowledge of our Directors, certain of our customers decreased production during the Track Record Period due to the overall PRC economic slowdown, which contributed to the decrease in demand for steam. Despite of the low utilization of our power generation units, we have maintained two power generating units in order to ensure constant power supply on a 24-hour-7-day basis (an operational and safety efficiency which we strive to meet for our customer to ensure reliable supply), which further decreased the utilization rate of our coal-fired cogeneration power plant. We expect that customer demand for steam will continue to be the main factor that will affect the utilization of our power generation units, which in turn will affect our future results of operations.

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The following table sets forth certain competitive metrics for our power generating units for the years indicated:

	Year ended December 31,					
	2015		2016		2017	
	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾
Thermal efficiency ⁽¹⁾	84.0%	45.1%	82.8%	N/A	84.0%	N/A
Coal consumption rate (g/kWh) ⁽²⁾	198.6	315.0	198.7	312.0	203.6	309.0

Notes:

- (1) Thermal efficiency refers to efficiency with which a power source transforms the potential heat of its fuel into work or output; namely, the ratio of the heat and power generated by the plant to the overall heat value from the fuel consumed. According to the Ipsos Report, higher thermal efficiency indicates higher cost efficiency of a power generation plant.
- (2) Coal consumption rate equals the amount of standard coal consumed per 1.0 kWh of electricity generated or supplied. According to the Ipsos Report, lower coal consumption rate indicates higher cost efficiency of a power generation plant.
- (3) From the Ipsos Report. The China Electricity Council stopped publishing national statistics for thermal efficiency after 2016.

The following table sets forth certain operating metrics for our main power transformer stations for the years indicated:

	Year ended December 31,		
	2015	2016	2017
Main power transformer stations			
Installed capacity	2 x 60,000 kVA	2 x 60,000 kVA	2 x 60,000 kVA
Utilization rate (%)			
Calculated as average load ⁽¹⁾			
divided by installed capacity	26.2%	24.1%	26.0%
Calculated as peak load ⁽²⁾			
divided by installed capacity	46.1%	44.8%	47.7%

Notes:

- (1) Average load represents the average KW output during a given period.
- (2) Peak load represents the maximum KW output during a given period.

We have maintained two main power transformer stations in order to ensure constant electricity supply on a 24-hour-7-day basis (an operational and safety efficiency which we strive to meet for our customers to ensure reliable supply).

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Power Generation and Supply Business

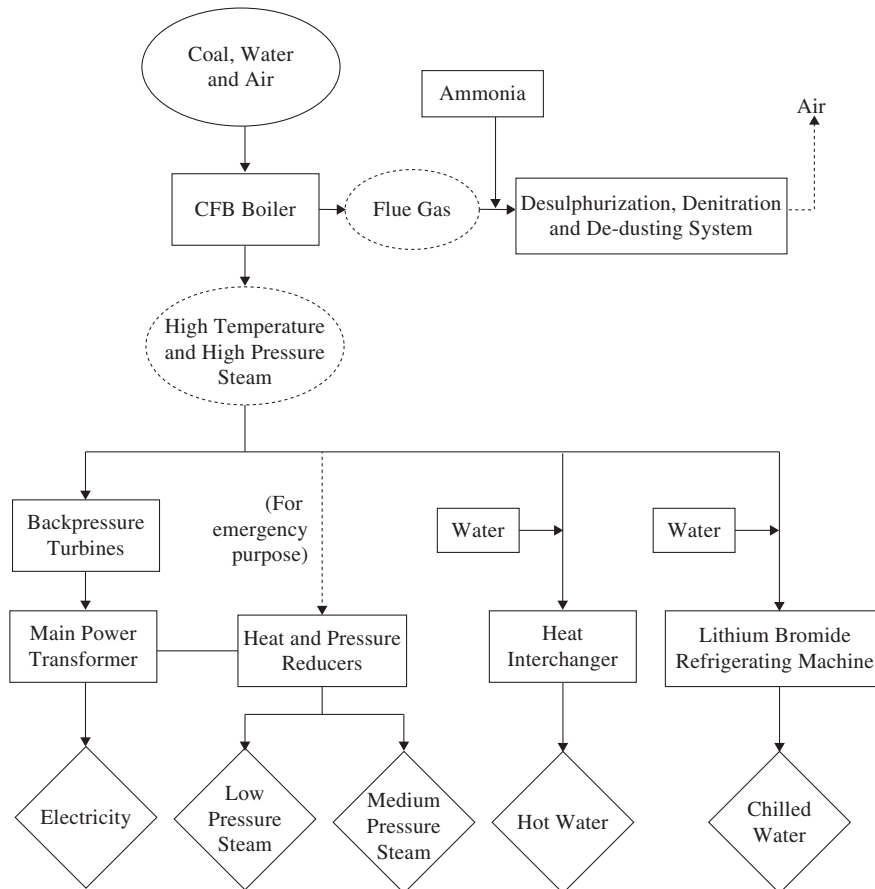
Our coal-fired cogeneration power plant commenced operation in Tianjin Port Free Trade Zone (Seaport) in March 2014. Our power generation and supply business was consolidated into our Company as of December 31, 2015. Our coal-fired cogeneration power plant only generates electricity when steam, heating or cooling is generated. Therefore, the volume of electricity we can generate is primarily determined by the volume of steam generated by us. We then sell electricity to Tianjin Electric Power Company, which is a local branch of State Grid, and provide steam, heating and cooling to our customers in Tianjin Port Free Trade Zone (Seaport). As of December 31, 2017, our coal-fired cogeneration power plant consisted of two cogeneration units with an installed capacity of 15 MW each. According to the Electric Power Law of the PRC, a local power plant is required to sell the electricity it generates to State Grid or its local branch. We sell electricity to Tianjin Electric Power Company. We provide steam, heating and cooling directly to our customers for industrial and commercial use. Our industrial and commercial customers are highly dependent on the steam supplied by us, as they generally do not have the capability to operate their own boilers in an efficient manner to satisfy their operational needs. In addition, according to the Administrative Measures for Cogeneration (《熱電聯產管理辦法》) jointly issued by the NDRC, the NEA, the MOF, the MOHURD and the MEP on March 22, 2016, the PRC government will not approve any new cogeneration plant in an area where steam, heating and cooling demands can be satisfied by an existing cogeneration plant located in that particular area. Therefore, we believe we enjoy a competitive advantage to sell steam, heating and cooling within the reach of the power supply by our cogeneration plant, namely the area within approximately 10 km radius of our cogeneration plant. During the years ended December 31, 2015, 2016 and 2017, we generated revenue from our power generation and supply business in the amount of RMB203.5 million, RMB183.5 million and RMB185.5 million, representing 42.5%, 42.4% and 41.0% of our total revenue, respectively.

The following table sets forth the revenue breakdown for our power generation and supply business during the Track Record Period:

	Year ended December 31,					
	2015		2016		2017	
	Revenue (RMB in thousands)	% of Total	Revenue (RMB in thousands)	% of Total	Revenue (RMB in thousands)	% of Total
Steam	155,341	76.3%	144,821	78.9%	145,043	78.2%
Electricity	22,570	11.1%	19,974	10.9%	20,741	11.2%
Heating and Cooling	25,583	12.6%	18,727	10.2%	19,677	10.6%
Total Revenue of Power Generation and Supply Business	203,494	100.0%	183,522	100.0%	185,461	100.0%

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The following chart illustrates our combined electricity, steam, heating and cooling generation process:



Our coal-fired cogeneration power plant consists of circulating-fluidized-bed (“CFB”) boilers, backpressure turbines, power transformer stations, heat and pressure reducers, heating and cooling generation systems and desulphurization, denitration and de-dusting systems, which allow us to generate electricity, steam, and hot water for heating or chilled water for cooling simultaneously. We have adopted highly advanced cogeneration technology with backpressure turbines, which has increased our thermal efficiency, minimized our fuel consumption rate and reduced our air-pollutant emission. Our average coal consumption rate in 2017 is 203.6 g/kWh, which is much lower than the PRC industry average of 309.0 g/kWh and the 2017 – 2020 coal consumption target set by the PRC government, according to the Ipsos Report. We have achieved a thermal efficiency rate of approximately 84.0% in 2015, which is higher than the PRC industry average of 45.1%, according to the Ipsos Report.

Our coal-fired cogeneration power plant is equipped with two backpressure turbines between the CFB boilers and the steam distribution network. The backpressure turbine, also known as “non-condensing turbine”, is typically used in the cogeneration process where electricity and steam are generated simultaneously. The backpressure turbine can improve the efficiency of our coal-fired cogeneration power plant by adjusting the electricity generation based on the steam demand. In addition to the backpressure turbines, our coal-fired cogeneration power plant is equipped with heat interchanger and lithium bromide refrigerating

machines, which allow us to use the excess steam to generate hot water and chilled water to supply heating and cooling to our customers.

With our focus on environmental protection, our coal-fired cogeneration power plant is also equipped with desulphurization, denitration and de-dusting systems, which allow us to reduce hazardous pollutant emissions, such as SO₂ and NO_x. By applying the desulphurization, denitration and de-dusting technologies, our pollution emission is lower than the average industry emission in the PRC and our coal-fired cogeneration power plant has satisfied the ultra-low emission requirements set forth by the relevant national and local authorities. For details, please refer to the section headed “– Environmental Compliance”.

Sale of Steam

We provide steam to our customers located in and outside Tianjin Port Free Trade Zone (Seaport) for industrial and commercial use, including customers in the grain and oil, steel processing, textile manufacturing and pharmaceutical manufacturing industries. For the years ended December 31, 2016 and 2017, we provided steam to 43 and 44 customers, respectively, in and outside Tianjin Port Free Trade Zone (Seaport). During the three years ended December 31, 2015, 2016 and 2017, we supplied 860,625 tons, 802,949 tons and 798,755 tons of steam to our customers, respectively.

We have entered into steam supply agreements with our customers for a term of three years. The competent local pricing bureau sets the prices for the sale of steam. There is no price adjustment clause in our steam supply agreements, other than in compliance with policy changes adopted by the competent local pricing bureaus. For details, please see “– Pricing – Prices of Steam, Heating and Cooling”. Pursuant to the steam supply agreements, our customers normally make payments to us for the steam consumed on a monthly basis. The customers estimate their monthly steam consumption for the next month and report to us no later than the 25th of each month. We then schedule our steam supply plan for the next month based on such estimation. If the customer’s actual consumption volume is lower than 40% of its monthly estimation, the customer shall pay for at least 40% of its monthly estimated volume. For the years ended December 31, 2015, 2016 and 2017, the sum of monthly payments from customers who paid for 40% of their monthly estimated volume during that given month accounted for 3.0%, 2.3% and 4.3% of our total revenue generated from sales of steam, respectively. The quality of steam supplied shall comply with the national standards. We may supervise and inspect the use of steam and supply facilities to ensure the use of steam are in accordance with the agreement. We are entitled to cease the supply of steam to our customers for causes such as failure of payment or forging records. We shall inform the customers for temporary or scheduled repairs in advance. Pursuant to the agreement, we may perform inspection and repairs of boilers and pipelines in May and October for four to seven days with prior written notice to our customers. We and our customers shall indemnify each other for any losses arising from the breach of agreement in accordance with the relevant rules and regulations.

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Sale of Electricity to State Grid

According to the Electric Power Law of the PRC, a local power plant is required to sell the electricity it generated to State Grid or its local branch. Accordingly, we sell electricity generated by us to Tianjin Electric Power Company, which is a local branch of State Grid, in accordance with the PPAs that we have entered into with it. For more information about the PPAs, please see “– Agreements for the Purchase and Sale of Electricity – Agreements for the Purchase of Electricity”.

The table below sets forth information about our revenue from sales of electricity during the Track Record Period:

	Year ended December 31,		
	2015	2016	2017
Sales volume of electricity to State Grid (MW/h) ⁽¹⁾	67,467	66,504	67,713
Average on-grid tariff (RMB/kWh) ⁽²⁾	0.3345	0.3003	0.3063
Total revenue of sale of electricity to State Grid (RMB in thousands)	22,570	19,974	20,741

Notes:

- (1) Sales volume of electricity to State Grid equals gross electricity generated less roughly 15% to 20% of our own use in our power generation and supply business.
- (2) Average on-grid tariff equals total revenue generated from sales of electricity divided by total sales volume of electricity to State Grid.

Sale of Heating and Cooling

We provide heating to our customers in winter normally from November to March of the following year and cooling to our customers in summer normally from June to September of each year. Our supply of heating and cooling covers an area of approximately 7.0 square kilometers. For the year ended December 31, 2016, we provided heating to 61 customers and cooling to 13 customers. For the year ended December 31, 2017, we provided heating to 71 customers and cooling to 13 customers. During the three years ended December 31, 2015, 2016 and 2017, we supplied approximately 2.5 million square meters, 1.9 million square meters and 2.0 million square meters of heating and cooling to our customers, respectively.

We have entered into heating and cooling supply agreements with our customers which typically have terms of three years. The competent local pricing bureau sets the unit selling price for heating and cooling. For details, please see “– Pricing – Prices of Steam, Heating and Cooling”. Our customers make payment to us for the heating and cooling consumed by a fixed date of each month. The customers shall send us a written notice to terminate the supply of heating and cooling at least 30 days prior to the supply season. We are entitled to cease the supply of heating and cooling to our customers for causes such as failure of payment or forging

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records. We shall inform the customers in writing in advance for temporary or scheduled repairs or maintenance. We and our customers shall indemnify each other for any losses arising from the breach of agreement in accordance with the relevant rules and regulations.

Seasonality of the Sale of Electricity, Steam, Heating and Cooling

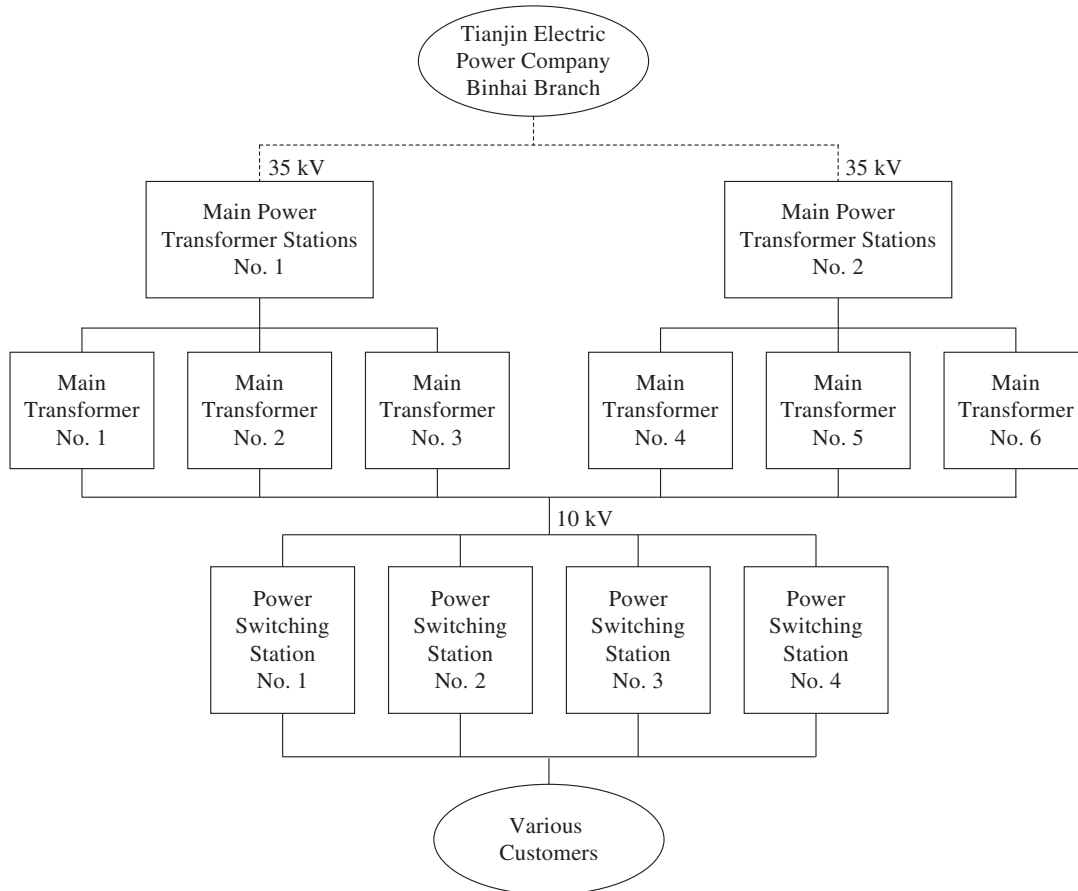
Our sales of steam and heating in our power generation and supply business are typically higher during the heating season from November of each year to March of the following year, during which period the government provides central heating to end-users and residents in North China, while our sales of cooling are generally higher during summer months. As we use cogeneration technology to generate steam together with electricity and heating, our sales of electricity and the utilization rate of our coal-fired cogeneration power plant are typically higher in the first and fourth quarters than in the second and third quarters each year. We generally experience an increase in our sales of electricity to State Grid and steam and heating to our industrial customers during the first and fourth quarters and a decrease in the sales during the second and third quarters of each year. For example, our sales volume of electricity to State Grid was 21,703 MWh, 12,530 MWh, 14,856 MWh and 18,624 MWh during the three months ended March 31, June 30, September 30 and December 31, 2017, respectively.

Electricity Dispatch and Sale Business

We have been operating our electricity dispatch and sale business since January 1994. We purchase electricity from Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, transform electricity from 35 kV to 10 kV, and then dispatch and sell it via our power facilities and grid to industrial and commercial end-users located in Tianjin Port Free Trade Zone (Seaport), which are enterprises in various industries, including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering. For the year ended December 31, 2016 and 2017, we dispatched and sold electricity to a total of 140 customers and 146 customers, respectively. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from our electricity dispatch and sale business of RMB222.7 million, RMB204.7 million and RMB207.8 million, representing 46.5%, 47.3% and 45.9% of our total revenue, respectively. During the same periods, we dispatched and sold 274,035 MWh, 253,624 MWh and 264,440 MWh of electricity to our customers, respectively.

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The following chart illustrates our electricity transformation and dispatch process:



The electricity transformation and dispatch process primarily includes two steps: (i) transforming electricity from 35 kV to 10 kV; and (ii) dispatching and selling electricity to end-users through our power switching stations and grid.

Transforming electricity from 35 kV to 10 kV

We currently operate two 35 kV power transformer stations, both of which are located in Tianjin Port Free Trade Zone (Seaport). Our No. 1 and No. 2 power transformer stations started operation in January 1994 and May 2004, respectively. As of December 31, 2017, the installed capacity for each of our power transformer stations was 60,000 KVA. Each of our power transformer stations is equipped with three main transformers. The installed capacity of each main transformer is 20,000 KVA. The transformers convert electricity from 35 kV medium voltages to 10 kV voltages, which is suitable for general industrial and commercial use.

Dispatching and selling electricity to end-users

We use four power switching stations to transmit 10 kV medium-voltage electricity to our end-user customers through our power grid. All of the four power switching stations are located in Tianjin Port Free Trade Zone (Seaport). Each power switching station controls eight ring

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circuits. Each ring circuit normally covers ten end-users. A power switching station can connect or disconnect transmission lines when a switching event happens. A switching event may be “planned” during power cable maintenance or “unplanned” when an unexpected electricity interruption happens. Typically, our customers only turn off part of their operation system for maintenance to ensure reliability of their services. Therefore, we use ring circuits to prevent any potential electricity interruption. If one circuit is interrupted for some reason, such as severe weather conditions like lightning and thunderstorms, we can switch the circuits at our power switching station and use alternative back-up circuits to supply electricity to our customers.

We have implemented strict internal procedures and standards on electricity interruption and recovery time. We require the recovery time of each power transformer station to be less than six seconds and the recovery time of each power switching station to be less than eight seconds. During the past 24 years during which we have been in operation, we had not encountered any material power shut-down incidents. During the years ended December 31, 2015, 2016 and 2017, our availability percentage of electricity supply in total was 99.99036%, 99.990027 and 99.990125%, respectively, as compared to the PRC industry average of 99.81% and Tianjin industry average of 99.950% in 2016, according to the Ipsos Report. Our customer average interruption duration was 0.8442 hours per customer, 0.8735 hours per customer and 0.8649 hours per customer in 2015, 2016 and 2017, respectively, as compared to the PRC industry average of 17.1 hours per customer and Tianjin industry average of 4.4 hours per customer, respectively, in 2016, according to the Ipsos Report. We have been named as a Work Safety Advanced Unit (安全生產先進單位) by Tianjin Port Free Trade Zone & Tianjin Airport Economic Zone Work Safety Commission (天津港保稅區、天津空港經濟區安全生產委員會) consecutively from 2014 to 2016. Our power transformer stations operate on a 24-hour-7-day basis and we maintained a safe operation record of 211,368 continuous hours as of December 31, 2017.

We have entered into High-voltage PSAs (the “PSAs”) with Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, to purchase electricity from it since we commenced operation in 1994. For more information about the PSAs, please see “– Agreements for the Purchase and Sale of Electricity – Agreements for the Purchase of Electricity”.

We have entered into electricity sale agreements with our customers for a term of three years since 1994. The electricity selling prices are approved and fixed by the NDRC and the competent local pricing bureaus. There is no price adjustment clause in our electricity sale agreements, other than in compliance with policy changes adopted by the competent local pricing bureaus. For more information about the pricing mechanism, please see “– Pricing – Electricity Selling Price”. Pursuant to the agreements, our customers shall make payment to us on a monthly basis for the electricity they consumed. If any customer fails to make payment on time, we have the right to terminate our electricity supply. Pursuant to the agreements, the quality of the electricity we sell to our customers shall comply with the standards stipulated in the Electric Power Supply Rules. We shall inform our customers of any planned power interruption in accordance with the relevant laws and regulations. Both parties shall maintain

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and manage their respective facilities in accordance with the agreement. We may perform regular or unscheduled inspections of power dispatch facilities. The customer shall perform regular safety inspection and report to us any emergencies as soon as practical. We shall compensate our customers for any loss suffered from any operation accident according to the Electric Power Supply Rules.

Other Businesses

As we aim to provide one-stop services to our customers, in addition to power generation and supply and electricity dispatch and sale businesses, we also provide power facility construction services and industrial facility operation and maintenance services to our customers in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin. As part of our downstream services, we are also engaged in trading of electrical components, mainly various types of low-voltage switches produced by a well-known global low-voltage switch producer, which we resell to our customers in Tianjin. Our power facility construction services include construction of power transmission facilities, installation of power transformer facilities and cables and ancillary facilities. Our industrial facility operation and maintenance services include operation and maintenance services for electric power facilities, power transformer facilities, municipal lighting, firefighting apparatus, air-conditioning and heating equipment, and communication lines. We provide industrial facility operation and maintenance services mainly by outsourcing to third-party professional service providers. Please see “– Our Business Operations – Maintenance and Repairs”. For the year ended December 31, 2016, we provided power facility construction services and industrial facility operation and maintenance services to 60 customers and sell electrical components to 65 customers. For the year ended December 31, 2017, we provided power facility construction services and industrial facility operation and maintenance services to 57 customers and sell electrical components to 37 customers. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from other businesses in the amount RMB52.5 million, RMB44.7 million and RMB59.2 million, representing 11.0%, 10.3% and 13.1% of our total revenue, respectively.

We have entered into service agreements with our power facility construction service and industrial facility operation and maintenance service customers since 1995. For construction services, we entered into framework engineering construction professional sub-contracting agreements with our customers. Under the agreements, we help our customers construct transformer facilities and auxiliary equipment. The terms of the agreements range from one month to ten months. The agreements may be terminated for causes including failure of payment of our customers or sub-contracting to a third party. For operation and maintenance services, we do not adopt a uniform service agreement. We negotiate the service agreements with our customers on a case-by-case basis. The service agreements vary for different services we provide and the terms of the agreements range from one year to three years. Typically, the service agreements provide the service scope, detailed operation and maintenance requirements, technical requirements and other general terms. We provide services to our customers on a 24-hour-7-day basis. We perform regular inspections of the facilities and equipment we operate and maintain. We are subject to our customers’ evaluation from time to

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time. The evaluation is primarily based on our performance and power interruption hours. If we fail to pass such evaluation, our service fees will be adjusted in accordance with the agreements. We normally renew our service agreements with our customers through negotiation about one month prior to their expiration dates. The payment terms vary for different types of agreements. The agreement may be terminated for causes such as failure of payment, breach of material terms and failure to perform the obligations set forth in the agreements.

We are also engaged in trading of electrical components, mainly low-voltage switches produced by a well-known global low-voltage switch producer. We are a regional distributor of the aforementioned well-known global low-voltage switch producer in Tianjin and we distribute its low-voltage switches to customers in Tianjin. We have been a distributor of such well-known global low-voltage switch producer since 1999 and the term of our distribution agreement with such well-known global low-voltage switch producer is one year, which is renewed annually. We generally do not allow our customers to return any products produced by such well-known global low-voltage switch producer. The distribution agreement may be terminated if we breach any representations or warranties made in the agreement or if unacceptable changes to our Controlling Shareholders, ownership or management have taken place. Either party may also terminate the distribution agreement without cause by giving a thirty-day notice in writing in advance.

OUR BUSINESS OPERATIONS

Procurement

We procure primarily electricity, coal and water for our power generation and electricity dispatch operations. In our power generation and supply business, our raw materials primarily include coal and water. In our electricity dispatch and sale business, we purchase electricity from Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, according to relevant PRC laws and regulations. For details, please see “– Suppliers”. For the electricity needed in our power generation business, we use our self-generated electricity. In addition, in our electrical components trading business, we purchase low-voltage switches and some other electrical components from our suppliers.

Coal Procurement

Our coal-fired cogeneration power plant is fuelled by coal. The coal market is a fully competitive market. Thus, we do not rely on any particular supplier. For coal suppliers, please see “– Suppliers – Coal and Water Suppliers”. We procure coal through a tendering and bidding process. As Tianjin Port is currently a logistics center of coal in North China, we believe there are sufficient coal suppliers for us to choose from. One of coal suppliers in 2015 and 2016 was our related party, however, the price of any coal supplied to us by that supplier is set at arm’s length. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”. In the event that our contractual arrangement with TFIHC is terminated, we foresee no impact on our ability to source for coal from other suppliers. We select our coal

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suppliers mainly based on coal quality and price. During the Track Record Period, we conducted nine to 11 biddings every year to ensure that the price and quality of the coal we procure are competitive. We sample each batch of coal delivered by our suppliers to ensure quality and will return any batch of coal with energy content below our specified standard or will adjust the purchase price based on the difference of energy content from our specified standard. We also require our coal suppliers to meet our requirements on sulphur and dust content to control air-pollutant emissions. During the three years ended December 31, 2015, 2016 and 2017, the average price of standard coal (5,000 kcal/kg) we purchased (excluding VAT) was RMB361.6 per ton, RMB398.2 per ton and RMB561.2 per ton, respectively. During the three years ended December 31, 2015, 2016 and 2017, the total cost of coal we purchased was RMB62.1 million, RMB57.7 million and RMB81.7 million, representing 16.1%, 16.6% and 20.7% of our cost of sales, respectively. The market price of coal has maintained at a relatively high level during the year ended December 31, 2017. Any increase in the price of coal will substantially affect our cost and profitability of our power generation and supply business as we have limited ability to pass on coal price increases to our customer through any potential on-grid tariff increases, which in turn, may have a material adverse effect on our financial condition and results of operations. Please see “Risks Factors – Increasing fuel costs may materially and adversely affect our operating results and we have limited ability to pass on coal price increases to our customer through any potential on-grid tariff increases”.

Although the market price of coal could affect our results of operations and profitability, we have implemented the following measures to mitigate the impact of any price increases:

- using a transparent price discovery of conducting multiple bidding processes to select coal suppliers, reviewing pricing terms of our approved coal suppliers from time to time, and selecting key coal suppliers from them to ensure sufficient and uninterrupted coal supply of the quality we require at reasonable prices; and
- enhancing coal consumption efficiency through technology improvement and equipment upgrade.

By applying our advanced technologies, including CFB boilers, backpressure turbines and desulphurization, denitration and de-dusting systems, we have significantly reduced our coal consumption rate. Our average coal consumption rate in 2017 is 203.6 g/kWh, which is much lower than the PRC industry average of 309.0 g/kWh and the 2017 – 2020 coal consumption target set by the PRC government.

Water Procurement

We procure fresh water from a related party to us, and make monthly payment to it based on the volume of water we consume. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”. The price of water is set and adjusted by competent local pricing bureau. During the Track Record Period, the average price of water we purchased from this supplier remained at RMB7.9 per ton.

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Since September 2016, we procured recycled water from an independent third party as recycled water is cheaper to use and have progressively reduced our purchases from our related party. We have entered into an agreement with such supplier for a term of five years, which specifies the estimated volume of water we consume every day and the maximum purchase volume each year. The price of recycled water set in the agreement is RMB6 per ton, subject to adjustment by competent local pricing bureau.

During the three years ended December 31, 2015, 2016 and 2017, the total cost of water was RMB10.5 million, RMB8.4 million and RMB6.2 million, representing 2.7%, 2.4% and 1.6% of our cost of sales, respectively.

Inventory Management

We generate electricity, steam, heating and cooling based on our customers' demands and sell electricity in accordance with the PPAs with State Grid and steam, heating and cooling in accordance with the agreements with our customers. Electricity, steam, heating and cooling are dispatched or consumed instantly, therefore, we do not maintain any inventory for electricity, steam, heating and cooling. We make appropriate plans for procurement in accordance with the customers' orders we receive and do not have a policy of accumulating inventory to meet anticipated demand. We maintain appropriate inventory for coal. Our coal inventories usually meet our production requirements for a period of 15 days. As Tianjin Port is a logistics center of coal in North China, we believe there are sufficient coal suppliers for us to choose from. For details, please see “– Procurement – Coal Procurement”.

Quality Control

Quality has always been our priority. We maintain a quality control system and monitor each stage of our operations, including reviewing sales agreement from time to time, setting product quality standards pursuant to relevant laws and regulations, and monitoring production safety, raw material supply and inventory management and service quality. We have obtained GB/T 19001-2008/ISO 9001:2008 and GB/T 50430-2007 Quality Management System Certificate since 2013 for our electricity transmission and transformer services.

Quality control during procurement

We have implemented quality control measures to ensure the quality of raw materials, equipment, and parts and components we procure. We typically hold tendering and bidding for any procurement worth over RMB500,000. We believe the bidding process would help us to procure products and services with competitive quality and price.

We also maintained a list of 135 approved suppliers, which is subject to our review from time to time, as the Latest Practicable Date. It is our policy to make procurement only from these approved suppliers. We generally require potential suppliers to submit their qualification credentials which will be assessed and evaluated by us with reference to their product and service quality, delivery schedule, pricing terms, and credit and financial status. Items

purchased from our suppliers, such as coal, are inspected and approved before being used in our production process, to make sure that the raw materials, parts and components we use for our products are of reliable and satisfactory quality.

Quality control during production process

We have implemented various internal procedures and policies for quality control during our production process, including technical standards and safe production procedures. Our production technology department is responsible for quality control. We formulate our quality control policies pursuant to relevant laws and regulations. Under these policies, the production department proposes the technical standards for our production process for approval by the general manager. The technical standards are reviewed and updated as necessary every three years as we assess the application scope, merits, standards and parameters of various technologies. We normally invite independent third-party experts to review our technical standards from time to time. We inspect and review the implementation of our quality standards annually.

Maintenance and Repairs

We outsource some of our operation and maintenance service needs for our coal-fired cogeneration power plant, including daily operations, routine maintenance, regular inspections and repair work, to third-party professional service providers. In selecting third-party professional service providers, we take into consideration various factors, including a service provider's track record, its relationships with us, its expertise, quality of work and pricing terms.

We have entered into service agreements with our third-party professional service providers. Pursuant to the service agreements, our third-party service providers provide daily operation, maintenance and repair services for our four boilers, two backpressure turbines and auxiliary equipment, heating and cooling supply systems and the desulphurization, denitration and de-dusting systems. These service providers assign a team of professionals with specialized expertise and qualifications on-site, whose costs were borne by our service providers. Pursuant to the service agreements, we make payment of service fees to the service providers on a monthly basis. We may evaluate the services from time to time and could adjust service fees if the service providers fail to meet the requirements contemplated in the service agreements or fail to pass the evaluation. The agreements provide for the technical requirements, working scope and both parties' obligations. The agreements may be terminated for causes such as bankruptcy of a party or failure to perform obligations under the agreement. We believe such outsourcing can lower our administrative expenses and enhance our management efficiency. Please see "Risk Factors – Risks Relating to Our Business – We outsource a portion of our service needs to third parties. Failure of these third parties to fulfill their responsibilities may prevent us from fulfilling obligations to our customers, expose us to legal liabilities and adversely affect our ability to maintain our growth and may limit our future success".

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In addition, we maintain schedules and procedures for routine maintenance, inspections and repairs. Such schedules and procedures for the maintenance and repairs are established pursuant to relevant regulations promulgated by the national and local government authorities. Under such procedures, our coal-fired cogeneration power plant undergoes an overhaul every three to six years lasting for 15 to 20 days. As a major overhaul requires the adjustment of power generation, our maintenance is carefully scheduled and coordinated to ensure stable and safe power generation while minimizing downtime. Overhauls of our coal-fired cogeneration power plant are generally scheduled during PRC public holidays after prior consultation with our customers.

Our total maintenance and repairs expenses during the years ended December 31, 2015, 2016 and 2017 were RMB3.2 million, RMB3.9 million and RMB6.6 million, respectively.

AGREEMENTS FOR THE PURCHASE AND SALE OF ELECTRICITY

Agreements for the Purchase of Electricity

We have entered into High-voltage PSAs with Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, for our electricity dispatch and sale business since 1994. The PSAs primarily provide the detailed technical requirements for electricity dispatch and sale. The PSAs do not set forth any minimum purchase commitment. The major terms under the PSAs include:

- Tianjin Electric Power Company Binhai Branch supplies us with three-phase 50 Hz alternating current of a total volume of 120,000 kVA for our two main power transformer stations, each of which has a total volume of 60,000 kVA. The voltage of electricity supplied by Tianjin Electric Power Company Binhai Branch is 35 kV.
- We are not allowed to have back-up power supply equipment installed on our premises.
- The quality and technical parameters of the electricity supplied shall comply with the relevant laws and regulations of the PRC.
- The prices are set and adjusted from time to time by competent local governmental pricing authorities. We are entitled to enjoy the different electricity prices for different hours. We shall settle the payment on a monthly basis.
- The term of the PSAs is three years and the PSAs are automatically renewed upon expiry unless objected or amended by either party.

As advised by our PRC Legal Advisers, the PSAs are legally binding. During the Track Record Period, we did not experience any material breaches of the PSAs.

Agreements for the Sale of Electricity to State Grid

According to the Electric Power Law of the PRC, a local power plant is required to sell the electricity it generates to State Grid or its local branch. Thus, in our power generation and supply business we sell the electricity generated by us to Tianjin Electric Power Company, which is a local branch of State Grid, in accordance with the PPAs. The major terms under the PPAs include:

- The quality of electricity sold shall comply with relevant national and industrial standards.
- We shall follow dispatch instructions from Tianjin Electric Power Company and operate and maintain our coal-fired cogeneration power plant in accordance with relevant national and industrial standards.
- The PPAs set out our annual and monthly planned electricity output. Tianjin Electric Power Company may adjust the annual planned electricity output if the availability factor of our coal-fired cogeneration power plant is lower than 84.46%. In addition, the annual planned electricity output may be adjusted by competent government authorities from time to time. We are required to pay liquidated damages to State Grid if we fail to fulfill the planned output or our outputs exceed the planned output. During the Track Record Period, we did not receive any claim from the State Grid for failing to fulfill the planned output or exceeding the planned output.
- The on-grid tariffs are fixed by competent government pricing authorities, as adjusted in accordance with policy changes implemented by such authorities. For details, please see “– Pricing – On-grid Tariffs”. Tianjin Electric Power Company shall pay us the on-grid tariffs on a monthly basis.
- If a party fails to perform its obligations under the PPAs, such party will be liable for breach of contract, and the other party is entitled to seek damages for losses arising from such breach.
- The term of the PPAs is one year and both parties shall negotiate the renewal of the agreement one month before the expiration of its original term in accordance with typical practice of State Grid. The PPAs are renewed each year during the Track Record Period.
- The PPAs may be terminated for reasons including but not limited to bankruptcy of either us or State Grid, revocation of our business license, failure of us to generate electricity for a period of 120 days or failure of Tianjin Electric Power Company to purchase electricity for longer than a prescribed period of time.

During the Track Record Period, we did not experience any material breaches of the PPAs.

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PRICING

In general, electricity selling prices, on-grid tariffs or the prices that we sell electricity to State Grid, prices of steam, heating and cooling are approved or fixed by relevant national and local government authorities. We set forth below a brief summary of the pricing policies applicable to electricity selling prices, on-grid tariffs, prices of steam, heating and cooling during the Track Record Period.

Electricity Selling Prices

In our electricity dispatch and sale business, we dispatch electricity we purchase from Tianjin Electric Power Company and sell to our end-users. According to the Provisional Measures for the Administration of Electricity Selling Prices (《銷售電價管理暫行辦法》) issued by the NDRC in 2005, electricity selling prices are determined by the electricity purchase price, dispatch losses, transmission and dispatch price, and the applicable governmental fund.

The table below sets forth the average electricity purchase price at which we purchase electricity from Tianjin Electric Power Company and the average electricity selling prices at which we sell electricity to our end-user customers during the Track Record Period:

	Year ended December 31,		
	2015	2016	2017
	RMB/kWh		
Average electricity purchase price ⁽¹⁾	0.6719	0.6641	0.6562
Average electricity selling price ⁽²⁾	0.8125	0.8070	0.7859

Notes:

- (1) Average electricity purchase price equals total cost of purchase of electricity divided by total purchase volume of electricity in our electricity dispatch and sale business.
- (2) Average electricity selling price equals total revenue generated from electricity dispatch and sale business divided by total sales volume of electricity in our electricity dispatch and sale business.

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Except for the electricity used by small business, offices and lighting, the electricity selling prices shall be the unit electricity selling prices plus the basic electricity selling price. The unit electricity selling prices vary from power sectors and voltages. The table below sets forth the electricity selling prices approved by the local pricing bureau in September 2016:

	Unit Electricity Selling Prices					Basic Electricity Selling Price
	Power factor >0.9	Power factor between 0.89-0.80	Power factor between 0.79-0.7	Power factor between 0.69-0.6	Power factor <0.60	
			(RMB/kWh)			
380 V (triple shifts)	0.8550	0.8600	0.8650	0.8700	0.8750	17
380 V	0.8650	0.8700	0.8750	0.8800	0.8850	17
10 kV (triple shifts)	0.7590	0.7640	0.7690	0.7940	0.8190	17
10 kV	0.7790	0.7840	0.7890	0.8140	0.8390	17
Electricity for construction			0.9480			17
Electricity for large business, offices and lighting			0.8357			17
Electricity for small business, offices and lighting ⁽¹⁾			0.8557			N/A

Note:

- (1) The electricity for small business, offices and lighting refers to those contracted power load lower than 100 KVA per month.

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Our customers may choose to pay peak hour, rush hour, off-peak hour or low hour electricity selling prices rather than the unit electricity selling prices. The table below sets forth the electricity selling prices for different hours approved by the local pricing bureau in November 2017:

	Peak hour electricity selling prices⁽¹⁾	Rush hour electricity selling prices⁽²⁾	Off-peak hour electricity selling prices⁽³⁾	Low hour electricity selling prices⁽⁴⁾	Basic electricity selling price
		<i>(RMB/kWh)</i>			<i>(RMB/kVA per month)</i>
Industrial Electricity					
Lower than 1 kV ⁽⁵⁾	1.4009	1.2735	0.8405	0.4405	17
1 kV – 10 kV ⁽⁵⁾	1.1204	1.0185	0.7195	0.4385	17
Above 35 kV ⁽⁵⁾	1.1182	1.0165	0.7175	0.4365	17
Electricity for large business, offices and lighting					
Above 100 kV ⁽⁵⁾	–	1.0852	0.7935	0.5386	17
Below 100 kV ⁽⁵⁾	–	1.1878	0.8167	0.5393	17

Notes:

- (1) Peak hour electricity selling prices refer to (i) the industrial electricity price between 9:30 – 11:30 from July 1 to September 30 each year; and (ii) the electricity prices for large business, offices and lighting between 10:00 – 11:00 and 19:00 and 21:00 from July 1 to September 30 each year.
- (2) Rush hour electricity selling prices refer to (i) the industrial electricity price between 8:30 – 9:30 and 18:00 – 23:00 from July 1 to September 30 each year; (ii) the electricity prices for large business, offices and lighting between 8:00 – 10:00, 18:00 – 19:00 and 21:00 – 23:00 from July 1 to September 30 each year; and (iii) the electricity prices for industrial use, large business, offices and lighting between 8:00 – 11:00 and 18:00 – 23:00 from October 1 to June 30 of the following year.
- (3) Off-peak hour electricity selling prices refer to (i) the industrial electricity price between 7:00 – 8:30 and 11:30 – 18:00 from July 1 to September 30 each year; (ii) the electricity prices for large business, offices and lighting between 7:00 – 8:00 and 11:00 – 18:00 from July 1 to September 30 each year; and (iii) the electricity prices for industrial use, large business, offices and lighting between 7:00 – 8:00 and 11:00 – 18:00 from October 1 to June 30 following year.
- (4) Low hour electricity selling prices refer to the electricity prices for industrial use, large business, offices and lighting between 23:00 – 7:00 for the whole year.
- (5) Refers to the capacity of the receiving transformer.

Any changes to electricity selling prices in the future as a result of policy changes adopted by the NDRC and local pricing authorities in the PRC will affect our revenue from our electricity dispatch and sale business.

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On June 30, 2016, the General Office of the NDRC issued the Circular on Improving the Implementation Methods for Base Power Price for Consumers Subject to Two-tier Power Pricing System (《關於完善兩部制電價用戶基本電價執行方式的通知》). On July 25, 2016, the local counterpart of the NDRC in Tianjin issued implementation rules, which may affect the basic electricity selling prices we charge our end-user customers. Please see “Regulatory Overview” for more details. Such new rules allow our end-user customers to apply for, at their option, a new measurement method of basic electricity selling price based on their estimated maximum volumes, which may be less than the other option, namely, fixed basic electricity selling price measurement based on capacity of the receiving transformer. However, for a customer who chooses to pay for basic electricity selling price based on its estimated maximum volume, the basic electricity selling price will double for any consumption which exceeds the estimated maximum volume by more than 5%. As of the Latest Practicable Date, one of our customers had applied for such new measurement of basic electricity selling price. Since January 1, 2017, the basic electricity selling prices we charge such customer have been based on its estimated maximum volume. For the year ended December 31, 2017, the sum of basic electricity selling prices we charge such customer would be approximately RMB1.0 million higher if the basic electricity selling prices had been charged based on capacity of the receiving transformers. Our Directors do not believe these new rules will have a material adverse impact on our business and results of operations.

On-grid Tariffs

On-grid tariffs refer to the prices at which a power plant sells the electricity it generated to State Grid. In our power generation and supply business, we sell the electricity generated by us to Tianjin Electric Power Company, who in turn sells electricity to its end-users. The Electric Power Law of the PRC, which came into effect in 1996, sets forth the general principles for setting the power tariffs. The on-grid tariffs shall provide a reasonable compensation for the cost of electricity generation and a reasonable return on the investment in power plant, in order to fairly share expenses and promote the construction of more power plants. The on-grid tariffs for the planned output and excess output are subject to review and approval by the NDRC and the provincial pricing bureaus.

According to the Provisional Measures for the Administration of On-grid Tariffs (《上網電價管理暫行辦法》) issued by the NDRC in 2005, the on-grid tariffs for coal-fired cogeneration power plants are determined by the provincial pricing bureau. The current on-grid tariff setting mechanism for coal-fired cogeneration power plants is based on the duration of operation of the power plants, reasonable costs and returns and value-added taxes. The NDRC reviews and approves the on-grid tariffs for coal-fired cogeneration power plants from time to time and adjusts the tariffs should there be material changes, such as a substantial increase in the price of coal. In December 2015, the NDRC issued the Notice on Improving Coal-electricity Price Linkage Mechanism (《關於完善煤電價格聯動機制有關事項的通知》), which became effective on January 1, 2016 and allows for on-grid tariff adjustments annually if the price of standard coal increased by more than RMB30.0 per ton during the previous year. The benchmark coal price is based on the average China Thermal Coal Index in 2014. Any such tariff adjustment will be capped when the accumulated coal price change exceeds RMB150.0 per ton during any year.

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In recent years, the NDRC and local pricing bureaus have implemented measures to adjust the on-grid tariffs. The following table sets forth the historical on-grid tariff changes (including VAT):

<u>Year</u>	<u>On-grid Tariff Changes</u>
October 2013	The Tianjin NDRC decreased the on-grid tariff for coal-fired power plant by RMB0.0135 per kWh and increased government subsidy by RMB0.002 per kWh for de-nitration and de-dusting systems, respectively.
September 2014	The Tianjin NDRC decreased on-grid tariff for coal-fired power plant from RMB0.4103 per kWh to RMB0.4049 per kWh in order to promote the installation of de-nitration and de-dusting systems. The provincial branches of State Grid shall provide a compensation of RMB0.01 per kWh and RMB0.002 per kWh for de-nitration and de-dusting systems, respectively.
April 2015	The Tianjin NDRC decreased the on-grid tariff for coal-fired power plant by RMB0.0234 per kWh. The on-grid tariff for power plant with ultra-low emission was increased by RMB0.01 per kWh.
January 2016	The Tianjin NDRC decreased the on-grid tariff for coal-fired power plant by RMB0.0301 per kWh.
July 2017	The Tianjin NDRC increased the on-grid tariff for coal-fired power plant by RMB0.0141 per kWh.

For the years ended December 31, 2015, 2016 and 2017, the average on-grid tariff (excluding VAT) for our coal-fired cogeneration power plant was RMB0.3345 per kWh, RMB0.3003 per kWh and RMB0.3063 per kWh, respectively.

Any changes to the on-grid tariffs in the future as a result of policy changes adopted by the NDRC and local pricing authorities in the PRC will affect our revenue from the sale of electricity to State Grid.

Prices of Steam, Heating and Cooling

The prices for steam, heating and cooling at which we sell to our end-user customers are set and adjusted by competent local pricing bureaus. In 2008, Tianjin Port Free Trade Zone Pricing Bureau issued a notice to increase the prices of steam and heating for non-residential end-users. According to the notice, the price of steam (inclusive of VAT) was increased to RMB170 per ton. In 2012, Tianjin Port Free Trade Zone Pricing Bureau further increased the price of steam (inclusive of VAT) to RMB204.0 per ton for non-residential end-users.

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The price of heating varies according to different measurement methods. In 2008, the price of heating for non-resident end-users as measured by supply area increased to RMB9.35 per m² per month. The price of heating as measured by supply quantity equals to 60% of the price as measured by supply area plus RMB0.1526 per kWh for actual amount of heating consumed.

In 1993, Free Trade Zone Administrative Committee issued a notice to set the price of cooling. The price of cooling as measured by supply area was set at RMB14.5 per square meter per month.

Any changes to such prices of steam, heating and cooling in the future as a result of policy changes adopted by the local pricing authorities in the PRC will affect our revenue from the sale of steam and heating and cooling. For details, please see “Risk Factors – Risks Relating to Our Industry – Electricity purchase prices from State Grid are set based on regulatory guidance and regional demand for electricity, and changes in these factors may materially and adversely affect our results of operations”.

For details of the policies regarding electricity prices and on-grid tariffs, please see the section headed “Regulatory Overview”.

LICENSES, PERMITS AND APPROVALS

Licenses and Permits

We are required by relevant PRC laws and regulations to obtain various licenses and permits for our operations. The table below sets forth the key licenses and permits we hold for our business operation:

<u>License/Permits</u>	<u>Term</u>	<u>Issuance Authority</u>
Electric Power Business Certification (Electricity Generation) (電力業務許可證 (發電類))	From April 6, 2016 to April 5, 2036	North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局)
Tianjin Municipal Heating Supply License (天津市供熱許可證)	From March 29, 2017 ⁽¹⁾ to March 28, 2019	Tianjin Municipal Heating Supply Office (天津市供熱辦公室)
Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類))	From June 23, 2017 to June 22, 2037	North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局)

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<u>License/Permits</u>	<u>Term</u>	<u>Issuance Authority</u>
Business License (營業執照)	From October 19, 1992	Tianjin Pilot Free Trade Zone Administration Bureau for Market and Quality (天津市自由貿易試驗區市場和質量監督管理局)
Certification of Installation, Repair and Test of Electric Power Facilities (承裝(修,試)電力設施許可證)	From February 2, 2013 to February 1, 2019	State Electric Power Supervision Commission Huabei Sub-Bureau (國家電力監管委員會華北監管局)
Qualification Certificate for Construction Enterprises (Transmission and Transformer Engineering Professional Contractor Third Class) (建築業企業資質證書) (輸變電工程專業承包三級)	From May 4, 2017 to August 23, 2021	Tianjin Municipal Urban-Rural Development Commission (天津市城鄉建設委員會)
Safety Production Permit (安全生產許可證)	From July 30, 2017 to July 30, 2020	Tianjin Municipal Urban-Rural Development and Communication Commission (天津市城鄉建設和交通委員會)
Urban Drainage License (城市排水許可證)	From December 20, 2016 to December 19, 2021	Free Trade Zone Administrative Committee
Pollutant Discharge Permit (排污許可證)	From June 13, 2017 to June 12, 2020	Tianjin Municipal Environmental Protection Bureau (天津市環境保護局)

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<u>License/Permits</u>	<u>Term</u>	<u>Issuance Authority</u>
Food Business License (食品經營許可證)	From February 22, 2018 to February 21, 2023	Tianjin Binhai New District Bureau for Market and Quality (天津市濱海新區市場和 質量監督管理局)

Note:

- (1) Tianbao Thermal used to hold this license prior to the Business Combination and we applied for a new license under our name upon completion of Business Combination on December 31, 2015.

During the Track Record Period, we commenced electricity, steam, heating and cooling generation operations as well as electricity dispatch operations prior to obtaining the necessary licenses which we believe is common in practice due to the lapse involved in the issuance of such licenses by the relevant authorities. Please see “– Legal Proceedings and Compliance – Compliance-related Matters” and “Risk Factors – Risks Relating to Our Business – Our operations in Tianjin Port Free Trade Zone (Seaport) are extensively regulated by and subject to inspections and examinations by relevant PRC regulatory authorities”. Based on (i) our PRC Legal Advisers’ understanding of the Provision on the Administration of the Electric Power Business Permit (《電力業務許可證管理規定》) which does not specifically require an electricity dispatch and sale operator with the business model of purchasing electricity from the State Grid for subsequent sales to industrial and commercial end-users to obtain the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)), (ii) our consultation with the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) on January 19, 2017 which advised that it was aware of our electricity dispatch and sale operations and recognized that our electricity dispatch and sale operations prior to October 8, 2016, which was the date when the Measures for the Administration of Orderly Lifting the Control of Dispatch Grids (《有序放開配電網業務管理辦法》) and the Administrative Measures for Access and Withdrawal of Electricity Sale Companies (《售電公司準入與退出管理辦法》) were issued, were considered “commercial activities” and (iii) the fact that we did not receive any notice from any relevant PRC authority to obtain the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) since we commenced our electricity and sale operations, our PRC Legal Advisers have advised us that, prior to October 8, 2016, no specific PRC laws and regulations required us to hold the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) for our electricity dispatch and sale operations.

Project Approval Process

Pursuant to resolutions passed by the Tenth National People’s Congress in March 2003, the NDRC was formed to replace the former State Development and Planning Commission and assumed its authority over the review and approval of major new power plants and to set on-grid tariffs in accordance with applicable laws. In July 2004, the State Council issued further guidance on approval requirements for different types of power plants. For example,

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coal-fired thermal power projects shall be approved by the investment administrative department of the State Council, while other thermal power projects shall be approved by the investment administrative department of local governments.

SUPPLIERS

Electricity Supplier

In our electricity dispatch and sale business, our sole electricity supplier is Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid. For the three years ended December 31, 2015, 2016 and 2017, our cost of purchase of electricity amounted to RMB187.0 million, RMB170.9 million and RMB176.4 million, representing 48.4%, 49.1% and 44.8% of our total cost of sales, respectively.

Coal and Water Suppliers

In our power generation and supply business, our suppliers of raw materials include primarily our coal suppliers, and to a lesser extent, our water suppliers. We do not rely on any particular coal supplier for our coal procurement because the coal market is highly competitive and transparent market. During the Track Record Period, we conducted nine to 11 biddings each year for the selection of our coal suppliers. We purchased the coal we used in our coal-fired cogeneration power plant from five, four and five suppliers during the years ended December 31, 2015, 2016 and 2017, respectively. One of our coal suppliers in 2015 and 2016 was our related party, which accounted for 23.8% and 21.0% of our coal purchases for the same periods, respectively. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”. Our coal suppliers generally grant us a credit period of 90 days.

In our power generation and supply business, we primarily procure fresh water from a related party of us. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”. Since September 2016, we also procured recycled water from an independent third party. During the three years ended December 31, 2015, 2016 and 2017, our cost of purchase of water amounted to RMB10.5 million, RMB8.4 million and RMB6.2 million, representing 2.7%, 2.4% and 1.6% of our cost of sales, respectively.

Outsourced Service Providers

We outsource some of our operation and maintenance service needs for our coal-fired cogeneration power plant, including daily operations, routine maintenance, regular inspections and repair work for our four boilers, two backpressure turbines and auxiliary equipment, and desulphurization, denitration and de-dusting systems, to third-party professional service providers. During the Track Record Period, our major third-party professional service providers included a reputable power plant operator located in Shanxi Province and a professional service provider of desulphurization and de-dusting systems. Our own staff carries out regular oversight of the work undertaken by our third-party professional service providers, and ensures that the work is being conducted in line with the standards we establish. For the

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years ended December 31, 2015, 2016 and 2017, our cost of outsourcing operations amounted to RMB18.4 million, RMB15.9 million and RMB16.6 million, representing 4.8%, 4.6% and 4.2% of our cost of sales, respectively.

Electrical Component Suppliers

We are a regional distributor of a well-known global low-voltage switch producer in Tianjin. We distribute low-voltage switches we procured from such producer to our customers in Tianjin. We also procure other types of electrical components from our suppliers for subsequent trading.

Five Largest Suppliers

For the years ended December 31, 2015, 2016 and 2017, purchases from our five largest suppliers collectively accounted for approximately 74.9%, 77.1% and 76.2% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 55.7%, 57.4% and 50.2% of our total purchases, respectively. Tianjin Electric Power Company Binhai Branch was our largest supplier during each of the years ended December 31, 2015, 2016, and 2017. Our five largest suppliers during the Track Record Period also included the aforementioned well-known global low-voltage switch producer, coal suppliers and an outsourced operation and maintenance service provider. Except that one of our coal suppliers which was among our five largest suppliers in 2016 and was our related party, our five largest suppliers during the Track Record Period were independent third parties. We have had relationships with our five largest suppliers during the Track Record Period for approximately one to 25 years as of the Latest Practicable Date. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholder (who to the knowledge of our Directors owns more than 5% of our share capital) has any interest in any of our five largest suppliers.

CUSTOMERS

Customers of Power Generation and Supply Business

Electricity Customer

We are required by the Electric Power Law of the PRC to sell all of our self-generated electricity to the State Grid or its local branch, except for a small amount for our own use. Thus, Tianjin Electric Power Company, which is a local branch of State Grid, is our sole customer of the electricity generated by us. During the three years ended December 31, 2015, 2016 and 2017, sales of our electricity to Tianjin Electric Power Company amounted to RMB22.6 million, RMB20.0 million and RMB20.7 million, contributing 11.1%, 10.9% and 11.2% of the revenue of our power generation and supply business, respectively.

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Steam, Heating and Cooling Customers

Our steam, heating and cooling customers are companies located in Tianjin Port Free Trade Zone (Seaport) and its vicinity in various industries, including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering. For the year ended December 31, 2016, we supplied steam to 43 customers, heating to 61 customers and cooling to 13 customers. For the year ended December 31, 2017, we supplied steam to 44 customers, heating to 71 customers and cooling to 13 customers.

Customers of Electricity Dispatch and Sale Business

The customers of our electricity dispatch and sale business are companies located in Tianjin Port Free Trade Zone (Seaport) in various industries, including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering. For the years ended December 31, 2016 and 2017, we had dispatched and sold electricity to a total of 140 customers and 146 customers, respectively.

Customers of Other Businesses

The customers of our other businesses are companies located in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin. For the year ended December 31, 2016, we provided power facility construction services and industrial facility operation and maintenance services to 60 customers and sell electrical components to 65 customers. For the year ended December 31, 2017, we provided power facility construction services and industrial facility operation and maintenance services to 57 customers and sell electrical components to 37 customers.

One of our suppliers for electrical components is also one of our major customers for low-voltage switches produced by the aforementioned well-known global low-voltage switch producer. We purchased other types of electrical components from it during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, it accounted for 2.2%, 2.4% and nil of our total purchases and 1.0%, 3.1% and 4.1% of our revenue, respectively.

Five Largest Customers

For the years ended December 31, 2015, 2016 and 2017, sales to our five largest customers collectively accounted for approximately 43.8%, 47.7% and 45.4% of our total revenue during the same periods, respectively, and sales to our largest customer accounted for approximately 19.3%, 22.3% and 20.5% of our total revenue, respectively. Except for Tianjin Electric Power Company, our five largest customers during the Track Record Period were industrial and commercial customers for our electricity and steam. We also provided power facility construction services or industrial facility operation and maintenance services or sell electrical components to some of these customers. Our five largest customers during the Track Record Period were independent third parties. We have had relationships with our five largest customers during the Track Record Period for approximately two to 15 years as of the Latest

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Practicable Date. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholder (who to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest customers.

EMPLOYEES

As of December 31, 2017, we had 71 employees. The following table sets forth the number of employees for each of our areas of operations as of December 31, 2017.

Function	Number of Employees	Percentage of Total
Management, administrative and finance	18	25.3%
Marketing	11	15.5%
Procurement	4	5.6%
Engineering and technology	38	53.6%
Total	71	100.0%

During the three years ended December 31, 2015, 2016 and 2017, we incurred staff costs (including salaries, benefits and allowances) of RMB24.3 million, RMB17.8 million and RMB19.5 million, respectively.

We have implemented a number of initiatives in recent years to enhance the productivity of our employees. We conduct periodic performance reviews for all of our employees and their salaries and bonuses are performance-based. Our Directors believe that these initiatives have contributed to increased employee productivity.

We place significant emphasis on staff training and development. We invest in continuing education and training programs for our management personnel and other employees with a view to constantly enhancing their skills and knowledge. Our staff training is either conducted internally by our management and various department heads or conducted by external trainers. We want to ensure that our staff remains equipped with the necessary skills to stay relevant in their respective areas of work as this in turn helps our Company to maintain our competitiveness.

We believe we maintain a good working relationship with our personnel. During the Track Record Period, we did not experience any strikes or significant labor disputes which have materially affected our business, financial condition or results of operations.

Our employees are unionized in accordance with local labor laws. As of the Latest Practicable Date, we have not experienced any major labor disputes or other labor disturbances that have interfered with our operations.

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During the Track Record Period, we have also employed individuals from third party human resource companies (the “**Dispatched Employees**”). Please see “– Legal Proceedings and Compliance – Compliance-related Matters” for more details.

COMPETITION

The power generation market of the PRC is relatively concentrated and according to the Ipsos Report, the top three players together accounted for approximately 51.4% of the market share in terms of revenue in 2016. We, as the only power operator in Tianjin Port Free Trade Zone (Seaport), do not face substantial competition to our current operation in the region. According to the Administrative Measures for Cogeneration (《熱電聯產管理辦法》) issued by the NDRC, the NEA, the MOF, the MOHURD and the MEP on March 22, 2016, the PRC government in principle will not approve new cogeneration unit within an area where steam and heating demand can be satisfied by an existing cogeneration plant in that particular area. Therefore, we believe we enjoy a competitive advantage to sell steam and heating within that area, namely an area within a 10 km radius of the cogeneration plant. There are certain barriers to entry into the cogeneration industry, including the ability to acquire steam customers, financial capability and industry experience. Challenges to industry participants are mostly related to the regulatory environment of the power industry. In particular, changes in government policies may significantly impact the power industry. According to the Measures for the Administration of Cogeneration, the PRC government will strictly enforce the environmental protection measures for newly established coal-fired cogeneration power plants and require the pollutant emission to meet the ultra-low emission standards. For details, please see “Risk Factors – Risks Relating to Our Industry – Regulatory reform of the PRC power industry may affect our business”.

RISK MANAGEMENT AND INTERNAL CONTROL




We have established comprehensive risk management and internal control systems through which we monitor, evaluate and manage risks related to safety, financial matters, market development, capital management, human capital and other matters that we are exposed to in our business activities. Our risk management systems are primarily composed of our President and our Risk Control Department. We plan to review and refine our risk management system every year based on changes to our business. Our senior management oversees our risk management systems and evaluates the results of our annual risk assessment. Our risk assessment is conducted by a number of risk management departments within us and our subsidiaries. These departments conduct monthly evaluations and regular (generally every month) risk supervisory controls, and report to senior management about any material issues, as they are identified, in a timely manner. We have approximately 40 experienced team members in our risk management system, and the senior risk team members have substantial experience related to power plant operations, construction, and oversight of our risk

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management and evaluation. Our risk management personnel conduct trainings every year in order to enhance our overall risk management ability and knowledge. We set forth the major internal control policies we have adopted below:

- Budget control: we have a budget control committee to prepare and implement the annual budget. Our Board of Directors approves the annual budget. The annual budget includes revenue targets, government subsidy targets, cost and expense budget and investment budget.
- Operation activities analysis: we hold quarterly analysis meeting for our power generation, operation and investment activities. The analysis focuses on operating goals, operating status, economic environment, and measures and proposals.
- Financial reimbursement and approval control: the financial reimbursement and approval shall comply with annual and monthly budget. Any expense beyond the annual or monthly budget shall be approved in accordance with our policies.
- Credit and borrowing control: our credit and borrowing activities are controlled by the chief financial officer and are approved in accordance with our policies. Any credit or borrowing beyond the monthly budget shall be adjusted next month to meet the annual budget. Any credit or borrowing beyond the annual budget shall be approved in accordance with our policies.
- Compliance officer: we entered into an outsourcing service agreement with an accounting firm in May 2017, pursuant to which such accounting firm will provide risk management, internal audit and compliance control services to us. The agreement is for a term of one year. The accounting firm has stationed a full-time employee in our office to oversee our licensing and other legal compliance related matters. This outsourced compliance officer is a qualified accountant in the PRC and has nearly 20 years of experience in financial management and auditing. She will conduct compliance inspections at least twice a year to ensure all certifications and licenses which are required for our operations have been obtained and timely renewed and report findings, if any, to the Board. In addition, the compliance officer will be responsible for compiling reports or proposals regarding any non-compliance issues that may arise and submit such reports or proposals to our Board for consideration and record. Our Board will convene quarterly to review and discuss such issues and extraordinary meetings may be convened as and when necessary. The compliance officer will also be responsible for closely monitoring any updates to applicable laws and regulations. We pay a service fee to the accounting firm, which, in turn, is responsible for paying the outsourced compliance officer's compensation and benefits.

INTELLECTUAL PROPERTY

We have registered the trademarks “”, “TBDL” and “” with the Trademark Office of the State Administration for Industry & Commerce of the PRC for a number of services and uses. Our Controlling Shareholder, Tianbao Holding, has licensed the trademark “T&B” to us for free from August 18, 2017 to August 17, 2037 and the trademarks “TIANBAO”, “” and “天保” to us for free until August 17, 2037.

As of the Latest Practicable Date, we held 20 patents and 6 copyrights granted in the PRC that are material in relation to our Company’s business. For further details of the intellectual property of our Company, please see “Appendix VII – Statutory and General Information” of this Prospectus.

LABOR, HEALTH AND SAFETY COMPLIANCE

The laws and regulations of the PRC applicable to us in relation to labor and safety are the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Regulations on Work-related Injury Insurance (《工傷保險條例》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Regulations on the Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Safe Production Law of the PRC (《中華人民共和國安全生產法》), regulations issued by the former SERC, including the Regulations on the Supervision and Administration of the Electric Power Industry (《電力監管條例》) and the Measures on the Supervision and Administration of Safe Production of Electric Power (《電力安全生產監督管理辦法》) and various implementation rules on safe production issued by local governments. We have maintained a relatively clean safety record without the occurrence of any major work-related injuries and save as disclosed in “– Legal Proceedings and Compliance – Compliance-related Matters”, our operations are in compliance with the current applicable labor laws and safety regulations.

Our labor policies with respect to social insurance, salaries and vacations for employees are in compliance with applicable laws and regulations in all material respects. We closely monitor the issuance of new laws and regulations. Furthermore, we provide safety and labor-related training to all of our employees and keep the training records to promote safety awareness. The safety supervision department oversees all employees to ensure they are in compliance with all internal safety instructions. In accordance with applicable PRC laws and regulations, we have made full contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance) and housing funds for our employees.

As of the Latest Practicable Date, we have complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws and regulations in all material aspects and were not subject to any fines or administrative actions due to non-compliance with any relevant regulations. We did not experience any material incidents at our coal-fired cogeneration power plant during the Track Record Period.

ENVIRONMENTAL COMPLIANCE

We are subject to national and local environmental protection regulations in the PRC. The main PRC environmental protection laws and regulations applicable to our coal-fired cogeneration power plant's operation include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on Environmental Impact Appraisal (《中華人民共和國環境影響評價法》) and the Provisional Regulations on Control of Pollutant Discharge Permit (《排污許可證管理暫行規定》)

Emission Standards

In the power generation process, a power plant discharges waste water and emits air pollutants, such as SO₂, NO_x and smoke. We have installed CFB boilers and desulphurization and de-dusting systems in our coal-fired cogeneration power plant to reduce the emission of air pollutants and other pollutants. According to Emission Standard of Air Pollutants for Thermal Power Plants (《火電廠大氣污染物排放標準》) (GB13223-2011) issued by the MEP in 2011 and The Letter to Clarify the Implementation of the Air Pollutant Emission Standard of the Coal-Fired Boilers of Tianbao Thermal (《關於明確天津天保熱電有限公司燃煤鍋爐執行相應大氣污染物排放標準的函》) issued by the local MEP on January 4, 2015, the standards of emission of SO₂, NO_x and smoke are 50 mg/m³, 100 mg/m³ and 20 mg/m³, respectively. According to the Full-scale Implementation Plan of the Standards of Ultra-Low Emission and Energy-saving Equipment Upgrade for Coal-Fired Power Plants (《全面實施燃煤電廠超低排放和節能改造工作方案》) jointly issued by the MEP, the NDRC and the NEA in December 2015, the standards of ultra-low emission of SO₂, NO_x and smoke are 35 mg/m³, 50 mg/m³ and 10 mg/m³, respectively. During the years ended December 31, 2015, 2016 and 2017, our average level of emission of SO₂, NO_x and smoke were 11.49/39.14/8.42 mg/m³, 12.83/35.67/6.07 mg/m³ and 8.91/31.69/3.93 mg/m³, respectively. Thus, our coal-fired cogeneration power plant has met the ultra-low emission requirements set forth by the relevant national and local authorities.

During the three years ended December 31, 2015, 2016 and 2017, our total environmental compliance costs were approximately RMB0.2 million, RMB0.2 million and RMB0.5 million, respectively.

We believe that we have implemented adequate environmental protection systems and facilities in our coal-fired cogeneration power plant for complying with applicable national and local environmental protection regulations in the PRC.

Based on our consultation with the Tianjin Port Free Trade Zone Municipal Management Bureau (天津港保稅區城市管理局) on March 9, 2017, September 20, 2017 and March 27, 2018 and the inspection of relevant environmental licenses and permits, our PRC Legal Advisers had confirmed that as of the Latest Practicable Date, save as disclosed in “ – Legal Proceedings and Compliance – Compliance-related Matters”, we have obtained all material licenses for environmental compliances. As a result, all environmental laws and regulations applicable to us have been complied with in all material respects.

BUSINESS

PROPERTIES

Owned Properties

As of December 31, 2017, we owned and held nine parcels of land with a total site area of 58,046.6 square meters and nine buildings, with a total gross floor area of 34,795.0 square meters for our power facilities, warehouses and offices.

Our corporate headquarters are located at No. 35, Haibin No. 8 Road, Tianjin Port Free Trade Zone, Binhai New District, Tianjin Municipality, China.

As advised by our PRC Legal Advisers, we have obtained the land use rights certificates for all of our land parcels and building ownership certificates for all of our buildings or places where our operations are housed or staffed.

Leased Properties

As of December 31, 2017, we leased and occupied one property with a gross floor area of 110 square meters for premises of our offices and warehouses. These properties are leased from an independent third party.

INSURANCE

There are limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with our operations. Consistent with what we believe to be market practice in the PRC, our coal-fired cogeneration power plant does not carry business interruption insurance to cover lost profit caused by business interruption. In the event of a loss, terms and amounts of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. To mitigate the potential for prolonged outages or extensive property damages at our power generating facilities, we maintain loss prevention and loss control personnel to implement a combination of PRC and international best practices. For details, please see “Risk Factors – Risks Relating to Our Business – The operations of our power generation and supply and electricity dispatch and sale businesses and provision of power facility construction services and industrial facility operation and maintenance services may be adversely affected by operational risks, which could result in lost revenue, increased maintenance costs and potential liability to our customers”.

We contribute social security insurance on behalf of our employees in accordance with applicable PRC laws, rules and regulations. We plan to purchase directors’ and officers’ liability insurance prior to the Listing. Based on our operational requirements, our Directors believe that our existing insurance coverage is adequate. However, to be more consistent with industry norm, we plan to purchase property insurance by the end of 2017.

BUSINESS

AWARDS AND RECOGNITIONS

Our Company has received various awards and recognitions in the PRC. Some of the representative awards and recognitions are set out below:

<u>Year</u>	<u>Awards/Certificate</u>	<u>Awarding Bodies</u>
2016	2016 Work Safety Advanced Unit (2016年度安全生產先進單位)	Tianjin Port Free Trade Zone & Tianjin Airport Economic Zone Work Safety Commission (天津港保稅區、天津空港經濟區 安全生產委員會)
2016	Tianjin Safety and Culture Demonstration Enterprise (天津市安全文化建設示範企業)	Tianjin Municipal Work Safety Management Association (天津市安全生產管理協會)
2015	2014 Work Safety Advanced Unit (2014年度安全生產先進單位)	Tianjin Port Free Trade Zone & Tianjin Airport Economic Zone Work Safety Commission (天津港保稅區、天津空港經濟區 安全生產委員會)
2015	2014 Safety and Culture Demonstration Enterprise of Tianjin Binhai New District (2014濱海新區安全文化建設示範 企業)	Administration of Work Safety of Tianjin Binhai New District (天津濱海安監局)
2013	2012 Work Safety Outstanding Enterprise Class A (2012年度安全生產A級優秀企業)	Tianjin Port Free Trade Zone & Tianjin Airport Economic Zone Work Safety Commission (天津港保稅區、天津空港經濟區 安全生產委員會)
2013	Work Safety and Standardization Second-Class Enterprise (安全生產標準化二級企業)	State Administration for Work Safety (國家安全生產監督管理總局)
2013	GB/T 19001-2008/ISO 9001:2008 GB/T 50430-2007	Huaxia Certification Center Inc. (華夏認證中心有限公司)

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. In addition, we have not been involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that, individually or in aggregate, could have a material adverse effect on our business, financial condition or results of operations.

Our Directors, as advised by our PRC Legal Advisers, confirm that save as disclosed below, as of the Latest Practicable Date, we were in compliance with all relevant PRC laws and regulations in all material respects and had obtained all material permits and licenses required for our operation in the PRC.

Compliance-related Matters

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain non-compliance incidents with regard to relevant PRC laws and regulations. The table below sets forth a summary of such incidents:

Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status
<p>1. Licenses</p> <p>We did not hold licenses for our electricity generation, steam, heating and cooling generation as well as electricity dispatch and sale operations during the following periods:</p> <ul style="list-style-type: none"> • Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)); from March 5, 2014 to April 5, 2016; • Tianjin Municipal Heating Supply License (天津市供熱許可證): from January 1, 2016 to January 28, 2016; and • Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)); from October 8, 2016 to June 22, 2017 (please see “– Licenses, Permits and Approvals – Licenses and Permits”). 		<p>According to the relevant PRC regulations, (i) companies engaging in electricity generation operations without the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)) may be liable for confiscation of the revenue generated during the non-compliant period and may be subject to a fine of no more than five times of the revenue generated during the non-compliant period; (ii) companies engaging in heating generation operations without Tianjin Municipal Heating Supply License (天津市供熱許可證) may be liable for confiscation of the revenue generated during the non-compliant period and may be subject to a fine of RMB5 per square meter of steam supplied during the non-compliant period; and (iii) companies engaging in electricity dispatch and sale operations without the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) may be liable for confiscation of the revenue generated during the non-compliant period and may be subject to a fine of no more than five times of the revenue generated during the non-compliant period.</p>	

Particulars of non-compliance

Reason(s) for the non-compliance

- Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)): Tianbao Thermal did not hold this certification prior to the Business Combination, which was primarily due to the understanding that this practice was in line with the industry norm that electricity generation enterprises may commence electricity generation operations prior to obtaining Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)). To the best knowledge of our Directors, it is still a current practice by the regulatory authorities to only issue an operating license upon completing a certain period of trial run of the production process and passing the completion inspection, the timing of which may vary from case to case. We completed the trial run on June 9, 2014 and passed the completion inspection by the Tianjin Electric Power Company on August 6, 2014. Since then, we have maintained on-going communications with the regulatory authorities on application for the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)). Upon completion of the Business Combination on December 31, 2015 and in order to adhere to the highest compliance standard, our management proactively followed up on the application and we obtained this certification on April 6, 2016.

Legal consequences and maximum potential liabilities

Based on our consultation with the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) and Tianjin Business Office of the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局天津業務辦公室) on January 19, 2017 and March 23, 2017, respectively, which advised us that (i) our practice was in line with the industry norm that electricity generation enterprises may commence electricity generation operations prior to obtaining Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)), (ii) prior to the obtaining of electricity generation license, we have actually conducted our electricity generation business in accordance with relevant electricity generation standards required by relevant regulation, and (iii) the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) would not impose any penalty on us in relation to our electricity generation operations prior to obtaining the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)), and considering that we have not been penalized by or received any notice of penalty and we have subsequently obtained the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)), our PRC Legal Advisers have advised us that the risk of being imposed any penalty by the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) due to our electricity generation operations prior to obtaining the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)) is remote.

- Tianjin Municipal Heating Supply License (天津市供熱許可證): Tianbao Thermal used to hold this license prior to the Business Combination and we applied for a new license under our name upon completion of the Business Combination on December 31, 2015 and obtained this license on January 29, 2016.

Rectification actions taken and status

We obtained the Electric Power Business Certification (Electricity Generation) (電力業務許可證(發電類)) on April 6, 2016.

We obtained the Tianjin Municipal Heating Supply License (天津市供熱許可證) on January 29, 2016.

Particulars of non-compliance

Reason(s) for the non-compliance

- Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)): This non-compliance was primarily due to the lack of local implementation guideline when relevant PRC regulations which required us to obtain this certification became effective on October 8, 2016.

Legal consequences and maximum potential liabilities

Based on our consultation with the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) and Tianjin Business Office of the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局天津業務辦公室) on January 19, 2017 and March 23, 2017, respectively, which advised us that the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) (i) was aware of and would not impose any penalty on us in relation to our electricity dispatch and sale operations without the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) and (ii) had no objection to our continuing to operate before obtaining this certification given we are currently in the process of applying for this certification, and considering that we have not been penalized by or received any notice of penalty, our PRC Legal Advisers have advised us that the risk of being imposed any penalty by the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) due to our electricity dispatch and sale operations without the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) is remote.

Our PRC Legal Advisers have also confirmed that the North China Energy Regulatory Bureau of National Energy Administration of the PRC, Tianjin Business Office of the North China Energy Regulatory Bureau of National Energy Administration of the PRC and the Tianjin Municipal Heating Supply Office are competent PRC authorities to provide the above advice and confirmations.

Based on the foregoing, our Directors are of the view that the above non-compliance incidents have not had and will not have any material operational or financial impacts on us. As such, we have not made any provisions in relation to such non-compliance incidents.

Rectification actions taken and status

Upon issuance of the local implementation guideline on December 8, 2016, our management proactively proceeded with the application. In particular, on February 20, 2017, the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) and Tianjin NDRC conducted an on-site inspection on our operations and provided guidance to us on application of the Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)). After submission of application to the Free Trade Zone Administrative Committee on April 1, 2017, we obtained approvals from the Free Trade Zone Administrative Committee and Tianjin NDRC on (i) the geographic boundary of our electricity dispatch operations and (ii) our dispatch grids between May 8, 2017 and June 12, 2017, which approvals are preconditions for applying for Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)). We filed the application for Electric Power Business Certification (Electricity Dispatch) (電力業務許可證(供電類)) to the North China Energy Regulatory Bureau of National Energy Administration of the PRC (國家能源局華北監管局) on June 15, 2017 and obtained this certification on June 23, 2017. Due to our management' efforts, we are the first company to obtain this certification in Northern China.

We have established enhanced internal control measures to ensure compliance in the future. Please see “- Internal Control Measures to Ensure Future Compliance”.

Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status
<p>2. Environmental-related Permits</p> <p>We did not hold the City Water Discharge Permit (城市排水許可證) from January 1, 2016 to December 20, 2016.</p> <p>In addition, we did not hold the Pollutant Discharge Permit (排污許可證) until June 13, 2017.</p>	<ul style="list-style-type: none"> City Water Discharge Permit (城市排水許可證): Tianbao Thermal used to hold this permit prior to the Business Combination and we applied for a new permit under our name upon completion of the Business Combination on December 31, 2015, and obtained this permit on December 20, 2016. Pollutant Discharge Permit (排污許可證): This non-compliance was primarily due to the lack of specific local implementation rules after adjustment in national environmental protection policy. 	<p>According to the relevant PRC regulations, companies releasing waste water to the municipal sewer network or ancillary facilities without the City Water Discharge Permit (城市排水許可證) may be subject to a fine of no more than RMB500,000. Based on our consultation with the Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) on March 22, 2017, which advised us that it would not impose any penalty on us in relation to our waste water discharge prior to obtaining the City Water Discharge Permit (城市排水許可證), and considering that we have not been penalized or received any notice of penalty and we have obtained such permit, our PRC Legal Advisers have advised us that the risk of being imposed any penalty by the Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) due to our waste water discharge prior to obtaining such permit is remote. Our PRC Legal Advisers have also confirmed that the Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) is the competent PRC authority to provide such advice.</p>	<p>We obtained the City Water Discharge Permit (城市排水許可證) and the Pollutant Discharge Permit (排污許可證) on December 20, 2016 and June 13, 2017, respectively.</p> <p>We have established enhanced internal control measures to ensure compliance in the future. Please see “- Internal Control Measures to Ensure Future Compliance”.</p>

Rectification actions taken and status

Legal consequences and maximum potential liabilities

The relevant PRC regulations did not specify the amount of penalty that may be imposed in relation to failure to obtain the Pollutant Discharge Permit (排污許可證). Based on (i) a written confirmation letter issued by the Tianjin Port Free Trade Zone Environmental Protection Bureau (天津港保稅區環境保護局) on November 18, 2016 that the Pollutant Discharge Permit (排污許可證) had not been listed in the administrative licensing matters pending relevant implementation rules to be promulgated by MEP and Tianjin Municipal Environmental Protection Bureau (天津市環保局); and (ii) our consultation with the Tianjin Port Free Trade Zone Municipal Management Bureau (天津港保稅區城市管理局) on March 9, 2017 and March 24, 2017, which advised us that we were not required to apply for the Pollutant Discharge Permit (排污許可證) due to specific implementation rules pending after adjustment in national environmental protection policy and it would not impose any penalty on us in relation to our failure to hold the Pollutant Discharge Permit (排污許可證), our PRC Legal Advisers have advised us that the risk of being imposed any penalty by the relevant PRC government authorities due to our failure to hold the Pollutant Discharge Permit (排污許可證) is remote. Our PRC Legal Advisers have also confirmed that Tianjin Port Free Trade Zone Municipal Management Bureau (天津港保稅區城市管理局) and Tianjin Port Free Trade Zone Environmental Protection Bureau (天津港保稅區環境保護局) are the competent PRC government authorities to provide such advice and confirmation letter.

Based on the foregoing, our Directors are of the view that the above non-compliance incidents have not had and will not have any material operational or financial impacts on us.

As such, we have not made any provisions in relation to such non-compliance incidents.

Reason(s) for the non-compliance

Particulars of non-compliance

Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status
<p>3. Title Defects</p>	<p>During the Track Record Period, we occupied a parcel of land with a total site area of approximately 2,451.9 sq.m. for a building with a total GFA of approximately 870.7 sq.m. and used it as one of our power switching stations without obtaining the land use right certificate for this land parcel, nor had this building been granted any building ownership certificate or passed the completion and acceptance inspection.</p>	<p>Such land parcel and building were transferred to us from a company owned and controlled by the Free Trade Zone Administrative Committee without the relevant land use rights certificate, which transfer had been reviewed and approved by the Finance Bureau of Tianjin Port Free Trade Zone (天津港保税區財政局). As the transferor has showed us the relevant construction work planning permit and construction work commencement permit which normally can only be granted if a land use rights certificate has been obtained, it was our understanding that the risk of our title to this land and building being challenged was remote, which, when balanced against the administrative burdens we may encounter and the costs we may incur in applying for a land use rights certificate under our name, we did not apply for it until we commenced preparation for the Listing given the heightened expectation of having to adhere to the highest compliance standard.</p>	<p>We obtained the land use right certificate and the building ownership certificate on June 26, 2017 and July 20, 2017, respectively.</p> <p>We have established enhanced internal control measures to ensure compliance in the future. Please see “- Internal Control Measures to Ensure Future Compliance”.</p>
	<p>According to the relevant PRC regulations, we may be ordered by the relevant local government authority to demolish the building and may also be subject to, among others, for our failure to pass the completion and acceptance inspection, a penalty of up to 4% of the total construction contract value. Therefore, in the worst case scenario, for our failure to pass the completion and acceptance inspection, we may be subject to an estimated maximum penalty of approximately RMB0.1 million.</p>	<p>Based on (i) written confirmation letters issued by Tianjin Port Free Trade Zone Planning and State-owned Land and Resources Management Bureau (天津港保稅區規劃和國土資源管理局) on March 27, 2017 and July 10, 2017 that we have been in compliance with land and planning-related laws and regulations and have not been subject to any penalty due to any breach of land and planning-related laws and regulations, and (ii) our consultation with the Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) on March 22, 2017, which advised us that it would not order us to demolish the building or impose any penalty on us and we are deemed to have completed all construction related procedures and can continue to occupy such building, and considering that we have not been penalized by or received any notice of penalty, our PRC Legal Advisers have advised us that the risk of being imposed any penalty by the Tianjin Port Free Trade Zone Planning and State-owned Land and Resources Management Bureau (天津港保稅區規劃和國土資源管理局) and Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) due to the above-mentioned matter is remote.</p>	

Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status
		<p>Our PRC Legal Advisers have also confirmed that the Tianjin Port Free Trade Zone Planning and State-owned Land and Resources Management Bureau (天津港保稅區規劃和國土資源管理局) and the Tianjin Port Free Trade Zone Construction and Transportation Bureau (天津港保稅區建設和交通局) are competent PRC government authorities to provide the above advice and confirmation letters.</p> <p>Based on the foregoing, our Directors are of the view that the above non-compliance incidents have not had and will not have any material operational or financial impacts on us.</p> <p>As such, we have not made any provisions in relation to such non-compliance incidents.</p>	

Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status
<p>4. Dispatched Employees</p> <p>As of September 12, 2017, the number of our Dispatched Employees exceeded the permitted level under the relevant PRC regulations, namely, 10% of our total employees.</p>	<p>Under the Interim Regulations on Labor Dispatching (《勞務派遣暫行規定》) (the “Interim Regulations”) which took effect on March 1, 2014, the number of Dispatched Employees in a company shall not exceed 10% of its total employees, and a company is required to reduce the number of Dispatched Employees to the permitted level within two years from the effective date of the Interim Regulations. The decision to engage dispatched employees were made before the Interim Regulations were issued. None of the current Directors were involved in such decision making. This non-compliance was primarily due to (i) failure by our labor dispatching company to update our management of this new requirement after the Interim Regulations became effective and (ii) the oversight of this new requirement by our management.</p>	<p>According to the relevant PRC regulations, an employer which engaged Dispatched Employees of more than 10% of its total employees may be subject to a penalty of up to RMB10,000 per dispatched employee, if the relevant PRC authorities require it to rectify and it fails to do so within the specified time. As of September 12, 2017, we had 72 employees and 17 of which were Dispatched Employees. Therefore, in the worst case scenario, as of the Latest Practicable Date, we may be subject to a maximum penalty of RMB100,000 if any relevant PRC authority orders us to rectify and we fail to do so within the specified time.</p> <p>Based on a written confirmation letter issued by Tianjin Port Free Trade Zone Human Resources and Social Security Bureau (天津港保稅區人力資源和社會保障局) on March 7, 2017 and July 24, 2017 that during the Track Record Period, we were not imposed with any penalty by relevant human resources and social security authority due to any non-compliance with labor and social security related laws and regulations, and considering that we have not been penalized by or received any notice of penalty from the Tianjin Port Free Trade Zone Human Resources and Social Security Bureau (天津港保稅區人力資源和社會保障局), our PRC Legal Advisers have advised us that the risk of being imposed any penalty by Tianjin Port Free Trade Zone Human Resources and Social Security Bureau (天津港保稅區人力資源和社會保障局) due to the number of our Dispatched Employees exceeding statutory limit is remote. Our PRC Legal Advisers have also confirmed that Tianjin Port Free Trade Zone Human Resources and Social Security Bureau (天津港保稅區人力資源和社會保障局) is the competent PRC authority to issue such confirmation letter.</p> <p>Based on the foregoing, our Directors are of the view that the above non-compliance incident has not had and will not have any material operational or financial impacts on us.</p> <p>As such, we have not made any provisions in relation to such non-compliance incident.</p>	<p>We have reduced the number of our Dispatched Employees to less than 10% of our total employees on September 13, 2017, and our PRC Legal Advisers confirmed that we have been in compliance with the applicable PRC laws and regulations in this regard since then.</p> <p>We have established enhanced internal control measures to ensure compliance in the future. Please see “- Internal Control Measures to Ensure Future Compliance”.</p>

Internal Control Measures to Ensure Future Compliance

In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented measures with a view to establishing and maintaining our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations. In particular:

- (i) our Directors have attended trainings conducted by our Hong Kong legal adviser on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong. Our Directors will also attend regular legal and compliance trainings provided by our legal advisers or other qualified professional parties after the Listing;
- (ii) we have instituted procedures for lines of communication and provided a process by which our employees can identify and report potential non-compliance exposures;
- (iii) we have appointed Orient Capital (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (iv) we have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;
- (v) we have established policies and procedures to monitor license and permit applications and renewals. In addition, we have engaged an outsourced full-time compliance officer to oversee our licensing and other legal compliance related matters and closely monitor any updates to applicable laws and regulations. Please see “– Risk Management and Internal Control” for more details;
- (vi) we have established policies and procedures to review and document all title documents of any properties we use;
- (vii) we have established a risk control department headed by Ms. Fang Wei, our executive Director and secretary to the Board, which reports directly to the Board to take prompt action should any deficiency is identified; and
- (viii) we will engage external PRC legal adviser(s) to do periodic review on all compliance measures and advise on PRC compliance matters when necessary.

BUSINESS

We have engaged an independent internal control consultant for a long-form report on our internal controls over the financial reporting. The internal control consultant performed a review between December 2016 and January 2017 and a follow-up review in March 2017. Based on the findings and recommendations identified by the internal control consultant, we have made improvements in matters relating to our internal control and risk management, including but not limited to controls in relation to the identification, reporting and remediation of fraud or non-compliance. After considering (i) the above actions and other internal control measures we have adopted or will adopt based on the recommendation of our internal control consultant, (ii) our internal control consultant's confirmation that we have taken remedial measures to rectify the identified internal control deficiencies, and (iii) the fact that the non-compliance incidents have not resulted, and are not expected to result, in any material operational or financial impact on us, our Directors are of the view that our internal control measures are adequate and effective in all material respects.

Having taken into account the following, our Directors are of the view that, and the Sole Sponsor concurs that, the non-compliance incidents would not reflect negatively on the Directors' competency under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules:

- The non-compliance incidents have not resulted, and are not expected to result, in any material operational or financial impact on us;
- The nature of most of the non-compliance incidents has an association with the fact that the then prevailing laws, regulations and practices were undergoing changes during the very times;
- In view of the underlying causes and nature of the non-compliance incidents, the non-compliance incidents did not involve any recklessness, negligence or fraudulent act on the part of the Directors during the Track Record Period, and did not raise any question as to the integrity of our Directors. There was no indication that our Directors willfully operated our business in a non-complaint manner;
- The confirmations issued by the relevant PRC authorities confirming that no penalties will be imposed on us indicates to an extent that such authorities did not consider such deviations are of such seriousness which would warrant any penalty;
- We are part of a PRC state-owned enterprise group with reasonable internal control measures typically adopted by PRC state-owned enterprises;
- Upon being aware of the non-compliance incidents, our Directors have immediately carried out remedial actions and will try their best endeavours to fully rectify all the non-compliance incidents as soon as practicable, and in some cases, before Listing; and
- Our Directors have adopted and implemented the internal control measures as disclosed above in order to prevent recurrence of similar non-compliance incidents and to operate our business in a compliant manner going forward.

BUSINESS

On the basis of the above and (i) the due diligence enquiries conducted by the Sole Sponsor in relation to internal control systems; (ii) the Sole Sponsor's discussions with the internal control consultant and review of the internal control reports thereof; (iii) the Sole Sponsor's review of the internal control related documents, information and confirmation provided by our Company; (iv) the remedial measures adopted by our Company; and (v) the Sole Sponsor's discussions with our Directors and our Company's legal advisers, the Sole Sponsor is satisfied that the enhanced internal control measures are adequate and effective.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with Tsinlien Group Company Limited (“**Tsinlien**” or the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased for an amount of HK\$18 million (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$1.74 (being the minimum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 10,344,000, representing approximately (i) 6.71% of the Shares in issue upon the completion of the Share Offer and 26.84% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is not exercised; or (ii) 6.47% of the Shares in issue upon completion of the Share Offer and 23.34% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is fully exercised.

Based on the Offer Price of HK\$1.82 (being the mid-point price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 9,890,000, representing approximately (i) 6.42% of the Shares in issue upon the completion of the Share Offer and 25.66% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is not exercised; or (ii) 6.18% of the Shares in issue upon completion of the Share Offer and 22.31% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is fully exercised.

Based on the Offer Price of HK\$1.90 (being the maximum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 9,472,000, representing approximately (i) 6.15% of the Shares in issue upon the completion of the Share Offer and 24.58% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is not exercised; or (ii) 5.92% of the Shares in issue upon completion of the Share Offer and 21.37% of the H Shares offered pursuant to the Share Offer, assuming that the Offer Size Adjustment Option is fully exercised.

To the best of our knowledge, the Cornerstone Investor is an independent third party independent from our Company, our connected persons, and their respective associates, is not our connected person (as defined under the Listing Rules), and is not an existing shareholder of the Company. In addition, the Cornerstone Investor makes independent investment decisions. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by the Company on or around April 26, 2018. The Cornerstone Placing forms part of the Placing. The Offer Shares to be subscribed for by the Cornerstone investor will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of the Company. None of the Cornerstone Investor will subscribe for any Offer Shares under the Share Offer other than pursuant to the cornerstone investment agreement. Immediately following the completion of the Share Offer, none of the Cornerstone Investor will have any board representation in the Company, nor will the Cornerstone Investor become a substantial

CORNERSTONE INVESTOR

shareholder (as defined under the Listing Rules) of the Company. The Cornerstone Investor does not have any preferential rights compared with other public Shareholders in the cornerstone investment agreement. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer in the event of over-subscription under the Public Offer as described in the section headed “Structure of the Share Offer – The Public Offer” in this Prospectus.

Tsinlien is a company with limited liability incorporated in Hong Kong in 1979 and was a trading company until 1997 when it carried out certain group reorganization. Tsinlien is now an investment holding company holding a controlling stake in Tianjin Development Holdings Limited, a company listed on the Stock Exchange (Stock Code: 882), as its principal asset. Tsinlien is an indirectly wholly-owned subsidiary of SASAC Tianjin.

CONDITIONS PRECEDENT

The subscription of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements;
- (b) no law having been enacted or promulgated which prohibit the closing of the transactions contemplated in the cornerstone agreements, and there shall be no orders or injunctions from a governmental authority in effect precluding or prohibiting the closing of such transactions;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange; and
- (d) the representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investor under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and not misleading and that there being no material breach of the relevant cornerstone investment agreement on the part of the Cornerstone Investor.

CORNERSTONE INVESTOR

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and undertaken to the Company, the Joint Bookrunners, that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement. The Cornerstone Investor may transfer the H Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of the Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing, and the Cornerstone Investor undertakes in writing to procure, that such wholly-owned subsidiary to be bound by the Cornerstone Investor's obligations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Our Company was established as a joint stock limited liability company on February 28, 2017 in accordance with the PRC laws. Tianbao Holdings is one of the Promoters of our Company. Upon our establishment as a joint stock limited liability company, our Company had a total of 115,600,907 issued Domestic Shares, with a nominal value of RMB1.00 each. Tianbao Holdings directly owns approximately 94.81% of our share capital. Immediately following the completion of the Share Offer, Tianbao Holdings will own approximately 71.11% of our share capital, assuming no Offer Size Adjustment Option is exercised, and will continue to be our Controlling Shareholder. Tianbao Holdings is a wholly-owned subsidiary of TFIHC. TFIHC also holds the entire equity interests in Tianbao Investment, which will own approximately 3.89% of our share capital immediately following the Share Offer, assuming no Offer Size Adjustment Option is exercised. TFIHC will collectively and indirectly own approximately 75% of our share capital immediately following the Share Offer, assuming no Offer Size Adjustment Option is exercised. TFIHC and Tianbao Holdings, are collectively our Controlling Shareholders.

DELINEATION OF BUSINESS AND COMPETITION

TFIHC is a wholly state-owned enterprise. As a wholly state-owned enterprise under Free Trade Zone Administrative Committee, TFIHC is duly authorised to provide regional services to the Tianjin Port Free Trade Zone (Seaport) and Tianjin Airport Economic Zone, as well as carrying out the construction and operation of the infrastructure therein. Tianbao Holdings was established in January 1999. It was restructured and established by the Construction Service Corporation Company of Tianjin Port Free Trade Zone (天津港保稅區建設服務總公司) and the Development Services Corporation Company of Tianjin Port Free Trade Zone (天津港保稅區開發服務總公司) by means of merger, and its investor is Free Trade Zone Administrative Committee. In 2008, upon the incorporation of TFIHC, the entire state-owned equity interests of Tianbao Holdings were transferred to TFIHC at nil consideration under direction of the State-owned Assets Administration Bureau of Tianjin Port Free Trade Zone (天津港保稅區國有資產管理局), Tianbao Holdings became a wholly-owned subsidiary of TFIHC.

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale according to the Ipsos Report. Our power cogeneration technology has enabled us to enhance our thermal efficiency and reduce our fuel cost, which is more environmentally friendly compared with conventional power generation plants. Our operations comprise (i) power generation and supply, (ii) electricity dispatch and sale and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

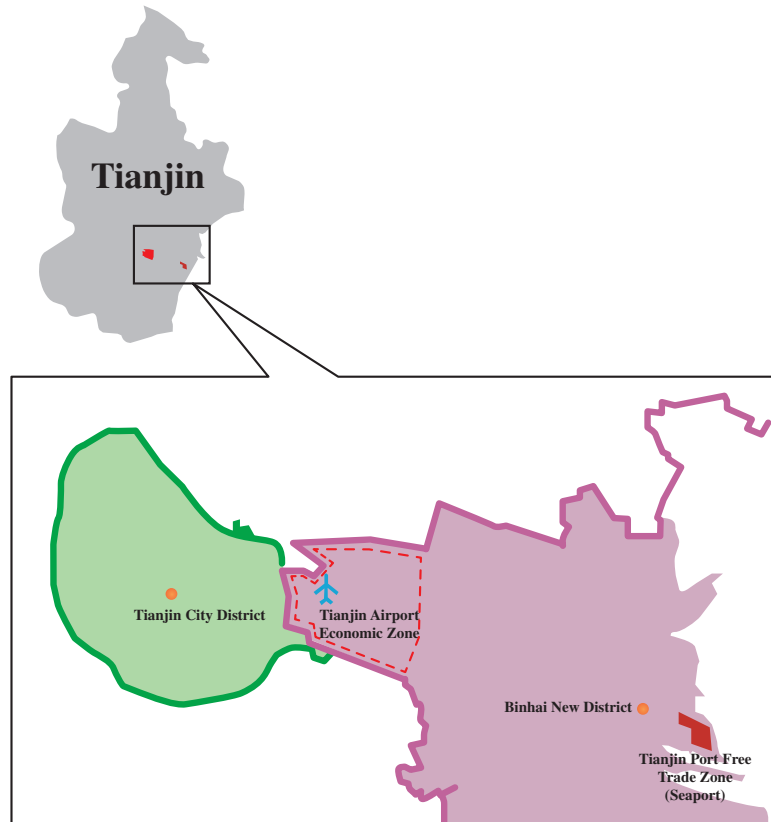
Relationship with Controlling Shareholders

Our Controlling Shareholders (excluding our Group) have a number of subsidiaries which are principally engaged in the businesses of power generation and supply, municipal public service industry and modern logistics industry, including investment in the establishment of sole proprietorships, equity joint ventures and co-operative joint ventures; international trading; warehousing; self-owned equipment leasing business; commercial wholesaling and retailing; commercial housing sales; property management; property transaction agent intermediary services; self-owned property leasing and raw materials supply and so on. Apart from power generation and supply business, other businesses of our Controlling Shareholders do not overlap with our businesses and operations. Among all, the power generation and supply businesses of our Controlling Shareholders are those being operated in the Konggang Thermal Plant Business and our Group.

Historically, the power generation and supply businesses of TFIHC were conducted principally by its subsidiaries Tianbao Thermal and Tianbao Electricity Company, and prior to the Business Combination, Haigang Thermal Plant and Konggang Thermal Plant were both the assets of Tianbao Thermal. Central heating, cooling and steam services were provided to the industrial and commercial end-users in Tianjin Port Free Trade Zone (Seaport) through the operation of the Haigang Thermal Plant and in Tianjin Airport Economic Zone through the operation of the Konggang Thermal Plant. For the purpose of including the power generation and supply businesses operated by our Controlling Shareholders in Tianjin Port Free Trade Zone (Seaport) into our Group, our Controlling Shareholders transferred all the properties, plants and equipment, constructions in progress and rental prepayments as well as all sales contracts relating to the Haigang Thermal Plant Business to us by way of capital injection. Through the operation of the Haigang Thermal Plant, we derived an important portion of our revenue from power generation and supply business, which relies on the electricity, steam, heating and cooling demands of our customers located in Tianjin Port Free Trade Zone (Seaport). For details, please refer to the section of the Prospectus headed “History – Our History and Development” and “Financial Information – Basis of Presentation”.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following map shows where Haigang Thermal Plant and Konggang Thermal Plant locate:-



The Konggang Thermal Plant Business is not included in our Group, and our Directors consider that no competition exists between the Konggang Thermal Plant and the Haigang Thermal Plant, for the reasons stated below: (i) Konggang Thermal Plant is located at Tianjin Airport Economic Zone while Haigang Thermal Plant is located at Tianjin Port Free Trade Zone (Seaport), two distinct locations with a distance of approximately 35 km apart which needs to be served by different power grids/steam generation facilities; (ii) in the Konggang Thermal Plant, all electricity available for sale are generated by its coal-fired cogeneration plant, which can only be sold to the State Grid or its local branch pursuant to the Electric Power Law of the PRC; without power dispatch facilities and grid, the Konggang Thermal Plant cannot be engaged in electricity dispatch and sale in competition with us, hence cannot serve customers other than the State-Grid; (iii) given the power generation network of Konggang Thermal Plant and Haigang Thermal Plant are not interconnected, these two plants target customers in their respective geographical locations without any overlap; (iv) in practice, the distance between Konggang Thermal Plant and Haigang Thermal Plant prohibits an efficient and reliable transmission and transportation of steam, heating and cooling generated from these two plants, in particular, the feasible transmission radius of steam is about ten km radius of the cogeneration plant, hence in practice there cannot be any customer overlap as the distance of the two plants are approximately 35-km apart; (v) the two plants require separate governmental regulatory approval for their operations; and (vi) the management team and operational staff of the Konggang Thermal Plant are completely separated from those in our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

To the best knowledge of our Directors, the decision of our Controlling Shareholders to include only Haigang Thermal Plant into our Group but not Konggang Thermal Plant was driven by policy consideration in relation to relevant district planning and development, as a state-owned enterprise has to balance the profit motive against the fulfilment of goals and directives under public policy. To the best knowledge of our Directors, our Controlling Shareholders have taken into account the following considerations when excluding Konggang Thermal Plant from the current business of our Group:

1. To further the regional development plans and the aim of promoting investment and attracting foreign commerce, Konggang Thermal Plant undertakes the tasks of development and construction of energy infrastructures in the Tianjin Airport Economic Zone. Unlike Haigang Thermal Plant which is a more matured business, Konggang Thermal Plant is currently operating under a different business model which prioritizes social responsibility over commercial efficiency or profitability. Its pace of development is subject to the overall local district planning and development and should be in alignment with the PRC local government's long term goal and planning of the city, and as a result its operation cannot be considered as purely commercial in nature.
2. The area of Tianjin Port Free Trade Zone where Konggang Thermal Plant is located is in an early stage of development now and Konggang Thermal Plant is operating according to the planning and development under public policy, supported by financial subsidies from Free Trade Zone Administrative Committee. As such, Konggang Thermal Plant does not currently operate as a commercial entity. Our Controlling Shareholders do not consider it appropriate to include Konggang Thermal Plant in a listed company.
3. Konggang Thermal Plant and Haigang Thermal Plant are two distinct and separate operational entities which are located in different geographical locations. They have independent and separate plant operations, management teams and sales network, with no overlapping target customers. At this stage, there is no synergy or economical or operational benefits to bring them together.

As mentioned above, the power generation and supply businesses of our Controlling Shareholders comprise the businesses of our Group and the Konggang Thermal Plant. After the Business Combination, the Konggang Thermal Plant Business does not have business in the Tianjin Port Free Trade Zone (Seaport), hence there is no overlapping between the businesses of our Group and that of our Controlling Shareholders. Our Directors believe that no competition exists between the businesses of our Group and that of our Controlling Shareholders under ordinary circumstances.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION DEED AND UNDERTAKINGS

Non-competition Deed

Despite our Directors' view that no competition exists between our Group and our Controlling Shareholders, in order to avoid any possible future competition between our Group and our Controlling Shareholders, our Controlling Shareholders entered into a non-competition deed in favour of our Group. The major terms and conditions of the Non-competition Deed are summarised as follows.

Our Controlling Shareholders entered into the Non-competition Deed on April 4, 2018 in favour of the Company, pursuant to which each of our Controlling Shareholders has given certain non-competition undertakings to the Company (for itself and for the benefits of other members of our Group), to the effect that, it shall not, and it shall procure that its associates (other than any member of the Group) do not and shall not, directly or indirectly, whether on its own or through any entities, carry on, participate, be interested or engaged or otherwise be involved, whether for profit, reward, other benefit or otherwise, in any business or activity (the "**Restricted Business**") that is in competition with, or is likely to be in competition with, the business carried on by any member of our Group from time to time during the period which the Non-competition Deed remains valid and effective.

Each of our Controlling Shareholders and/or its associates is not restricted from holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Business (the "**Subject Company**"), provided that:

- (a) such shares or securities are listed on a recognised stock exchange; and
- (b) (i) the relevant Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that Subject Company's latest audited accounts; or
- (ii) the aggregate number of shares, held by our Controlling Shareholders and/or their respective associates amounts to less than 5% of the issued shares with voting rights of the Subject Company, and our Controlling Shareholders and their respective associates do not have any right to appoint any person to the board of directors of the Subject Company.

Each of our Controlling Shareholders undertakes that it will use its best endeavors to prevent potential competition between our Company and our Controlling Shareholders and its subsidiaries (other than any member of the Group) and it will delineate its business segments, grant our Company options to acquire, and preemptive rights over, its Konggang Thermal Plant Business, and will procure its relevant subsidiaries (other than any member of the Group) to comply with the options and rights granted to us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Options for New Business Opportunities

Each of our Controlling Shareholders has further undertaken that it shall first refer to our Company any new investment or other commercial opportunity (the “**New Business Opportunity**”) relating to the Restricted Business that is identified by, or offered by a third party to, it or its associates or connected persons, in the following manner:

- (a) Each of our Controlling Shareholders or its associates or connected persons shall give a written offer notice to our Company of such New Business Opportunity (the “**Offer Notice**”), identifying the nature of business, investment or acquisition costs and other details reasonably necessary for our Company to consider whether the New Business Opportunity constitute any competition to our Group’s core business and whether pursuing the New Business Opportunity is beneficial to our Group.
- (b) Our Company is required to notify our Controlling Shareholders within 10 business days in writing of any decision taken to pursue or decline such New Business Opportunity.
- (c) Our Company will seek approval from its Board committee (consisting solely of independent non-executive Directors, who do not have a material interest in the matter) as to whether to pursue or decline the New Business Opportunity. In assessing whether or not to exercise the option to acquire the New Business Opportunity, our independent non-executive Directors will consider a range of factors including possible feasibility study, counterparty risks, estimated profitability, our pipeline and the legal, regulatory and contractual landscape, with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.
- (d) Each of our Controlling Shareholders or its associates or connected persons may pursue such New Business Opportunity if (i) it has received a notice from our Company declining the New Business Opportunity and confirming it will not constitute competition with our Group’s core business, or (ii) it has not received any notice from the Company within 10 business days our Company has received the Offer Notice.
- (e) If there is a material change in the nature of the New Business Opportunity pursued by each of our Controlling Shareholders or its associates or connected persons, our Controlling Shareholders will refer the New Business Opportunity as so revised to the Company in the manner as outlined above.

Options for Acquisitions and Pre-emptive Rights

In relation to any New Business Opportunity referred to us by each of our Controlling Shareholders under the Non-competition Deed which competes, or is likely to compete, directly or indirectly with the business carried on by any member of our Group from time to

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

time during the period which the Non-competition Deed remains valid and effective, if our Company decides not to take up such New Business Opportunity, our Controlling Shareholders and/or its associates and connected persons may, subsequently, take up such New Business Opportunity on its own.

In respect of the aforesaid matters, each of our Controlling Shareholders has undertaken to grant our Company options, pursuant to which the Company may exercise the same at any time during the term of the Non-competition Deed, subject to applicable laws and the Listing Rules, to acquire on one or more occasions, any equity interest, asset or other interest in respect of the new business as described above, or to conduct such new business by way of, including but not limited to, mandate, lease or subcontracting. Our Controlling Shareholders shall procure its associates and connected persons to comply with the above options granted to us by our Controlling Shareholders.

The consideration payable for the acquisition of such new business described above shall be determined with reference to the valuation by an independent third-party valuer, jointly selected by our Controlling Shareholders and our Company and consider reasonable return to our Shareholders, and in accordance with the methods and procedures as required by applicable laws and regulations after arm's length negotiations between the parties.

Each of our Controlling Shareholders has further undertaken that, during the term of the Non-competition Deed, if it and/or its associates and connected persons intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above interests to a third party, they shall notify our Company by a written notice (the "**Transfer Notice**") in advance. The Transfer Notice shall state the terms of the transfer, sale, lease or license and any information which our Company may reasonably require to come to a decision. Our Company shall comply with applicable laws and regulations and the Listing Rules and reply in writing to our Controlling Shareholders within 30 days upon receipt of the Transfer Notice. Our Controlling Shareholders and/or its associates and connected persons shall not inform any third party about its intention to transfer, sell, lease or license such business until receipt of a written reply from our Company. If our Company decides not to exercise the pre-emptive rights or if our Company fails to respond within the agreed period, or if our Company does not accept the conditions as set out in the Transfer Notice and issues to our Controlling Shareholders a written notice stating acceptable conditions which, however, are not acceptable to our Controlling Shareholders and/or its associates and connected persons, they are then entitled to transfer, sell, lease or license the interest to a third party with terms not more favourable than those stipulated in the Transfer Notice. Our Controlling Shareholders shall procure its associates and connected persons to comply with the above pre-emptive rights granted to us by our Controlling Shareholders.

Our independent non-executive Directors will be solely responsible for reviewing, considering and deciding whether or not to exercise the options for acquisition and the pre-emptive rights. In assessing whether or not to exercise the options for acquisition and pre-emptive rights, our independent non-executive Directors will consider a range of factors including possible feasibility study, counterparty risks, estimated profitability, our pipeline and the legal, regulatory and contractual landscape, with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Right to Acquire the Konggang Thermal Plant Business

To mitigate potential competition between our Controlling Shareholders and our Group, each of our Controlling Shareholders have granted us a right, which is exercisable during the term of the Non-competition Deed, to acquire on one or more occasions, any equity interest, asset or other interests in respect of the Konggang Thermal Plant Business carried out by our Controlling Shareholders. We could exercise such right to acquire any Konggang Thermal Plant Business from our Controlling Shareholders at any time, whether or not our Controlling Shareholders intends to dispose of their interest in such Konggang Thermal Plant Business. Our ability to exercise such right will be subject to our Controlling Shareholders' compliance with all applicable laws (particularly the PRC law) as well as the applicable requirements of the Listing Rules. The terms and conditions of specific acquisitions of the Konggang Thermal Plant Business are not prescribed in the Non-competition Deed and will vary depending on the performance of Konggang Thermal Plant Business and other market conditions. If we decide to exercise our right, the terms and conditions for the acquisition from our Controlling Shareholders will be determined after arm's length negotiation between us and our Controlling Shareholders. In determining the consideration for acquiring the Konggang Thermal Plant Business from our Controlling Shareholders, we will follow our assets acquisition policy (with reference to the valuation set by an independent third-party valuer and taking into account a reasonable shareholder return), the appraised value of the Konggang Thermal Plant Business, and relevant regulatory requirements including the requirements of the SASAC regarding the disposal of state-owned assets. Where policy permits, we will consider exercising the right to acquire Konggang Thermal Plant if it is in the best interests of our shareholders, having considered the following factors which are not exhaustive, (i) the status of development of the region where Konggang Thermal Plant is operating; (ii) whether it is commercially feasible and economically viable to acquire Konggang Thermal Plant, taking into account our financial performance and the operations of both Konggang Thermal Plant and the Group and hence, is in the best interests of our shareholders as a whole; and (iii) the presence of other potential target and best use of our resources at the time of considering such investment.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise our right to acquire the Konggang Thermal Plant Business. If we decide to exercise our right, the terms and conditions for the acquisition from our Controlling Shareholders will be determined after arm's length negotiation between us and our Controlling Shareholders. In making such assessment, our independent non-executive Directors will consider all relevant factors including, among other factors, possible feasibility study, counterparty risks, estimated profitability, our pipeline and the legal, regulatory (including the requirements of the SASAC regarding the disposal of state-owned assets) and contractual landscape, with a view to arriving at a decision which is in the best interests of our Company and the Shareholders as a whole.

Termination

The non-compete undertakings will terminate upon the earlier of:

- (a) the date on which the Controlling Shareholders and their respective associates cease to be our Controlling Shareholders of our Company; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) the date when our Shares cease to be listed on the Stock Exchange.

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from the potential competing business and to safeguard the interests of the Shareholders, including:

- (a) The independent non-executive Directors will review, on an annual basis, the compliance with the undertakings by each of our Controlling Shareholders and/or its associates and connected persons under the Non-competition Deed;
- (b) Each of our Controlling Shareholders undertakes to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the compulsory enforcement of the Non-competition Deed;
- (c) Our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the undertaking of each of our Controlling Shareholders, including decisions reached in respect of exercising the right of refusal to pursue or decline any New Business Opportunity, in the annual reports of our Company or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- (d) We believe that our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors that can effectively exercise independent judgment. With expertise in different professional fields, our Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event conflicts of interest between our Company and our Controlling Shareholders arise;
- (e) In the event any potential conflicts of interest materialize, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) shall not be present at the relevant board meeting, and shall be excluded from the board deliberation and abstain from voting and shall not be counted towards quorum in respect of the relevant resolution(s) at such board meeting;
- (f) In the event any potential conflicts of interest materialize, our Controlling Shareholders shall abstain from voting in the shareholders' meeting of our Company with respect to the relevant resolution(s);
- (g) We have included provisions in the Articles of Association that only non-conflicted Directors will be involved in determining whether the Company should take up any New Business Opportunity; and that the Company will disclose in annual report the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

decision of the independent non-executive Directors (with basis) to pursue or decline any New Business Opportunity;

- (h) Our Group is administratively independent from our Controlling Shareholders as we have our own company secretary, authorized representatives and administrative personnel;
- (i) Pursuant to the Corporate Governance Code and Corporate Governance Report in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost;
- (j) We intend to cause any proposed transaction between us and connected persons to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders' approval requirements of those rules; and
- (k) We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser, which is expected to provide advice and guidance to us in respect of compliance with applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that we can conduct our business independently of our Controlling Shareholders and its associates after the completion of the Share Offer.

Management Independence

Our Board consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. Each of our Directors is aware of his/her fiduciary duties which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a director and his/her personal interests. Please see the section headed "Directors and Senior Management" of this Prospectus for details of our Directors and senior management.

Among the nine Directors, only two Directors, namely, Mr. Yu Yang and Mr. Wu Tao, hold management position in our Controlling Shareholders (acting as the general manager in Tianbao Investment and vice general manager in Tianbao Investment respectively). Seven Directors, including Mr. Gao Hongxin, our executive Director and chairman, do not hold any directorship or senior management position in our Controlling Shareholders, and have sufficient time and energy to manage our day-to-day operation. The two Directors holding

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positions in Tianbao Investment are our non-executive Directors, who are not involved in the day-to-day management of our Company, but are primarily responsible for making decisions on important matters such as formulation of our general development strategy and corporate operation strategy.

Set out below is a table summarizing the positions held by our Directors, and their positions with Tianbao Holdings:

Name of Directors	Position with our Company	Management position with our Controlling Shareholders as of the Latest Practicable Date
YU Yang	Non-executive Director	General manager of Tianbao Investment
WU Tao	Non-executive Director	Vice general manager of Tianbao Investment

None of our Directors (including our president and vice president) nor senior management serves as a director or senior management role in our Controlling Shareholders. As our Company and our Controlling Shareholders are managed by different management teams, there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper functioning of the Board.

We believe that our Directors and senior management are able to perform their roles in our Company independently and that our Company is capable of managing its business independently of our Controlling Shareholders after the Listing for the following reasons:

- (a) the decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, such as resolutions regarding transactions with our Controlling Shareholders (including their respective associates), the relevant Director(s) who are connected with our Controlling Shareholders shall abstain from voting and shall not be counted in the quorum. Further, when considering connected transactions and competition matters, the independent non-executive Directors will review the relevant transactions;
- (b) the Directors who hold a management position in our Controlling Shareholders are non-executive Directors. As non-executive Directors, they are not involved in managing our day-to-day business, but are primarily responsible for strategy and planning matters. The day-to-day operation of our Company is managed by our executive Directors and senior management, who are our full-time employees with extensive relevant experience and are all independent of our Controlling Shareholders. They will not form part of the Board's quorum in any discussion relating to transactions where our Controlling Shareholders have a material interest, such as matters relating to any New Business Opportunity;

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- (c) none of our Directors or members of the senior management has any shareholding interest in our Controlling Shareholders;
- (d) each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for our Company's benefit and best interest; and
- (e) we have appointed three independent non-executive Directors, comprising one-third of our Board, with a view to promoting the interests of our Company and our Shareholders as a whole.

On the basis outlined above, our Directors are of the view that our Company has its own management team and that it is capable of maintaining independence from our Controlling Shareholders.

Operational Independence

We possess sufficient capital, property, equipment, technology and human resources to operate our business independently. We have independent access to sources of suppliers for the operation of our business, as well as independent access to our customers. We have also established a set of internal control procedures to facilitate the effective operation of our business. Currently, we engage in our business independently, with the independent right to make operational decision and implement such decisions.

During the Track Record Period, our Group has entered into certain continuing connected transaction with the Tianbao Group. We have been selling electricity, steam, heating and cooling and providing certain construction, technical support and maintenances services to the Tianbao Group. The provision of such services and commodities to the Tianbao Group is on a non-exclusive basis and we can easily supply such services or commodities to alternative customers in the open market (for the case of electricity, to the State Grid). The Tianbao Group has also been a reliable and stable supplier of coal to our Company at reasonable price and on terms no less favorable than those available from Independent Third Parties for the relevant transactions. During the Track Record Period, we procured part of our water supply from the Tianbao Group. The price of water is set and adjusted by competent local pricing bureau. Since September 2016, we started procuring recycled water from an independent third party. Although it was possible to seek either independent providers of the coal and water, our Directors considered that it would not be commercially sensible to discontinue using such raw materials provided by the Tianbao Group.

The amounts of above transactions between our Company are not excessive. Our Directors are of the view that these transactions have been entered into in the ordinary and usual course of business of our Group, that such transactions have been negotiated on arms' length basis on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. Please see "Connected Transactions – Continuing Connected Transactions" for more details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We have secured the long-term use of the trademarks of Tianbao Holdings by entering into a trademark licensing agreement with Tianbao Holdings pursuant to which Tianbao Holdings has agreed to grant us a general license on a non-exclusive basis in respect of certain trademarks of Tianbao Holdings for our use free of charge. We believe the trademark licensing agreement is fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that there is no risk for us to use the trademarks during our operations for the following reasons: (1) although the trademarks are not currently registered by our Group, Tianbao Holdings has undertaken to grant us the right to use the trademarks for a term of 20 years; and (2) although the trademarks are licensed to our Group on a non-exclusive basis, all the other licensees are intra-group companies of Tianbao Group.

Our Company owns our tangible assets and intangible assets, as well as registered trademarks (other than certain trademarks licensed to us by Tianbao Holdings), licenses, good-will, brands, know-how and other intangible assets independently of the Tianbao Group, which contribute to our ability to operate our business independently of the Tianbao Group.

We have our own organizational structure with independent departments, each with specific areas of responsibilities. In addition to a set of comprehensive internal control procedures to facilitate the effective operation of our business, we have protective measures to avoid conflicts or potential conflicts of interest and to safeguard the interests of the Shareholders as a whole. We have also adopted protective measures to ensure the enforceability of the Non-competition Deed between our Company and Tianbao Holdings. Please see the section headed “– Non-competition Deed” in this Prospectus for details of enforceability.

Based on the above, our Directors are of the view that our Company operates independently of Tianbao Holdings from the business operation perspective, while our business relationship with Tianbao Holdings is mutually beneficial and will be conducted on an arm’s length basis according to normal commercial terms.

Administrative Independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control and audit monitor, financial and accounting management, human resources and information technology.

Based on the above, our Directors believe that we have administrative independence from our Tianbao Holdings.

Financial Independence

We have sufficient working capital and banking facilities to operate our business independently, and have adequate internal resources and a strong and stable credit profile to support our daily operations. After the Reorganization, our Company becomes a standalone joint stock company in the PRC and the parent of those operating entities. We have independent access to third-party financing and, going forward, are capable of obtaining such financing

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

without relying on the guarantees or securities provided by our Controlling Shareholders. Please see the section headed “Financial Information – Liquidity and Capital Resources – Working Capital” in this Prospectus for more details.

Further, we have established an independent finance department with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a complete financial management system. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We maintain basic accounts with banks independently and our Controlling Shareholders do not share any bank account with us. We have made independent tax registrations and paid tax independently pursuant to applicable PRC tax laws and regulations. There has not been any tax paid by us together with our Controlling Shareholders and other enterprises under its control on a combined basis.

Our Directors confirm that during the Track Record Period, our Controlling Shareholders have not provided any guarantees to our Group.

Overall financial arrangement of our Controlling Shareholders

Our Controlling Shareholders enter into loan arrangements with commercial banks from time to time in order to facilitate the companies under our Controlling Shareholders’ group to meet the financing and working capital requirements. Depending on the requirements of a commercial bank, it may or may not require our Controlling Shareholders or other group companies to provide guarantees or other fund flow arrangements in respect of the bank loan. During the Track Record Period and up to the Latest Practicable Date, our Group arranged our own bank facilities and did not obtain any bank loans arranged by our Controlling Shareholders as the borrower or the guarantor. However, as part of the legacy arrangements set in place by our Controlling Shareholders, we provided nominal administrative assistance to them in respect of certain group-wide financing arrangements relating to a number of third party bank loans obtained by our Controlling Shareholders for part of the Track Record Period between 2015, 2016 and 2017 as described further below.

As informed by our Controlling Shareholders, as part of these loan arrangements, taking into consideration the conditions of our Controlling Shareholders and other factors, certain commercial banks may require our Controlling Shareholders to deposit the amount of the loan to a selected subsidiary of our Controlling Shareholders with active operations, and/or use the loan to fund such selected subsidiary. During part of the Track Record Period between 2015, 2016 and 2017, in order to comply with the requirements of certain commercial banks, our Controlling Shareholders remitted bank loans totaling RMB1,516 million to the Group’s bank account seven times (the “**Relevant Financing**”) in accordance with seven separate loan agreements entered into with commercial banks. After the initial remittance, all the amounts of the Relevant Financing have been remitted from us to our Controlling Shareholders in full within a short time not exceeding 5 days. Our Controlling Shareholders did not charge us any interest or fee in respect of the amount of the Relevant Financing, and vice versa. In reality, we were not users of the funding from the Relevant Financing as we have been able to source

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

for our own financing needs independent from our Controlling Shareholders over the Track Record Period. However, our nominal administrative assistance to our Controlling Shareholders reflects our historical role as a wholly-owned subsidiary of our Controlling Shareholders to facilitate their co-operations with lender banks that offer the best commercial terms of loans procured. This allows the overall funding requirements of our Controlling Shareholders' group (excluding us) to be pooled together on the entire group wide basis while leveraging on the strong credit standing of our Controlling Shareholders. As advised by our PRC Legal Advisors, there are no legal restrictions to prevent the relevant banks in impose conditions for the Relevant Financing that the funds be first transferred to an operating subsidiary of our Controlling Shareholders (such as our Company) before onward transfer to our Controlling Shareholders for their subsequent group wide deployment. We were not subject to any financial exposure for such arrangements as we were not party to the underlying loan agreements to the Relevant Financing and have already transferred all relevant funds in full to our Controlling Shareholders prior to the end of 2016 as described above. Based on the interviews conducted with the relevant banks, the Directors, believe it is not uncommon in the PRC context for an operating subsidiary to provide such nominal administrative assistance in respect of its group-wide financing arrangement. This type of financing arrangement is not one of the on-lending arrangements between the subsidiary and its parent company, and it is not prohibited under the PRC law basing on the relevant banks' approval to such financing arrangement.

There have been no guarantees or other arrangement made by us for such Relevant Financing from our Controlling Shareholders. Our PRC Legal Advisors have confirmed that our Group is not required to assume any liability or obligation arising from the terms and conditions of the abovementioned loan agreements entered into by our Controlling Shareholders as a borrower in respect of the Relevant Financing. The remittance relating to the Relevant Financing is deemed and disclosed to be related party transactions between us and our Controlling Shareholders and the amounts for the year ended December 31, 2015, 2016 and 2017 are set out in the Accountants' Report as included in Appendix I to this Prospectus. In view of the nature of the related party transactions, our Directors confirm that the transactions will not adversely affect our business, operation or financial position. Based on a review of the underlying loan agreements to the Relevant Financing and interviews conducted with the relevant banks, our Directors are satisfied that the aforesaid arrangements were made in accordance with operating requirements of the relevant banks and that there is no recourse by such banks against our Group which did not utilize any part of the funding from such financing. As at the Latest Practicable Date, all such Relevant Financing have been settled by our Controlling Shareholder.

Recognising the need to maintain operational and financial independence from our Controlling Shareholders, our Group has not entered into any similar arrangements as the Relevant Financing described above with our Controlling Shareholder since January 2017, and will not enter into any similar arrangement upon Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Repayments of the capital reduction

In October 2016, the registered capital of Tianjin Tianbao Electricity was reduced from RMB219,002,673 to RMB87,002,673 and the capital reserve of Tianjin Tianbao Electricity was reduced from RMB136,725,216.38 to RMB27,851,616.38. After the aforesaid capital reduction, Tianjin Tianbao Electricity was obliged to return approximately RMB228.4 million and RMB12.5 million to Tianbao Holdings and Tianbao Investment, respectively. In December 2016, Tianjin Tianbao Electricity entered into an agreement with Tianbao Holdings and Tianbao Investment, under which, Tianjin Tianbao Electricity shall repay the capital reduction payment according to the following repayment plan: (1) to pay RMB12,490,260.05 to Tianbao Investment by June 2018; (2) to pay RMB60 million to Tianbao Holdings by December 2018; (3) to pay RMB80 million to Tianbao Holdings by December 2020; (4) to pay RMB88,383,339.95 to Tianbao Holdings by December 2021. Our Company assumed the liability in respect of the above repayment upon its incorporation. Tianbao Holdings and Tianbao Investment will not charge any interest on the capital reduction.

Apart from the amount due to and due from our Controlling Shareholders which accrued from the transactions conducted in our ordinary course of business, as at the Latest Practicable Date, the amount due to our Controlling Shareholders was RMB240,874,000, which comprised of the outstanding repayment of capital reduction in the amount of RMB240,874,000.

Before our Company's listing, our Company has obtained credit facilities in an aggregate amount up to RMB262 million, which can be utilized for the repayment of the loans due to our Controlling Shareholders, if necessary. To alleviate the risk of any potential reliance on the Controlling Shareholders financially, we have committed that (i) we will not drawdown the unutilized banking facilities in the amount of RMB262 million for purpose other than repayment of our shareholders' loan; and (ii) we will place our cash with at least two independent banking corporations instead of financial institutions controlled by our Controlling Shareholders. Taking into account the Company's current working capital level, the Directors believe that we have sufficient working capital to repay the capital reduction by installment or in full as planned.

In respect of the abovementioned bank credit facilities and our working capital status, our Group may repay the amounts payables to our Controlling Shareholders at any time upon the Listing based on our capital condition. Therefore, our Directors believe that our Group is financially independent of our Controlling Shareholders.

In light of the above, our Directors are of the view that financial assistance provided by our Controlling Shareholders during the Track Record Period would not affect our financial independence from our Controlling Shareholders; going forward, our Company is capable of obtaining financing from external sources for our business operations upon market terms and conditions without reliance on our Controlling Shareholders and will be financially independent of our Controlling Shareholders and/or its associates upon the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

Following the Share Offer (assuming Offer Size Adjustment Option is not exercised), Tianbao Holdings will directly hold approximately 71.11% of our issued share capital. Tianbao Holdings is a wholly-owned subsidiary of TFIHC. TFIHC also holds the entire equity interests in Tianbao Investment, which will hold approximately 3.89% of our share capital, assuming no Offer Size Adjustment Option is exercised. Immediately after the Share Offer, TFIHC will collectively and indirectly own approximately 75% of our share capital, assuming no Offer Size Adjustment Option is exercised. TFIHC and Tianbao Holdings will both remain as our substantial shareholders. Tianbao Group will continue to have certain transactions with our Group which constitute connected transactions as defined under Chapter 14A of the Listing Rules. Under Rules 14A.07(1) and (4) of the Listing Rules, members in the Tianbao Group are our connected persons.

We have entered into certain agreements with Tianbao Group, including the Non-competition Deed, Trademark License Agreement, repayment of capital reduction, Loan Services Framework Agreement, General Supply Framework Agreement, Electricity Supply Framework Agreement, Construction, Technical Support and Maintenance Services Framework Agreement as well as the Raw Material Procurement Framework Agreement. Transactions contemplated under these agreements will constitute continuing connected transactions within the meaning of the Listing Rules.

Set forth below are details of the connected transactions between our Company and Tianbao Group as well as, where applicable, the waivers from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange.

AGREEMENTS RELATING TO THE REORGANIZATION

Non-competition Deed

In order to avoid any possible future competition between our Group and our Controlling Shareholders, our Group entered into the Non-competition Deed with Tianbao Group in favor of our Group. Pursuant to the Non-competition Deed, we were granted the options for acquiring the New Business Opportunities, the options for acquisitions and the pre-emptive rights. For further details regarding the terms of the Non-competition Deed, please refer to the section headed “Relationship with Controlling Shareholders – Non-competition Deed and Undertakings” in this Prospectus.

CONNECTED TRANSACTIONS

Implications under the Listing Rules

Any transaction that might take place after the Share Offer pursuant to any agreement or arrangement described in the section headed “History, Reorganization and Corporate Structure – Our Reorganization” in this Prospectus or pursuant to the Non-competition Deed would be made in the performance of the relevant transactions already entered into before the Share Offer. Therefore, such transactions will not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. However, if we should decide to exercise the options for acquiring any of the New Business Opportunities, the options for acquisitions or the pre-emptive rights as provided for under the Non-competition Deed, such transactions will constitute connected transactions, and we shall comply with the relevant requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary Table of our Continuing Connected Transactions

Set forth below are our connected transactions as well as the waivers from strict compliance with the relevant requirements of the Listing Rules that our Company has received from the Stock Exchange:

<u>Nature of transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	Proposed annual cap (RMB in thousands) for the year ending December 31,		
			2018	2019	2020
<i>I. Exempt Continuing Connected Transactions</i>					
Trademark License Agreement	14A.76(1)	N/A	N/A	N/A	N/A
Repayment of the capital reduction	14A.90	N/A	N/A	N/A	N/A
Loan Services Framework Agreement	14A.90	N/A	N/A	N/A	N/A
General Supply Framework Agreement	14A.97	N/A	N/A	N/A	N/A
Electricity Supply Framework Agreement	14A.97	N/A	N/A	N/A	N/A

CONNECTED TRANSACTIONS

Nature of transaction	Applicable		Proposed annual cap (RMB in thousands) for the year ending December 31,		
	Listing Rules	Waiver sought	2018	2019	2020
<i>II. Non-Exempt Continuing Connected Transactions</i>					
<i>(a) Continuing Connected Transactions which is subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement</i>					
Construction, Technical Support and Maintenance Services Framework Agreement	14A.31 14A.34 14A.35	Waiver from announcement requirement	4,000	4,000	4,000
<i>(b) Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements</i>					
Raw Material Procurement Framework Agreement	14A.31 14A.34 14A.35 14A.36 14A.49 14A.71	Waiver from announcement and independent shareholders' approval requirements	28,127	28,127	28,127

I. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions Exempted under Rules 14A.76(1)

The following transaction is made in the ordinary and usual course of our business and on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not be more than 0.1% on an annual basis. By virtue of Rule 14A.76 (1) of the Listing Rules, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) Trademark License Agreement

Principal terms: We entered into a trademark license agreement with Tianbao Holdings on April 4, 2018 (the “**Trademark License Agreement**”), pursuant to which Tianbao Holdings has agreed to grant us a general license on a non-exclusive basis in respect of certain trademarks of Tianbao Holdings for our use free of charge. Unless with the prior written consent of Tianbao Holdings, we may not transfer or license such trademarks to any third parties.

CONNECTED TRANSACTIONS

The Trademark License Agreement, effective on the Listing Date, is for a term of 20 years for nil consideration. Tianbao Holdings will take all measures necessary to maintain (or extend) the effective registration of the trademarks licensed for our use under the Trademark License Agreement.

Reasons for the transaction: We have been using the trademarks of Tianbao Holdings for a number of years. As such, in order to continue to leverage our brand awareness, we will continue to use certain trademarks of Tianbao Holdings after completion of the Share Offer. Since the relevant trademarks are fundamental to our corporate brand and the trademark license is granted to us for nil consideration, the initial term of the Trademark License Agreement is set at 20 years, i.e. on better terms to our Company and the interests of our Shareholders as a whole.

Historical amounts: The amounts of transaction carried out for the three years ended December 31, 2015, 2016 and 2017 were nil, nil and nil, respectively. Since the trademark license is granted for nil consideration and we are not required to pay any license fee to Tianbao Holdings, each of the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the above continuing connected transaction is less than 0.1%. Accordingly, the transaction contemplated under the Trademark License Agreement constitutes a de minimis continuing connected transaction exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the Trademark Licence Agreement, the Directors and the Sole Sponsor are of the view that: (i) the trademarks have been used for a number of years and the continuous use of the trademark will allow the Company to maintain brand awareness and consistency of its market image; (ii) the term of 20 years for nil consideration would benefit the Company and the interest of the Company's shareholders as a whole; and (iii) 20 years is a long term which affords a great degree of stability and continuity of the Company's business. The Sole Sponsor also notes the term of 20 years for such license agreement is not uncommon among state-owned enterprises listed on the Stock Exchange and is of the view that it is normal market practice for the term of the license agreement of this nature to be 20 years.

Continuing Connected Transactions Exempted under Rules 14A.90

The following transactions are financial assistances received by our Group from Tianbao Group, the connected persons of our Group conducted on normal commercial terms or better and it is not secured by the assets of our Group. By virtue of Rule 14A.90 of the Listing Rules, the transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Repayment of the capital reduction

In October 2016, the registered capital of Tianjin Tianbao Electricity was reduced from RMB219,002,673 to RMB87,002,673 and the capital reserve of Tianjin Tianbao

CONNECTED TRANSACTIONS

Electricity was reduced from RMB136,725,216.38 to RMB27,851,616.38. After the aforesaid capital reduction, Tianjin Tianbao Electricity shall return approximately RMB228.4 million and RMB12.5 million to Tianbao Holdings and Tianbao Investment, respectively. On December 30, 2016, Tianjin Tianbao Electricity entered into an agreement with Tianbao Holdings and Tianbao Investment, under which, Tianjin Tianbao Electricity shall repay the capital reduction payment according to the following repayment plan: (1) to pay RMB12,490,260.05 to Tianbao Investment by June 2018; (2) to pay RMB60 million to Tianbao Holdings by December 2018; (3) to pay RMB80 million to Tianbao Holdings by December 2020; (4) to pay RMB88,383,339.95 to Tianbao Holdings by December 2021. Our Company assumed the liability in respect of the above repayment upon its incorporation. Tianbao Holdings and Tianbao Investment will not charge any interest on the capital reduction.

The above repayment arrangement will constitute continuing connected transactions in the form of financial assistance from connected persons in favor of our Group on normal commercial terms (or better to our Group) where no security over the assets of our Group is granted and would, upon the Listing, be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

(3) *Loan Services Framework Agreement*

We entered into a loan services framework agreement (“**Loan Services Framework Agreement**”) with TFIHC on April 4, 2018, pursuant to which Tianbao Group will provide loans services to us for the benefit of our Group. Our Directors consider that Tianbao Finance is able to provide loans to us on a fast-track basis with simplified and streamlined approval, drawdown and repayment procedures. When faced with urgent business and operation needs, Tianbao Finance will be well positioned to provide us short-term funding support in a timely and efficient manner.

The interest rates applicable to the loans provided to us from Tianbao Group shall be (i) on normal commercial terms; (ii) the benchmark interest rate published by PBOC for loans of a similar type for the same period; and (iii) no less favorable than interest rates for the comparable loans provided by Tianbao Group to other members of Tianbao Group.

The above loan services will constitute continuing connected transactions in the form of financial assistance from connected persons in favor of our Group on normal commercial terms (or better to our Group) where no security over the assets of our Group is granted and would, upon the Listing, be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

CONNECTED TRANSACTIONS

Continuing Connected Transactions Exempted under Rules 14A.97

The following transactions are carried out in our ordinary and usual course of business to the public in Tianjin Port Free Trade Zone (Seaport) and on normal commercial terms that are comparable to or no more favorable than those offered to Independent Third Parties. By virtue of Rule 14A.97 of the Listing Rules, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) General Supply Framework Agreement

We have been providing steam, heating and cooling to the public in Tianjin Port Free Trade Zone (Seaport), which includes our connected person (including our Directors, Supervisors and some of the companies in the Tianbao Group). On April 4, 2018, we and TFIHC entered into a general supply framework agreement (“**General Supply Framework Agreement**”) pursuant to which our Group, will continue to sell steam, heating and cooling to Tianbao Group upon Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the General Supply Framework Agreement.

The generation and selling of steam, heating and cooling from a power station is in the ordinary and usual course of business of our Group and the supply of electricity to Tianbao Group belongs to normal business arrangement and based on arm's length negotiation. The terms we offered to TFIHC are comparable to or no more favorable than those offered to Independent Third Parties. Therefore, these continuing connected transactions, namely selling of consumer goods and services under 14A.97 of the Listing Rules, will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(5) Electricity Supply Framework Agreement

We have been providing electricity to the public in Tianjin Port Free Trade Zone (Seaport), which includes our connected person (including our Directors, Supervisors and a number of the companies in the Tianbao Group). On April 4, 2018, we and TFIHC entered into an electricity supply framework agreement (“**Electricity Supply Framework Agreement**”), pursuant to which our Group will sell electricity to Tianbao Group upon Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Electricity Supply Framework Agreement.

The dispatch and sale of electricity is in the ordinary and usual course of business of our Group and the supply of electricity to Tianbao Group belongs to normal business arrangement and based on arm's length negotiation. The terms we offered to TFIHC are

CONNECTED TRANSACTIONS

comparable to or no more favorable than those offered to Independent Third Parties. Therefore, these continuing connected transactions, namely selling of consumer goods and services under 14A.97 of the Listing Rules, will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(a) **Continuing Connected Transaction which is subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement**

The following transactions are entered into during the ordinary and usual course of our business on normal commercial terms where, as our Directors currently expect, each of the applicable "percentage ratios" (except for the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% or will be less than 25% on an annual basis and the annual consideration is less than HK\$10,000,000. These transactions qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirement set out in Chapter 14A of the Listing Rules.

(6) *Construction, Technical Support and Maintenance Services Framework Agreement*

Principal terms: We entered into a construction, technical support and maintenance services framework agreement ("**Construction, Technical Support and Maintenance Services Framework Agreement**") with TFIHC on April 4, 2018, pursuant to which our Group will provide certain types of construction, technical support and maintenance services to Tianbao Group, including construction, spare parts services, training, maintenance, operation preparation services, technical studies and expert support services.

The Construction, Technical Support and Maintenance Services Framework Agreement, effective on the Listing Date, is valid for a term commencing from the Listing Date and ending on December 31, 2020. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Construction, Technical Support and Maintenance Services Framework Agreement.

Reasons for the transactions: Historically, we have been providing certain construction, technical support and maintenance services provided to Tianbao Group in our ordinary and usual course of business in relation to power generation and industrial facility operation. We have carried out such transactions with Tianbao Group because: (i) members of our Group and Tianbao Group have established business relationships since

CONNECTED TRANSACTIONS

their respective establishments; (ii) we are specialist providers in the respective fields, either possessing the requisite license for provision of such service and/or are equipped with experienced and skilled technicians to carry out the specialized work involved; and (iii) the services provided by us to Tianbao Group have been on arm's length basis and no more favorable terms, compared with the services we provided to other third parties, taking into account the service quality, price, knowledge of each other's business needs and operational requirements, familiarity with each other's projects and value-added contributions that could be offered.

Pricing policy: The service fees are agreed and based on actual costs and expenses incurred in providing the relevant services on normal commercial terms after arm's length negotiations and on normal commercial terms between the relevant parties with reference to fees in the open market, which shall be no less favourable than the price for similar transactions with independent third parties.

Historical amounts: The amounts of fees in respect of the construction, technical support and maintenance services received/receivable from Tianbao Group for the three years ended December 31, 2015, 2016 and 2017 are set out below:

	Historical Amount For Year Ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Total fees paid/payable to our Group from Tianbao Group	3,774	3,203	6,635

Annual caps: The maximum aggregate annual transaction amount for the three years ending December 31, 2018, 2019 and 2020 shall not exceed the caps as set out below:

	Proposed annual cap. Year Ended December 31,		
	2018	2019	2020
	<i>(RMB in thousands)</i>		
Total fees paid/payable to our Group from Tianbao Group	6,700	6,700	6,700

Basis of annual caps: In determining the above annual caps, our Directors have considered, among other factors, (i) the historical transaction amounts incurred between our Group and Tianbao Group in respect of the construction, technical support and maintenance services provided/received; and (ii) the estimated increase in the average market price for such construction, technical support and maintenance services attributable to anticipated increases in labor and technology costs.

CONNECTED TRANSACTIONS

(b) Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements

The following transactions are entered into during the ordinary and usual course of our business on normal commercial terms where, as our Directors currently expect, each of the applicable “percentage ratios” (except for the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5% on an annual basis and the annual consideration will exceed HK\$10,000,000. Under the Listing Rules, these transactions will be subject to the requirements of reporting, annual review, announcement and independent shareholders' approval.

(7) Raw Material Supply Framework Agreement

Principal terms: In the ordinary and usual course of our business, we entered into a raw material framework agreement, dated April 4, 2018, with TFIHC (the “**Raw Material Supply Framework Agreement**”), pursuant to which we will purchase from Tianbao Group and Tianbao Group will supply to us coal and water.

The Raw Material Supply Framework Agreement, effective on the Listing Date, is valid for a term commencing from the Listing Date and ending on December 31, 2020. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Raw Material Supply Framework Agreement.

Reasons for the transactions: In the ordinary and usual course of our business, we procure, among other, coal and water for our power generation and electricity dispatch operation. Historically, we have been procuring coal and water from Tianbao Group in our ordinary and usual course of business to fuel our coal-fired cogeneration power plant. Tianbao Group is a coal and water supplier in Tianjin and supplies quality coal and water at competitive pricing in the open market within the range as prescribed by the PRC government from time to time. The Raw Material Supply Framework Agreement provides a formal and unified framework of operations for the supply and procurement of coal and water between our Group and Tianbao Group.

Pricing policy: For procurement of coal, the price is set through a public tendering and bidding process, and by making reference to the price of similar products available in the open market. For procurement of water, the price is set and adjusted by competent local pricing bureau or by making reference to the price of similar products available in the open market. The procurement of coal and water will be conducted on normal commercial terms and the purchase price of coal and water will be at rates no less favourable to our Group than those available from independent third parties for the relevant transactions.

CONNECTED TRANSACTIONS

Historical amounts: The amounts of transactions paid or payable by our Group in relation to procurement of coal and water from Tianbao Group for the three years ended December 31, 2015, 2016 and 2017 are set out below:

	Historical Amount For Year Ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Coal	10,758	12,250	nil
Water	10,508	6,975	365
Total fees paid/payable by our Group to Tianbao Group	21,266	19,225	365

Annual caps: The maximum aggregate annual transaction amount for the three years ending December 31, 2018, 2019 and 2020 shall not exceed the caps as set out below:

	Proposed annual cap Year Ended December 31,		
	2018	2019	2020
	<i>(RMB in thousands)</i>		
Total fees paid/payable by our Group to Tianbao Group	28,127	28,127	28,127

Basis of annual caps: In determining the above annual caps, our Directors have considered a number of factors including (i) the historical transaction amounts with Tianbao Group for the purchase of our raw materials, including coal and water; (ii) the estimated sales volume of raw materials to be purchased from Tianbao Group for the three years ending December 31, 2020; and (iii) the current unit price of the raw materials we purchased from Tianbao Group. The proposed annual caps for the Raw Material Supply Framework Agreement are significantly higher than the historical transaction amount principally because for conservative reasons, we have adopted the highest purchase price of coal during the period from January to September 2017 (RMB587.3) multiplying by the total volume of coal purchased by our Company for the year ended December 31, 2016 as a basis of determining the annual caps, in view of the pricing trend of coal as set out in the section headed “Industry Overview” in this prospectus. During the year ended December 31, 2017, the highest price of standard coal (5,000 kcal/kg) we purchased (excluding VAT) was RMB595.1 per ton, as compared with RMB455 per ton and RMB553 per ton for the years ended December 31, 2015 and 2016, respectively.

CONNECTED TRANSACTIONS

CORPORATE GOVERNANCE MEASURES

We have adopted the following internal control and corporate governance measures to ensure that our transactions with Tianbao Group will be conducted on normal commercial terms going forward:

- (i) where applicable and commercially sensible, we will continue to request Tianbao Group to provide the relevant materials, products and services to us on arm's length basis and on the best available terms, with reference to the prevailing market prices;
- (ii) as part of our internal control measures, the implementation of the Framework Agreements and the actual number and amount of materials, products and services will be monitored and reviewed by our Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with independent third parties;
- (iii) the relevant operational divisions of our Group will report regularly to senior management with respect to the actual performance of our transactions with Tianbao Group;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) we will comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions in this regard;
- (vi) pursuant to the Corporate Governance Code and Corporate Governance Report in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice in respect of the relevant transactions from external parties in appropriate circumstances;
- (vii) we shall use our best endeavor to comply with the relevant reporting, annual review announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (viii) we will engage our auditors to review the connected transactions between us and TFIHC to ensure that the transactions contemplated under the Framework Agreements have been conducted in accordance with the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (ix) we will duly disclose in our annual reports and accounts the transactions with Tianbao Group during each financial period, together with the conclusions (with basis) drawn by our independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Shareholders as a whole.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under paragraph 1 of the sub-section “Non-Exempt Continuing Connected Transactions” will constitute connected transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. Each of the transactions under paragraph 2 of sub-section “Non-Exempt Continuing Connected Transactions” will constitute connected transactions subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders’ approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and/or independent shareholders’ approval requirements in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the discloseable and non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of us and our Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions under paragraph II of subsection headed “– Continuing Connected Transactions” above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the Sole Sponsor is of the view that such non-exempt continuing connected transactions are on normal commercial terms, are fair and reasonable as far as our Shareholders is concerned and have been and will be entered into in the ordinary and usual course of business of our Group. The Sole Sponsor is also of the view that the above annual caps for such transactions are fair and reasonable.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table presents certain information of our Directors, Supervisors and senior management:

Directors

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Mr. GAO Hongxin (高洪新)	51	executive Director and chairman of the Board	March 24, 2017 ^(note)	May 10, 2007	Holding Board meetings; formulating business development strategies; reforming the power system and safety management.
Mr. XING Cheng (邢城)	54	executive Director	March 24, 2017 ^(note)	February 17, 2016	Supervising the daily operation of our Company and in charge of our Company's Haigang Thermal Plant, production technology department, sales centre and safety monitoring department.
Mr. PENG Chong (彭冲)	40	executive Director	March 24, 2017 ^(note)	January 1, 2017	Responsible for our Company's financial accounting, financing, tax matters and in charge of the financial management department of our Company.
Ms. FANG Wei (房玮)	38	executive Director	March 24, 2017 ^(note)	January 1, 2017	Assisting the chairman of the Board in respect of capital market operations; liaising with relevant regulatory authorities and in charge of the securities department of our Company.

Note: Mr. Gao Hongxin, Mr. Xing Cheng, Mr. Peng Chong, Ms. Fang Wei and Mr. Wu Tao were Directors of the Company since January 19, 2017 and on March 24, 2017, Mr. Gao Hongxin, Mr. Xing Cheng, Mr. Peng Chong and Ms. Fang Wei were redesignated as executive Directors and Mr. Wu Tao were redesignated as non-executive Directors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Mr. YU Yang (于陽)	39	non-executive Director	November 22, 2017	November 22, 2017	Participating in the decision making of Directors with respect to major issues of our Company; and making recommendations on matters such as corporate governance, audit as well as remuneration of Directors, Supervisors and senior management.
Mr. WU Tao (武韜)	56	non-executive Director	March 24, 2017 ^(note)	January 19, 2017	Participating in the decision making of Directors with respect to major issues of our Company; and making recommendations on matters such as corporate governance, audit as well as remuneration of Directors, Supervisors and senior management.
Mr. LAU Tsz Bun (劉子斌)	47	independent non-executive Director	April 4, 2018	April 4, 2018	Participating in the decision making of Directors with respect to major issues of our Company; and making recommendations on matters such as corporate governance, connected transactions, audit as well as remuneration of Directors, Supervisors and senior management; and overseeing the financial reporting system and internal control procedures.

Note: Mr. Gao Hongxin, Mr. Xing Cheng, Mr. Peng Chong, Ms. Fang Wei and Mr. Wu Tao were Directors of the Company since January 19, 2017 and on March 24, 2017, Mr. Gao Hongxin, Mr. Xing Cheng, Mr. Peng Chong and Ms. Fang Wei were redesignated as executive Directors and Mr. Wu Tao were redesignated as non-executive Directors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Mr. HAN Xiaoping (韓曉平)	60	independent non-executive Director	April 4, 2018	April 4, 2018	Participating in the decision making of Directors with respect to major issues of our Company; and making recommendations on matters such as corporate governance, connected transactions, audit as well as remuneration of Directors, Supervisors and senior management.
Ms. YANG Ying (楊瑩)	38	independent non-executive Director	April 4, 2018	April 4, 2018	Participating in the decision making of Directors with respect to major issues of our Company; making recommendations on matters such as corporate governance, connected transactions, audit as well as remuneration of Directors, Supervisors and senior management.

Supervisors

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Ms. XUE Xiaofang (薛曉芳)	51	chairperson of the Supervisory Board	January 19, 2017	January 19, 2017	Overseeing the affairs of the Supervisory Committee and supervising operation and financial activities of our Company as well as the performance of Directors and senior management.
Mr. SHAO Guoyong (邵國永)	39	Supervisor	January 19, 2017	January 19, 2017	Supervising operation and financial activities of our Company as well as the performance of Directors and senior management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Mr. YANG Kui (楊逵)	39	Supervisor	January 19, 2017	October 1, 1997	Supervising operation and financial activities of our Company as well as the performance of Directors and senior management on behalf of employees.

Senior Management

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Mr. XING Cheng (邢城)	54	general manager	January 19, 2017	February 17, 2016	In charge of the daily operations of our Company. Also in charge of our Company's Haigang Thermal Plant, manufacturing technology department, sales centre and safety monitoring department of our Company.
Mr. MAO Yong Ming (毛永明)	48	vice general manager	January 19, 2017	April 1, 1997	Responsible for our Company's administrative, human resources management, power supply, distribution, engineering, materials procurement and information technology matters. Also in charge of office, engineering department, power supply department and Tianjin Baorun.
Mr. PENG Chong (彭冲)	40	chief financial officer	January 19, 2017	January 1, 2017	Responsible for our Company's financial accounting, financing, tax matters. Also in charge of the financial management department of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Roles and Responsibilities
Ms. FANG Wei (房瑋)	38	head of the securities department and secretary to the Board	January 19, 2017	January 1, 2017	Assisting the chairman of the Board in respect of our Company's capital market operations; liaising with relevant regulatory authorities. Also in charge of the securities department of our Company.
Mr. FENG Wei (馮巍)	50	factory director of our Company's Haigang Thermal Plant	January 19, 2017	March 21, 2016	Responsible for the operation and electricity production of our Company's Haigang Thermal Plant.
Mr. YAO Shen (姚慎)	46	head of the production technology department	January 19, 2017	July 5, 1994	Responsible for our Company's bidding management, production technology, power grid and thermal pipe network planning and asset management.
Mr. PAN Xiushan (潘秀山)	50	manager of Tianjin Baorun	January 19, 2017	May 1, 1998	Managing the daily operations of our Company's subsidiary, Tianjin Baorun.
Ms. WANG Hua (王華)	44	marketing center director	January 19, 2017	May 4, 1998	Responsible for the sales and marketing of electricity as well as customer service matters.
Mr. QI Song (齊頌)	45	department head of electricity supply department	January 19, 2017	July 5, 1995	Responsible for the daily operation and management of power grid and power supply facilities.

There is no other information relating to the relationship of any of our Directors and Supervisors with other Directors, Supervisors and members of the senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

BOARD OF DIRECTORS

Our Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include, but are not limited to, convening shareholders' meetings, reporting the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Board's work at the shareholders' meetings, implementing the resolutions passed at the shareholders' meetings, determining our business plans and investment plans, preparing annual budget and final accounts, formulating proposals for profit distributions, recovery of losses and for the increase or reduction of registered capital, as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Directors

Executive Directors

Mr. GAO Hongxin (高洪新), aged 51, is the chairman of the Board and an executive Director of our Company. He is responsible for holding Board meetings, formulating business development strategies, reforming the power system operations and safety management. Mr. Gao joined our Group on May 10, 2007 and has more than 25 years of experience in the power industry. In October 1989, Mr. Gao joined Tianjin Teda Electric Co., Ltd. (天津泰達電力公司) and worked successively as a technician in the power generation, equipment and electricity supply departments, deputy head of operation department, head of measuring management department, head of engineering departments, head of client service department, head of electricity supply department, and head of public and private electricity management department from October 1989 to April 2007, successively responsible for various matters including the electricity supply, overall operation and administrative management of the company. He joined our Company in May 2007 as a manager and was appointed as the chairman of the Board and our general manager in April 2012. From June 2009 to April 2012, Mr. Gao was also the vice general manager of Tianbao Thermal mainly in charge of the overall management, and the operation of the electricity supply business. He was reappointed as the chairman of the Board of our Company in March 2017 after it was converted into a joint stock limited liability company.

Mr. Gao obtained a master's degree in electrical engineering from the Northeast Electric Power University* (東北電力大學) in PRC in December 2011. Mr. Gao was awarded the "Tianjin Tianbao Holdings Limited 2012-2013 Team Award for Outstanding Contribution" (天保控股公司2012-2013年度重大項目突出貢獻團隊獎) in January 2014.

Mr. XING Cheng (邢城), aged 54, is the executive Director and general manager of our Company and is responsible for supervising the daily operation of our Company. He is also in charge of our Company's Haigang Thermal Plant, production technology department, sales centre and safety monitoring department. Mr. Xing joined our Company on February 17, 2016. Mr. Xing has rich experience in thermodynamics. From September 1992 to December 2004, he worked in the Tianjin Port Free Trade Zone Tianbao Thermal Co., Ltd., (天津港保稅區天保熱力公司), responsible for production and general operation. Mr. Xing was head of the thermal department of Tianjin Tianbao Public Facility Co. Ltd. (天津天保公用設施有限公司) between December 2004 and December 2006, responsible for the operation of thermal power. Mr. Xing joined Tianbao Thermal in December 2006 as an assistant to the general manager and was promoted to vice general manager in September 2008, responsible for the operation of thermoelectricity generation. Mr. Xing left Tianbao Thermal in February 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xing obtained a bachelor's degree in mechanical engineering (compression and refrigeration) from the Xi'an Jiaotong University (西安交通大學) in PRC in July 1986.

Mr. PENG Chong (彭冲), aged 40, is an executive Director and chief financial officer of our Company. He joined our Group on January 1, 2017 and is responsible for our Company's financial accounting, financing and tax matters. He is also in charge of the financial management department of our Company. Mr. Peng has been a supervisor of the Tianjin Lingang Construction and Development Co., Ltd. (天津臨港建設開發有限公司) since May 2016. Mr. Peng joined Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) in March 2004 as a supervising accountant and left in November 2010 as deputy head (finance), responsible for accounting and financial management. Mr. Peng was deputy head of the finance department of Tianbao Thermal between November 2010 and August 2013 where he was in charge of the financial management matters. He was head of financial management department of Tianjin Tianbao Finance Management Co. Ltd. (天津天保財務管理有限公司) from August 2013 to December 2016, overseeing financing management matters of the Tianbao Group.

Mr. Peng obtained a bachelor's degree in economics and with a major in auditing from Nankai University (南開大學) in PRC in June 1998. He is also a senior accountant accredited by the Tianjin Human Resources and Social Security Bureau. He was awarded the "Personal award in finance work 2007" (2007年度財務工作先進個人) in April 2008, "Personal Award in Finance Education 2010" (2010年度財務後續教育先進個人) in April 2011 and "Labour Award of Binhai New Area 2015" (2015年度濱海新區“五一”勞動獎章) by Binhai New Area Labour Union (濱海新區總工會) in April 2016.

Ms. FANG Wei (房瑋), aged 38, is an executive Director, head of the securities department, joint company secretary and secretary to the Board of our Company. She joined our Group on January 1, 2017 and is responsible for assisting the chairman of the Board for the capital market operations and liaising with relevant regulatory authorities. Ms. Fang is also in charge of the securities department of our Company. Ms. Fang worked as a head of engineer consultant in the Tianjin Tianbao Construction and Development Co. Ltd. (天津天保建設發展有限公司) from July 2002 to May 2003. She then joined Tianbao Holdings and worked as an investment management specialist from June 2003 to November 2009 and head of investment management department from November 2009 to June 2010. Ms. Fang joined Tianbao Investment in June 2010 and worked successively as the head of investment management from June 2010 to September 2013 and head of the investment department from September 2013 to December 2016 where she was responsible for investment management.

Ms. Fang obtained her bachelor's degree in management from the Tianjin University of Technology (天津理工學院), PRC in June 2002 and her master degree in business administration from the Nankai University (南開大學), PRC in June 2009. She has been an intermediate economic analyst accredited by the Tianjin Job Title Office (天津市職稱工作辦公室) since November 2010, an accredited member of the Asset Management Association of China since April 2016 and an accredited member of the Securities Association of China since May 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Fang was selected as the 2016 “Bin Hai New District March 8th Red-banner Holder” (濱海新區三八紅旗手) by the Bin Hai New District Women’s Federation (濱海新區婦女聯合會) in March 2017. She was awarded the “Outstanding Communist Youth League Member” (優秀共青團員) of Tianbao Holdings for the year 2006 to 2007 in May 2007, “Outstanding Communist Youth League Member” of Tianjin Development District Free Trade Zone (開發區保稅區優秀共青團員) for the year 2002 to 2003 in May 2003 and again in April 2007. She was also awarded “Personal Award” (先進個人) by the Work Union of Tianjin Development District Free Trade Zone in March 2004.

Non-executive Directors

Mr. YU Yang (于陽), aged 39, is a non-executive director of the Company. He is responsible for participating in the decision making of directors with respect to major issues of the Company and making recommendations on matters such as corporate governance, connected transactions, audit as well as remuneration of directors, supervisors and senior management of the Company. Mr. Yu joined the Company as a non-executive director on November 22, 2017. Mr. Yu has over 10 years of experience in the operations and management of banking and securities. He served as senior manager at Bohai Securities Co., Ltd. from September 2003 to March 2007. Mr. Yu served as the head of the asset management department of Tianbao Holdings from April 2007 to December 2008. Since January 2009, Mr. Yu served as assistant to the general manager and deputy general manager and currently serves as the general manager at TFIHC. Mr. Yu serves as a non-executive director of Bank of Tianjin Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1578)) since May 2015.

Mr. Yu graduated from Nankai University (南開大學) in Tianjin, China in June 2001 with a bachelor’s degree of sector economics in real estate operation and management from the Department of Economics.

Mr. WU Tao (武韜), aged 56, is a non-executive Director of our Company. He is responsible for participating in the decision making of Directors with respect to major issues of our Company; and making recommendations on matters such as corporate governance, connected transactions, audit as well as remuneration of Directors, Supervisors and senior management. Mr. Wu joined our Group on January 19, 2017. Mr. Wu worked in Tianjin Sinorails-Long Jin Tai Storage and Transportation Co. Ltd. (天津華鐵隆津泰儲運有限公司) as the vice general manager from December 1995 to June 2002 in charge of overall management of the company, Tianjin Tianbao International Procurement Center Co. Ltd. (天津天保國際採購中心有限公司) as general manager from June 2002 to April 2004, Tianjin Tianbao International Logistics Co. Ltd. (天津天保國際物流有限公司) as vice general manager from April 2004 to November 2005 and Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) as vice general manager from November 2005 to October 2014. Mr. Wu has been the vice general manager of Tianbao Investment since October 2014, responsible for the strategic planning and overall management of the company.

Mr. Wu obtained his bachelor’s degree in storage and transportation management from the Beijing School of Business (北京商學院), PRC in July 1985. He is a senior economist accredited by the Tianjin Municipal Human Resources and Social Security Bureau in December 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. LAU Tsz Bun (劉子斌), aged 47, is an independent non-executive Director of our Company. He has over 20 years of experience in financial advisory and professional accounting. He has been a director (since February 2015) of PKF Consulting Inc. Limited and a partner (since January 2016) of PKF Consulting (Shanghai) Co. Ltd., where he provides professional accounting and financial management services. Mr. Lau has also been a director of Finpass Consulting Company Limited from December 2008 to December 2017 and in charge of management of the company. Mr. Lau had, from August 1992 to August 2003, engaged in audit related works in various professional accounting firms, including as a staff accountant and senior auditor in Ernst & Young from August 1992 to January 1996 and as audit manager in KPMG from January 1999 to August 2003. From June 2003 to January 2008 Mr. Lau had been a director of Premium Financial Consulting Co., Limited providing professional accounting and financial management services in Hong Kong. Mr. Lau obtained a bachelor degree's in accountancy from the Hong Kong Polytechnic University in October 1992. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1997, a member of the Chartered Financial Analyst since October 2000 and fellow member of the Association of Chartered Certified Accountants since January 2001.

Mr. HAN Xiaoping (韓曉平), aged 60, is an independent non-executive Director of our Company. He established the China Energy Net in 2000 and has served as its managing director and chief information officer since then. Mr. Han has been an independent non-executive director of Longitech Smart Energy Holding Ltd., a company listed in the Stock Exchange (stock code: 01281) since June 2016 and Beijing Jingneng Clean Energy Co. Ltd., a company listed in the Stock Exchange (stock code: 00579) since October 2014. In 1995, Mr. Han cofounded Beijing Qunying Investment Co., Ltd (北京群鷹投資有限公司), principally engaged in project investment and asset management, and served as its deputy chairman. Mr. Han is also actively involved in the power and energy industry and holds positions in various organizations such as China Natural Gas Industry Association (中國天然氣行業聯合會).

Mr. Han obtained his diploma in media management from the Cheung Kong Graduate School of Business in 2007. He was nominated as visiting professor of the North China Electric Power University (華北電力大學) in June 2006. Mr. Han was awarded the outstanding contribution for distributed energy decade award (中國分佈式能源十年傑出貢獻人物獎) by the China Energy Research Society (中國能源研究會) in 2010, and second class research prize (課題研究二等獎) by the NEA in 2012.

Ms. YANG Ying (楊瑩), aged 38, is an independent non-executive Director of our Company. She has been a senior partner of Shanghai Allbright Law Offices (Tianjin) since June 2015. From February 2006 to February 2010, Ms. Yang was a practising lawyer in several law firms in PRC, including Tianjin Jinbo Law Firm (天津津博律師事務所) and Beijing Zhong Lun Wende (Tianjin) Law Firm (北京中倫文德(天津)律師事務所). She has been the host of the television show "Law Lecture" (法律講堂), broadcasted on channel CCTV-12 and the guest lawyer of the television show "Hotline-12" (熱線12) since 2010. She was an executive chief of the Tianjin Bencheng Law Firm (天津本誠律師事務所) from July 2012 to June 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yang obtained her doctorate degree in management from the University of Tianjin, PRC in February 2009. She was also awarded the Hexi District Youth Foundation Outstanding Progress Award for the years 2012 and 2013 (西青聯優秀進步獎). She was listed as a Tianjin Municipal Government Part-time Government Legal Adviser by the Tianjin Municipal Government Legislative Affairs Office (天津市政府法制辦) in October 2016.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters that need to be brought to the attention of the Shareholders in connection with the appointment of our Directors, and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including matters relating to directorships held by our Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this Prospectus.

Save as disclosed in the section headed “Relationship with Controlling Shareholders” in this Prospectus, none of our Directors has any interests in any business, apart from our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business.

SUPERVISORY BOARD

The Supervisory Board consists of three members, including an employee representative Supervisor. The functions and duties of the Supervisory Board include, but are not limited to, checking financial reports, business reports and profit distribution plans submitted by the Board to the shareholders at the annual general meeting, and, if in doubt, appointing certified public accountants and practicing auditors on behalf of the Company to re-examine our Company’s financial information; inspecting the financial activities of our Company; supervising the performance of Directors, president and other senior management members, and monitoring as to whether they had acted in violation of the law, administrative stipulations or Articles of Association in the execution of their duties; requesting the Directors, president, the general manager and members of the senior management to rectify actions which are damaging to our Company’s interests; and exercising other rights given to them under the Article of Association.

A resolution of our Supervisory Board may be adopted only if it is approved by the vote of two-thirds or more of the members of our Supervisory Board.

Supervisors

Ms. XUE Xiaofang (薛曉芳), aged 51, is a chairperson of the Supervisory Board of our Company. Ms. Xue has been the head of risk management department of Tianbao Holdings since September 2015 responsible for audit and legal affairs accountant. She joined our Group on January 19, 2017. Prior to this, she served successively as an accountant, auditor supervisor, auditor senior supervisor, assistant to the head of risk management department and deputy head

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

of risk management department from August 2002 to September 2015 in Tianbao Holdings, responsible for the management of various financial matters, special audit as well as legal affairs. She was a supervisor between July 2007 and June 2014 and has also been a director of Tianjin Tianbao Infrastructure Co., Ltd. (天保基建股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000965) since June 2014.

She was certified by Ministry of Finance of the PRC as an accountant in October 1994.

Ms. Xue obtained a bachelor's degree in auditing from the Tianjin University of Finance and Economics (天津財經學院) in PRC in July 1989. She was accredited as a certified internal auditor by the China Institute of Internal Audit in November 2003. She obtained senior auditor qualification accredited by the Tianjin Human Resources Bureau in February 2007. She obtained the international certified internal auditor (CIA) qualification (issued by China Institute of Internal Auditors with the authorization from the Institute of Internal Auditors) in November 2003. She was awarded the "2011-2013 Tianjin Internal Auditor Advanced Worker Award" (2011-2013年度天津市內部審計先進工作者).

Ms. Xue was a supervisor of the following company. As confirmed by Ms. Xue, as far as she is aware, the revocation of the business license mentioned below has not resulted in any liability or obligation being imposed against her.

Name of company	Place of incorporation	Nature of business before revocation	Date of revocation	Reasons for revocation
Tianjin Taiyangguang Electricity Technology Co., Ltd. (天津泰陽光電科技有限公司)	PRC	Sale of electronic components	December 2, 2013	Failure to conduct annual inspection

Mr. SHAO Guoyong (邵國永), aged 39, is a Supervisor of the Company. Mr. Shao has been the deputy head of risk management in Tianjin Tianbao Commercial Factoring Co. Ltd. (天津天保商業保理有限公司) since January 2015. He joined our Group on January 19, 2017. From January 2007 to May 2012, Mr. Shao worked as a practicing lawyer in Tianjin Guopeng Law Firm (天津國鵬律師事務所). He then joined Tianjin Tianbao Leasing Co. Ltd. (天津天保租賃有限公司) as head of legal department from June 2012 to January 2015.

Mr. Shao obtained his bachelor's degree in laws from the Tianjin University of Commerce (天津商學院), PRC in June 2001 and his master's degree in laws from Nankai University (南開大學), PRC in December 2015. Mr. Shao holds a practicing certificate from the Ministry of Justice, PRC since November 2003. Mr. Shao was awarded the "2014-2016 Tianjin Excellent In-house Legal Consultant Award" (天津市國資系統2014-2016年度優秀企業法律顧問) by SASAC Tianjin in January 2017.

Mr. YANG Kui (楊達), aged 39, is a Supervisor representing ordinary employees of our Company and was elected as a Supervisor by the employee representative assembly. He was appointed as the head of safety monitoring department in January 2017, and has been

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transferred as the head of resources management department since April 2017. Mr. Yang joined our Company on October 1, 1997 and served successively as a staff responsible for power dispatch operations from October 1997 to December 2009. He became our deputy office supervisor from January 2010 to November 2013, and the chief office supervisor from November 2013 to December 2016.

Mr. Yang obtained his professional degree in computer application from the Tianjin Coastal Polytechnic School (天津濱海職業學院), PRC in July 2001 and his bachelor's degree in information management and information technology from the Tianjin Polytechnic Institute (天津理工學院), PRC in July 2005.

He was awarded the “Excellent Youth Expert of the Free Trade Zone Airport Economic Zone” (保稅區空港經濟區“優秀青年崗位能手”) jointly by the Binhai New Area Youth League/Free Trade Zone Party Committee/Free Trade Zone Human Resources and Social Security Bureau/Free Trade Zone Trade Union/Free Trade Zone Women's Federation (濱海新區團委/保稅區黨委/保稅區人力資源和社會保障局/保稅區工會/保稅區婦女聯合會) in April 2014, the “21st Session Of The Tianjin Enterprise Management Modernization Innovation Achievement First Prize” (第二十一屆天津市企業管理現代化創新成果一等獎) by the Tianjin Enterprise Management Modernization Innovation Achievement Examination Committee (天津市企業管理現代化創新成果審定委員會) in February 2015, and the “2014-2015 Key Work (Project) Outstanding Contributors” award by Tianbao Holdings in January 2016.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of Supervisors that need to be brought to the attention of the Shareholders, and there is no other information relating to our Supervisors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including matters relating to directorships held by Supervisors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this Prospectus.

Save as disclosed in the section headed “Relationship with Controlling Shareholders” in this Prospectus, none of the members of our Supervisory Board has any interest in any business, apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

SENIOR MANAGEMENT

Mr. XING Cheng (邢城), aged 54, is the executive Director and general manager of our Company. Please refer to “– Board of Directors – Executive Directors” for the biographical details of Mr. Xing.

Mr. MAO Yongming (毛永明), aged 48, is the vice general manager of our Company. He is responsible for our Company's administrative, human resources management, power supply and distribution, engineering, materials procurement and information technology matters. He

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

is also in charge of office, engineering department, power supply department, resources management and operation of Tianjin Baorun. Mr. Mao joined our Company on April 1, 1997. He was appointed as our vice general manager in December 2014. He worked successively in our Company as an electrical engineer (electricity supplies) from April 1997 to April 2007; head of the electricity supplies department from April 2007 to December 2011; vice manager and head of the electricity supplies department from December 2011 to August 2013; assistant to general manager and head of the electricity supplies department from August 2013 to December 2014. He was promoted as our vice general manager in December 2014 and was further reappointed for the same position in January 2017 after our Company was converted into a joint stock limited liability company.

Mr. Mao obtained his bachelor's degree in electrical automation from the Tianjin University of Technology and Education (天津職業技術師範大學) in the PRC in July 1991 and his master degree in environmental engineering from the Tianjin University (天津大學) in July 2005.

Mr. PENG Chong (彭冲), aged 40, is the executive Director and chief financial officer of our Company. Please refer to “– Board of Directors – Executive Directors” for the biographical details of Mr. Peng.

Ms. FANG Wei (房瑋), aged 38, is the executive Director, Board secretary, company secretary and head of securities department of our Company. Please refer to “– Board of Directors – Executive Directors” for the biographical details of Ms. Fang.

Mr. FENG Wei (馮巍), aged 50, is the factory director of our Company's Haigang Thermal Plant. He is responsible for the operation and electricity production of our Company's Haigang Thermal Plant. Mr. Feng joined our Company on March 21, 2016. Mr. Feng has more than 28 years of experience in thermal electricity generation. He began his career in Shaanxi Weinan Thermal Power Plant (陝西渭南熱電廠) as a staff from December 1988 to February 1989. He studied the operation of boilers in Xi'an Electric Power School (西安電力學校) from February 1989 to August 1989 and thermal power engineering in the Northwest Electric Power Workers Secondary Specialized School (西北電力職工中等專業學校) from September 1989 to June 1992. He went back to Shaanxi Weinan Thermal Power Plant worked for the boiler department from July 1992 to March 2003, as a boiler technician and later a specialized supervisor. He joined Shaanxi Huayang Thermal Power Group (陝西華陽熱電集團) as a head of manufacturing department from March 2003 to April 2008. Mr. Feng then worked in Tianbao Thermal as a boiler specialist from April 2008 to December 2009, deputy head of the operations department from December 2009 to December 2011, and deputy head of the enterprise management department from December 2011 to July 2013. He was then served as the factory director of the Konggang Thermal Plant from November 2013 to August 2014 and Haigang Thermal Plant from September 2014 to March 2016. He was appointed as the factory director of Haigang Thermal Plant in March 2016 by our Company after our Company completed the integration of the supply business of Haigang Thermal Plant into our operations.

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Mr. Feng is an intermediate professional boiler engineer approved by the Weinan City Job Reform Office (渭南市職改辦) in December 2005. He completed a part-time distance learning course in thermal engineering and power engineering from the Shaanxi University of Science and Technology (陝西理工大學), in PRC, in January 2017.

Mr. YAO Shen (姚慎), aged 46, is our Company's head of the production technology department. He is responsible for our Company's bidding management, production technology, power grid and thermal pipe network planning and asset management. He was also the sole director of Tianjin Baorun from September 2014 to January 2017. Mr. Yao joined our Group on July 5, 1994. He has more than 22 years of experience in electricity generation. He joined our Company in July 1994 as a technician in the engineering technology department from July 1994 to October 2003 and head of the engineering technology department from October 2003 to October 2007. Mr. Yao also worked in Tianjin Baorun as a vice manager, and subsequently a manager, from October 2007 to December 2016. He was reappointed as our Company's head of the production technology department in January 2017 after it was restructured into a joint stock limited liability company.

Mr. YAO has been a level two architect approved by Tianjin Construction Management Committee (天津市建設管理委員會) since March 2008. He obtained his bachelor's degree in electrical engineering and automation from the Tianjin University (天津大學) in PRC in July 1994.

Mr. PAN Xiushan (潘秀山), aged 50, is the manager of Tianjin Baorun responsible for the daily management of Tianjin Baorun. Mr. Pan has nearly 20 years of experience in the electricity industry. He worked in our Company from May 1, 1998 until January 2017 during which he served successively as a regulator from May 1998 to November 2009, chief regulator from December 2009 to November 2014 and the head of electricity supply department and regulator from December 2014 to January 2017, responsible for the compliance matters and operation of electricity supplies, respectively. He was appointed as the manager of Tianjin Baorun in January 2017 after our Company was restructured into a joint stock limited liability company.

Mr. Pan has been a level two architect approved by Tianjin Construction Management Committee (天津市建設管理委員會) since August 2006. In June 2005, he completed a course in computer science and technology from the Network College of Tianjin University (天津大學網絡教育學院), in PRC.

Ms. WANG Hua (王華), aged 44, is the marketing centre director of our Company. She is responsible for the sales and marketing of electricity as well as customer service matters. Ms. Wang has nearly 20 years of experience in the electricity industry. She joined our Company on May 4, 1998 as a regulator. Thereafter she served successively as deputy department head of the safety and monitoring department from June 2012 to January 2016, head of the safety and monitoring department from January 2016 to December 2016 in charge of production safety matters of the Company. She was appointed as the marketing centre director of our Company in January 2017 after it was restructured into a joint stock limited liability company.

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Ms. Wang completed a part-time professional course degree in accounting from the Tianjin University of Commerce, in PRC, in January 2008.

Mr. QI Song (齊頌), aged 45, is the head of electricity supply department of our Company. He is responsible for the daily operation and management of power grid and power supply facilities. Mr. Qi joined our Group on July 5, 1995 and has more than 22 years of experience in the electricity industry. He joined our Company on July 5, 1995 as a staff in the production technology management from July 1995 to September 2007 and head of engineering technology department from October 2007 to February 2016, responsible for matters including electricity planning, bidding and electricity engineering. In March 2016 he was appointed as the head of production technology department, responsible for power planning, bidding and environmental protection. He was head of electricity supply department of our Company in January 2017 after it was restructured into a joint stock limited liability company.

Mr. Qi has been a level 2 architect approved by Tianjin Job Title Office (天津市職稱工作辦公室) since November 2005. He completed a professional course in industrial automation from the Tianjin Polytechnic Institute (天津理工學院), in PRC, in July 1999.

Except as disclosed herein, none of the senior management of our Company held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this Prospectus.

BOARD SECRETARY AND JOINT COMPANY SECRETARIES

Ms. FANG Wei (房瑋) is an executive Director, head of securities department, company secretary and Board secretary of our Company. She was appointed as our joint company secretary on March 24, 2017. See “– Board of Directors – executive Directors” for the biographical details of Ms. Fang.

Mr. WONG Yat Tung (黃日東) is the company secretary of our Company and currently a manager of SW Corporate Services Group Limited. He has more than eight years of extensive experience in providing company secretarial services to private and listed companies. He currently serves as the company secretary of three companies (all listed on the Stock Exchange) and the joint company secretary of six companies (five of which listed on the Stock Exchange and one listed on both the Stock Exchange and the Shanghai Stock Exchange).

Mr. Wong obtained a bachelor’s degree in quantitative analysis for business from the City University of Hong Kong in July 1996 and a master’s degree in corporate governance from the Hong Kong Polytechnic University in August 2009. Mr. Wong is an associate of the Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators.

Pursuant to Rule 3.28 of the Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules, with regards to the qualifications of company secretary. For further details of this waiver application, please refer to “Waivers from Strict Compliance with the Listing Rules – Company Secretary”.

COMPETING INTERESTS

As of the Latest Practicable Date, save as disclosed in this Prospectus, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our business.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

BOARD COMMITTEES

Audit Committee

We have established the audit committee on March 24, 2017, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibilities of the audit committee are to review and supervise our Group’s financial reporting process and internal control system.

The audit committee comprises Mr. Lau Tsz Bun, Ms. Yang Ying and Mr. Wu Tao. Mr. Lau is the chairperson of the audit committee.

Remuneration Committee

We have established the remuneration committee on March 24, 2017, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibilities of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors, Supervisors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies.

The remuneration committee comprises Mr. Lau Tsz Bun, Ms. Yang Ying and Mr. Peng Chong. Mr. Lau is the chairperson of the remuneration committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Nomination Committee

We have established the nomination committee on March 24, 2017, with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibility of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management.

The nomination committee comprises Mr. Gao Hongxin, Ms. Yang Ying and Mr. Han Xiaoping. Mr. Gao is the chairperson of the nomination committee.

DIRECTORS' AND SUPERVISORS' COMPENSATION

For the three years ended December 31, 2015, 2016 and 2017, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and pension-defined contribution plans paid by our Company to our Directors and Supervisors were approximately RMB1.73 million, RMB1.19 million and RMB2.11 million, respectively.

The remuneration paid by our Company to the top five highest paid individuals (including Directors and Supervisors) for the three years ended December 31, 2015, 2016 and 2017 were approximately RMB2.57 million, RMB2.69 million and RMB2.26 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, our Directors, past Directors, Supervisors, past Supervisors or the five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

None of our Directors waived any compensation for any of the last three years. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this Prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Hong Kong Listing Rules, our compliance adviser will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Our compliance adviser will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), the following persons will be entitled to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of our Company:

Name of Shareholder	Nature of Interest	Number of Shares held immediately after the Share Offer	Approximate percentage of Shareholding in the relevant Class of Shares after the Share Offer ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Share Offer ⁽²⁾
Tianbao Holdings	Beneficial owner	109,606,538	94.81%	71.11%
TFIHC	Interests of a controlled corporation	115,600,907 ⁽³⁾	100%	75.00%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares after the Share Offer.
- (2) The calculation is based on the total number of 154,140,907 Shares in issue after the Share Offer.
- (3) Tianbao Holdings is interested in 109,606,538 Domestic Shares, representing approximately 71.11% of our total share capital. Tianbao Investment is interested in 5,994,369 Domestic Shares, representing approximately 3.89% of our total share capital. Since Tianbao Holdings and Tianbao Investment are wholly-owned subsidiaries of TFIHC, TFIHC is deemed to be interested in the Domestic Shares held by Tianbao Holdings and Tianbao Investment.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) be entitled to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of our Company.

For persons who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other members of our Company, please refer to “Appendix VII – Statutory and General Information – 6. Disclosure of Interests” for further details.

Saved as disclosed herein, our Directors are not aware of any other person(s) who will, immediately after the Share Offer, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

As of the date of this Prospectus, the registered share capital of our Company is RMB115,600,907, divided into 115,600,907 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Offer Size Adjustment Option is not exercised, the share capital of our Company immediately after the Share Offer will be as follows:

Number of Shares	Description of Shares	Approximate Percentage of Issued Share Capital
115,600,907	Domestic Shares	75.00
38,540,000	H Shares to be issued under the Share Offer	25.00
154,140,907		100.00

Note:

- (1) As of the date of this Prospectus, these Domestic Shares are held by Tianbao Holdings and Tianbao Investment.

Assuming the Offer Size Adjustment Option is exercised in full, the share capital of our Company immediately after the Share Offer will be as follows:

Number of Shares	Description of Shares	Approximate Percentage of Issued Share Capital
115,600,907	Domestic Shares	72.29
44,321,000	H Shares to be issued under the Share Offer	27.71
159,921,907		100.00

Note:

- (1) As of the date of this Prospectus, these Domestic Shares are held by Tianbao Holdings and Tianbao Investment.

SHARE CAPITAL

OUR SHARES AND RANKING

Our Domestic Shares and H Shares are all ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. Dividends and other payments payable by the Company to holders of Domestic Shares shall be denominated and declared in Renminbi, and payable in Renminbi within three months following the announcement of dividends distribution. Dividends and other payments payable to holders of H Shares shall be denominated and declared in Renminbi and payable in Hong Kong dollars within three months following the announcement of dividends distribution.

As of the date of this Prospectus, our Promoters hold all existing Domestic Shares as promoters' shares (as defined in the PRC Company Law) which constitute the entire issued share capital of our Company. Under the PRC Company Law, promoter shares may not be sold within a period of one year from February 28, 2017, on which we were organized as a joint stock limited company. This lock-up period expired on February 27, 2018. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the public offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this Prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Share Offer, we do not propose to carry out any public or private issue or to place securities simultaneously with the Share Offer or within the next six months from the Listing Date. We have not approved any share issue plan other than the Share Offer.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon the completion of the Share Offer, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange, therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange.

SHARE CAPITAL

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted H Shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our unlisted Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

See "Risk Factors – Risks Relating to the Share Offer – Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares" for further details.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

SHARE CAPITAL

So far as our Directors are aware, none of our existing Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares. Our PRC Legal Advisers advised that the Articles of Association is not inconsistent with the relevant laws and regulations with respect to the laws and regulations regarding the conversion.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the Public Offer of a company, the shares issued by a company prior to the Public Offer of shares shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Share Offer, our Board has been granted a general mandate to allot and issue H Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and to such persons as our Board at their absolute discretion deem fit, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue as of the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant PRC authorities for the actual issuance of H Shares.

For more details of this general mandate, please refer to “Appendix VII – Statutory and General Information – 1. Further Information about Our Company and Our Subsidiary – C. Written resolutions of all our Shareholders passed on March 24, 2017 and April 4, 2018,” for further details.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the three years ended December 31, 2015, 2016 and 2017 included in the Accountants' Report set out in Appendix I to this Prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the principles set out in the section headed "– Basis of Presentation".

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Prospectus.

OVERVIEW

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport). We are engaged in cogeneration of steam together with electricity, heating and cooling. We are the only such power operator in Tianjin which is also engaged in electricity dispatch and sale according to the Ipsos Report. Our operations comprise (i) power generation and supply, (ii) electricity dispatch and sale and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components.

In our power generation and supply business, we derive our revenue from selling electricity to Tianjin Electric Power Company, which is a local branch of State Grid, and providing steam, heating and cooling to our industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport). During the years ended December 31, 2015, 2016 and 2017, we generated revenue from our power generation and supply business in the amount of RMB203.5 million, RMB183.5 million, RMB185.5 million, representing 42.5%, 42.4% and 41.0% of our total revenue, respectively.

In our electricity dispatch and sale business, we derive our revenue from selling electricity purchased from Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid, to our end-user customers in various industries located in Tianjin Port Free Trade Zone (Seaport), including grain and oil, storage and logistics, mechanical manufacturing, electronics manufacturing and chemical engineering. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from our electricity dispatch and sale business of RMB222.7 million, RMB204.7 million and RMB207.8 million, representing 46.5%, 47.3% and 45.9% of our total revenue, respectively.

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In addition, we provide other value-added services, including power facility construction services and industrial facility operation and maintenance services, to our customers in Tianjin Port Free Trade Zone (Seaport), Tianjin Airport Economic Zone and central Tianjin, and sell electrical components, mainly low voltage switches, to our customers in Tianjin. We derive our revenue from providing construction services and operation and maintenance services as well as trading of electrical components to our customers. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from our other businesses in the amount of RMB52.5 million, RMB44.7 million and RMB59.2 million, representing 11.0%, 10.3% and 13.1% of our total revenue, respectively.

For the years ended December 31, 2015, 2016 and 2017, our revenue was RMB478.6 million, RMB432.9 million and RMB452.5 million, respectively. For the same years, our profit for the year was RMB55.0 million, RMB54.3 million and RMB30.3 million, respectively.

BASIS OF PRESENTATION

Tianjin Tianbao Energy Co., Ltd. (formerly known as Tianjin Tianbao Electricity Company Limited) was established in the PRC on October 19, 1992 with limited liability under the Companies Law and converted into a joint stock limited liability company on February 28, 2017. Its registered office is located in Tianjin, PRC.

We are principally engaged in power generation and supply and electricity dispatch and sale businesses in Tianjin Port Free Trade Zone (Seaport). Prior to December 31, 2015, our power generation and supply business was conducted through Tianbao Thermal. For the purpose of including the power generation and supply business operated by our Controlling Shareholders in Tianjin Port Free Trade Zone (Seaport) into our Group, in December 2015, Tianbao Thermal transferred all the property, plant and equipment, construction in progress and lease prepayments as well as all sales contracts relating to Haigang Thermal Plant Business to us. Please see “History, Reorganization and Corporate Structure – Our History and Development – II. 2007 – 2015” for more details. As of December 31, 2015, the carrying value of assets and liabilities specifically relating to Haigang Thermal Plant Business was RMB321.4 million. All current assets and liabilities specifically relating to the Haigang Thermal Plant Business as of December 31, 2015 with a net liability amounted to RMB3.3 million were retained by Tianbao Thermal.

As we were controlled by the same controlling owner with the Haigang Thermal Plant Business before and after the Business Combination, there was a continuation of risks and benefits to the controlling owner. Accordingly, the Business Combination has been accounted for as a restructuring of business under common control in accordance with the principles of merger accounting. Our historical financial statements have been prepared on the basis as if Haigang Thermal Plant Business had always been part of us and is consolidated by us using the existing book value from the controlling owner’s perspective.

In addition, as the Haigang Thermal Plant Business constitutes only a part of the operations of Tianbao Thermal, no financial statements for the Haigang Thermal Plant Business have previously been prepared on a stand-alone basis. For the preparation of our

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historical financial statements, we have identified financial information specifically relating to the Haigang Thermal Plant Business to the extent possible, from the historical financial information of Tianbao Thermal as of and for the year ended December 31, 2015, which have been included in our historical financial information as set out below:

- Prior to the completion of the Business Combination, property, plant and equipment, construction in progress, lease prepayment, deferred tax assets, inventories, trade and bill receivables, receipt in advance, other receivables and assets, trade and other payables, salary and welfare payables and deferred income, which are specifically relating to the Haigang Thermal Plant Business were reflected in our consolidated statements of financial position. Upon the completion of the Business Combination, on December 31, 2015, all assets and liabilities of the Haigang Thermal Plant Business that were not transferred to us and retained by Tianbao Thermal were deemed as distributed to the controlling owner and were excluded from our consolidated statements of financial position as of December 31, 2015.

The table below sets forth details of the assets and liabilities as of the completion date of the Business Combination:

	Assets and Liabilities relating to Haigang Thermal Plant Business	Assets and liabilities transferred to our Group	Assets and liabilities not transferred to our Group and the related deferred tax impact deemed distributed to controlling owner
As of December 31, 2015			
<i>(RMB in thousands)</i>			
Non-current assets			
Property, plant and equipment	308,398	308,398	–
Lease prepayment	16,313	16,313	–
Deferred tax assets	979	–	979
	325,690	324,711	979
Current assets			
Inventories	1,373	–	1,373
Trade and bill receivables	39,974	–	39,974
Other receivables and assets	2,051	–	2,051
	43,398	–	43,398

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	Assets and Liabilities relating to Haigang Thermal Plant Business	Assets and liabilities transferred to our Group	Assets and liabilities not transferred to our Group and the related deferred tax impact deemed distributed to controlling owner
As of December 31, 2015			
<i>(RMB in thousands)</i>			
Current liabilities			
Trade and other payables	(39,031)	–	(39,031)
Receipts in advance	(5,264)	–	(5,264)
Salary and welfare payables	(669)	–	(669)
	(44,964)	–	(44,964)
Net current liabilities	(1,566)	–	(1,566)
Non-current liabilities			
Deferred income	(2,716)	–	(2,716)
	(2,716)	–	(2,716)
NET ASSETS/ (LIABILITIES)	321,408	324,711	(3,303)

- For the year ended December 31, 2015, operating results, including income expenses and income tax relevant to the Haigang Thermal Plant Business were included in our consolidated statements of profit or loss. Costs associated with Tianbao Thermal's corporate overhead functions for Haigang Thermal Plant Business for the year ended December 31, 2015 have been allocated to the Haigang Thermal Plant Business and included in our historical financial information. The allocation was made based upon the most relevant allocation method, primarily relative percentage of revenue or headcount. Income tax of the Haigang Thermal Plant Business was included in our historical financial statements based upon the segregated profit before taxation of the Haigang Thermal Plant Business and the effective income tax rate for the Haigang Thermal Plant Business as if it has been part of us for the years ended December 31, 2014 and 2015. As we do not retain the operating results of the Haigang Thermal Plant Business prior to the completion of the Business Combination, the operating results are treated as deemed distribution to the controlling owner during the reporting periods prior to the completion of the Business Combination and was shown as deemed distribution to the controlling owner in the consolidated statements of changes in equity.

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- Since Tianbao Thermal maintained same bank accounts for both of Haigang Thermal Plant Business and its other business, all cash transactions from Haigang Thermal Plant Business and other business are processed through the same bank accounts which were not transferred to us at the Business Combination. As a result, none of Tianbao Thermal's cash and cash equivalent have been allocated to the historical financial information of the Haigang Thermal Plant Business. As Tianbao Thermal does not specially distinguish payments to or from the Haigang Thermal Plant Business as capital contributed or distributed or deemed dividend payable or receivable or payable with Tianbao Thermal but rather considered such net amounts as invested equity and was also shown as deemed contribution from the controlling owner in the consolidated statements of changes in equity.
- For the purpose of the preparation of our historical financial statements, cash flows movements which are specifically relevant to the Haigang Thermal Plant Business were reflected in our consolidated statements of cash flows for the year ended December 31, 2015 as deemed cash outflows to the controlling owner under financing activities. As the Haigang Thermal Plant Business was not a standalone legal entity and did not pay income tax separately, tax impact of Haigang Thermal Plant Business was also included in deemed cash outflows to the controlling owner in our consolidated statements of cash flows.

We believe that the basis of preparation of our historical financial information as described above reflect (i) the assets and liabilities specifically associated with the Haigang Thermal Plant Business and (ii) results of operations and cash flows associated with the functions that would be necessary for the Haigang Thermal Plant Business to operate independently and operate as part of us. However, as the Haigang Thermal Plant Business did not operate as a stand-alone entity nor as part of us before the Business Combination, our historical financial information may not be indicative of the Haigang Thermal Plant Business' performance and do not necessarily reflect what its results of operations, financial position, and cash flows would have been had the Haigang Thermal Plant Business operated as a separate entity apart from Tianbao Thermal or as part of us before the Business Combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

Market demand from customers and overall economic environment

Our revenue and profitability depend substantially on the market demand for our electricity, steam, heating and cooling, which in turn, is affected by the overall economic environment in the region and in China.

In our power generation and supply business, we sell electricity generated by our coal-fired cogeneration power plant to Tianjin Electric Power Company, which is a local branch of State Grid, and provide steam, heating and cooling to our end-user customers in

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Tianjin Port Free Trade Zone (Seaport) for industrial and commercial use. We have a total installed power generation capacity of 30 MW. For the year ended December 31, 2016, we provided steam to 43 customers, heating to 61 customers and cooling to 13 customers in the Tianjin Port Free Trade Zone (Seaport) and its vicinity. For the year ended December 31, 2017, we supplied steam to 44 customers, heating to 71 customers and cooling to 13 customers in the Tianjin Port Free Trade Zone (Seaport) and its vicinity. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from our power generation and supply business in the amount of RMB203.5 million, RMB183.5 million and RMB185.5 million, representing 42.5%, 42.4% and 41.0% of our total revenue, respectively. Our revenue from our power generation and supply business is primarily affected by the continued demand of our customers for steam, heating and cooling. Their demand is affected by any fluctuations in their business, the overall economic development in the region, Tianjin or the PRC and the market conditions of their respective industries will affect the revenue and profitability of our power generation and supply business.

In our electricity dispatch and sale business, we purchase electricity from the Tianjin Electric Power Company Binhai Branch, which is also a local branch of State Grid, and then dispatch and sell it via our power facilities and cables to end-users in various industries located in Tianjin Port Free Trade Zone (Seaport). For the year ended December 31, 2016, we dispatched and sold electricity to a total of 140 customers. For the year ended December 31, 2017, we dispatched and sold electricity to a total of 146 customers. During the three years ended December 31, 2015, 2016 and 2017, we generated revenue from our electricity dispatch and sale business of RMB222.7 million, RMB204.7 million and RMB207.8 million, representing 46.5%, 47.3% and 45.9% of our total revenue, respectively. The profitability of our electricity dispatch and sale business is primarily driven by the continued demand for electricity by our customers in the various industries in Tianjin Port Free Trade Zone (Seaport). Any fluctuations in their business, the overall economic development in the region, Tianjin or the PRC and the market conditions of their respective industries may affect the operating results of our electricity dispatch and sale business.

The demand by our customers for electricity, steam, heating or cooling is affected by their business conditions, which largely depend on the overall economic development in the region and in China. In particular, our revenue decreased during the Track Record Period mainly as a result of the decrease in demand for our products and services from certain customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment, particularly the economic slowdown in the secondary sector in Tianjin. China's GDP growth rate was 7.3% and 6.9% in 2014 and 2015, respectively, which were the lowest in the past 25 years. If the PRC economy continues to slow down, our business and results of operations may be materially and adversely affected. Please see "Risk Factors – Risks relating to Our Industry – Any fluctuation or reduction in the demand for electricity could affect our results of operations". However, despite the decrease during the Track Record Period, we believe that we will continue to have a sustainable long-term operation given that we remain to be the sole power operator of electricity, steam, heating and cooling in Tianjin Port Free Trade Zone (Seaport).

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Availability and cost of coal

Our coal-fired cogeneration power plant is fueled by coal. Therefore, our results of operations are directly affected by the availability and cost of coal. The coal market is a fully competitive market and we procure coal through a tendering and bidding process. We typically hold nine to 11 biddings every year to ensure that the price and quality of the coal we procure are competitive. We select our coal suppliers mainly based on the coal quality and price. We purchased the coal we used in our coal-fired cogeneration power plant from five, four and five suppliers during the years ended December 31, 2015, 2016 and 2017, respectively. Although there are plenty of suppliers transporting coal through the Tianjin Port, which is currently a logistics center for coal in North China, we cannot assure you that we can always procure sufficient amount of coal at reasonable prices and terms or at all.

If we cannot procure a stable and sufficient supply of coal for our coal-fired cogeneration power plant, the amount of electricity we can generate and sell to State Grid and our sales of steam, heating and cooling to our industrial customers will decrease, which will materially and adversely affect the revenue and profitability of our power generation and supply business. For more details of the risks associated with the availability of coal, please see the section headed “Risk Factors – Risks relating to Our Business – We procure coal from a limited number of suppliers”.

Our cost of coal was RMB62.1 million, RMB57.7 million and RMB81.7 million for the three years ended December 31, 2015, 2016 and 2017, representing 16.1%, 16.6% and 20.7% of our total cost of sales, respectively. The cost of coal we used in our power generation primarily depends on the price of coal and, to a lesser extent, our coal consumption rate. By applying our advanced technologies, including CFB boilers, backpressure turbines and desulphurization, denitration and de-dusting systems, we have significantly reduced our coal consumption rate. We believe our average coal consumption rate is significantly lower than the industry average. Our average coal consumption rate in 2017 is 203.6 g/kWh, which is much lower than the PRC industry average of 309.0 g/kWh and the 2017 – 2020 coal consumption target set by the PRC government. If we cannot procure coal at a reasonable price and maintain the low level of coal consumption rate, our cost of coal will increase and our profitability will be negatively affected.

During the three years ended December 31, 2015, 2016 and 2017, the average price of standard coal (5,000 kcal/kg) we purchased (excluding VAT) was RMB361.6 per ton, RMB398.2 per ton and RMB561.2 per ton, respectively. The market price of coal has maintained at a relatively high level during 2017. Any increase in the price of coal will substantially affect our cost and profitability of our power generation and supply business as we have limited ability to pass on coal price increases to our customer through any potential on-grid tariff increases, which in turn, may have a material adverse effect on our financial condition and results of operations. For details, please see “Risks Factors – Increasing coal cost may materially and adversely affect our operating results and we have limited ability to pass on potential coal price increases to our customer through any potential increases in on-grid tariffs”.

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Based on the extent of fluctuations in the price of coal during the Track Record Period, for illustrative purpose only, the following table shows the sensitivity of our total gross profit during the Track Record Period with regard to certain possible changes in the price of coal during the same period, assuming all other variables remain constant:

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Change in the price of coal:			
-10%	98,777	90,258	66,849
-5%	95,671	87,373	62,764
Actual	92,566	84,488	58,679
+5%	89,460	81,603	54,595
+10%	86,355	78,718	50,510

For illustrative purpose only, the following table shows the sensitivity of our total gross profit during the Track Record Period based on the highest and lowest price of coal we purchased and consumed during the Track Record Period, assuming all other variables remain constant:

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Price of coal per ton (exclusive of VAT):			
RMB261.0	111,318	101,522	102,827
	(representing an increase of 20.3%)	(representing an increase of 20.2%)	(representing an increase of 75.2%)
Actual	92,566	84,488	58,679
RMB595.1	55,693	49,345	54,653
	(representing a decrease of 39.8%)	(representing a decrease of 41.6%)	(representing a decrease of 6.9%)

Government policies on the pricing of electricity, steam, heating and cooling

The business operations of our PRC subsidiaries are regulated by the PRC government in many aspects, including without limitation, setting of on-grid tariffs, performance of scheduled maintenance, electricity dispatch directives and environmental protection. In general, the prices that we sell electricity to our end-users in our electricity dispatch and sale business, on-grid tariffs or the prices that we sell electricity to State Grid in our power generation and supply business, and the prices of steam, heating and cooling that we sell to our industrial customers are all approved or fixed by relevant national, provincial and local government authorities, including the NDRC and pricing bureaus. The PRC government has issued

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numerous laws and policies to regulate the pricing of electricity and power. As a result, our revenue and profitability depend substantially on the pricing policies of the PRC government on various energy sources. Any future changes of government policies to reduce the on-grid tariffs or the prices that we sell electricity, steam, heating or cooling to our customers will negatively affect our revenue and profitability. For a detailed discussion of the pricing policies, please see “Business – Pricing”.

The power industry in China has experienced and is expected to continue to experience ongoing regulatory reforms. Following a major reform of the power industry in 2002, China has started a new round of power system reform in 2015, which allowed the market to determine power prices and diversify power suppliers. Such reform will bring profound impact on the whole power generation and supply industry and we may benefit from it. However, if such reform of power price setting mechanism eventually reduces on-grid tariffs and prices of electricity, steam, heating and cooling, our business, results of operations and financial condition will be materially and adversely affected. For a detailed discussion of the reform, please refer to the sections “Risk Factors – Risks Relating to Our Industry – Regulatory reform of the PRC power industry may affect our business” and “Business – Competition”.

Seasonality

Our sales of steam and heating in our power generation and supply business are typically higher during the heating season from November of each year to March of the following year, during which period the government provides central heating to end-users and residents in North China, while our sales of cooling are generally higher during summer months. As we use cogeneration technology to generate steam together with electricity and heating, our sales of electricity and the utilization rate of our coal-fired cogeneration power plant are typically higher in the first and fourth quarters than in the second and third quarters each year. We generally experience an increase in our sales of electricity to State Grid and steam and heating to our industrial customers during the first and fourth quarters and a decrease in the power generation during the second and third quarters of each year. For example, our sales volume of electricity to State Grid was 21,703 MWh, 12,530 MWh, 14,856 MWh and 18,624 MWh during the three months ended March 31, June 30, September 30 and December 31, 2017, respectively. For details, please see the section headed “Business – Power Generation and Supply Business – Seasonality of the Sale of Electricity, Steam, Heating and Cooling”.

Installed capacity and utilization rate of our coal-fired cogeneration power plant

The installed capacity and utilization rate of our coal-fired cogeneration power plant are important factors affecting our results of operations and profitability of our power generation and supply business. Our coal-fired cogeneration power plant generates electricity only when it generates steam and heating and the amount of electricity we generate correlates primarily with the amount of steam we generate. Thus the amount of electricity our coal-fired cogeneration power plant generates depends primarily on the amount of steam it generates to meet the demand of our steam customers. As of December 31, 2017, we had a total installed power generation capacity of 30 MW. We do not have any plan in the near future to increase

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our installed capacity of power generation. As such, if the demand for our steam by our customers exceeds our installed capacity in the future, we will not be able to generate more electricity for sale to State Grid, and our business, results of operations and financial condition will be adversely affected by such restraint of our installed capacity. For details, please refer to the sections headed “Business – Our Business – Power Generation and Supply Business” and “Business – Our Business – Installed Capacity and Utilization Rate”.

Utilization rate, thermal efficiency and coal consumption rate indicate how well our coal-fired cogeneration power plant has been utilized in generating steam and electricity, which are the principal sources of our revenue and cash flow.

The following table sets forth certain production operating metrics for our power generating units for the years indicated:

	Year ended December 31,		
	2015	2016	2017
Installed capacity (MW)	2 × 15 MW	2 × 15 MW	2 × 15 MW
Utilization rate (%) ⁽¹⁾	30.7%	30.6%	30.7%
Gross electricity generated (MWh)	80,638	78,137	80,551
Net steam generated (ton)	958,184	909,895	888,871

Note:

- (1) The utilization rate equals gross electricity generated in a specified period divided by the product of total installed capacity and the average designed maximum annual utilization hours of our two cogeneration units.

The utilization rate of our coal-fired cogeneration power plant in a certain period is primarily affected by the demand of our end-users of steam, which decides the output of our coal-fired cogeneration power plant. The low utilization rate of our coal-fired cogeneration power plant during the Track Record Period was primarily due to the decrease in demand for steam by certain of our customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment. For example, to the best knowledge of the Directors, certain of our customers decreased production during the Track Record Period due to the overall PRC economic slowdown, particularly in the secondary sector in Tianjin, which contributed to the decrease in demand for steam, despite the GDP growth in the Tianjin economy, which was mainly driven by economic activities in the tertiary industry, according to the Ipsos Report. Despite the low utilization of our power generation units, we have maintained two power generating units in order to ensure constant power supply on a 24-hour-7-day basis (an operational and safety efficiency which we strive to meet for our customer to ensure reliable supply), which further decreased the utilization rate of our coal-fired cogeneration power plant. We expect that customer demand for steam will continue to be the major factors that affect the utilization of our power generation units, which in turn will affect our future results of operations, and particularly, our sale of electricity, steam, heating and cooling.

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The following table sets forth certain competitive metrics for our power generating units for the years indicated:

	Year ended December 31,					
	2015		2016		2017	
	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾	Company	PRC Industry Average ⁽³⁾
Thermal efficiency ⁽¹⁾	84.0%	45.1%	82.8%	N/A	84.0%	N/A
Coal consumption rate (g/kWh) ⁽²⁾	198.6	315.0	198.7	312.0	203.6	309.0

Notes:

- (1) Thermal efficiency refers to efficiency with which a power source transforms the potential heat of its fuel into work or output; namely, the ratio of the heat and power generated by the plant to the overall heat value from the fuel consumed. According to the Ipsos Report, higher thermal efficiency indicates higher cost efficiency of a power generation plant.
- (2) Coal consumption rate equals the amount of standard coal consumed per 1.0 kWh of electricity generated or supplied. According to the Ipsos Report, lower coal consumption rate indicates higher cost efficiency of a power generation plant.
- (3) From the Ipsos Report. The China Electricity Council stopped publishing national statistics for thermal efficiency after 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with IFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment.

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Revenue Recognition

Our revenue is measured at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably. We recognize our revenue in profit or loss as follows:

(a) *Sale of electricity and power*

Revenue from sale of electricity and power represents the fair value of the consideration received or receivable for electricity and power sold in the ordinary course of our activities (net of VAT). Revenue is earned and recognized upon transmission of electricity and power to the customers or the power grid controlled and owned by the respective regional or provincial grid companies.

(b) *Sale of goods*

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(c) *Service revenue*

Service revenue refers to amounts received from services of electricity infrastructure. We recognize service revenue when the relevant service is provided.

(d) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(e) *Interest income*

Interest income is recognized as it accrues using the effective interest method.

(f) *Government grants*

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized as deferred income and consequently are effectively recognized in profit or loss over the useful life of the related asset.

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Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of coal is calculated using the weighted average cost formula. The cost of other inventories is calculated using the first in first out formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Property, plant and equipment

Property, plant and equipment consist of buildings and structure, power generation plant and electric utility in services, motor vehicles, others and construction-in-progress (“**CIP**”). Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost of CIP comprises construction expenditures, other expenditures necessary for the purpose of preparing the CIP for its intended use, those borrowing costs incurred before the assets are ready for intended use and that are eligible for capitalization. CIP is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs about property, plant and equipment are included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualifying for capitalization are charged in the current period profit or loss when they are incurred.

Depreciation of property, plant and equipment is provided based on book value of the asset less estimated residual value over the estimated useful life using straight-line method. For those impaired property, plant and equipment, depreciation is provided based on book value after deducting impairment provision over the estimated useful life of the asset. The estimated useful lives are as follows:

- Buildings and structure – 30 years
- Power generation plant and electric utility in services – 5-30 years

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- Motor vehicles – 5-10 years
- Others – 4-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Property, plant and equipment is derecognized when it is disposed of, or is not expected to bring economic benefit through use or disposal. The amount of disposal income arising from sale, transfer, disposal or write-off of the property, plant and equipment less book value and related tax expenses is recorded in the statements of comprehensive income.

The carrying amount of property, plant and equipment is written down immediately to its recoverable amount when its carrying amount is greater than its recoverable amount.

Business combination under common control

Our historical financial information incorporates the historical financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the common control combination.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in a subsidiary to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or

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- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

For further details regarding our critical accounting policies, please see Note 2 in Appendix I to this Prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth selected items of our consolidated statements of profit or loss for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Revenue	478,604	432,886	452,467
Cost of sales	(386,038)	(348,398)	(393,788)
Gross profit	92,566	84,488	58,679
Other net income	220	299	6,616
Administrative expenses	(22,395)	(12,387)	(14,990)
Profit from operations	70,391	72,400	50,305
Interest income	3,179	416	1,410
Interest expense	(9)	(388)	(11,346)
Profit before tax	73,561	72,428	40,369
Income tax	(18,518)	(18,110)	(10,097)
Profit for the year	55,043	54,318	30,272

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

Revenue

We generate revenue primarily from (i) power generation and supply business, including selling electricity to a local branch of State Grid and providing steam, heating and cooling to our industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport), (ii) electricity dispatch and sale business; and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components. Our total revenue was RMB478.6 million, RMB432.9 million and RMB452.5 million for the three years ended December 31, 2015, 2016 and 2017, respectively.

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The table below sets forth a revenue breakdown for each of our business segments, both in actual amounts and as a percentage of total revenue during the Track Record Period:

	Year ended December 31,					
	2015		2016		2017	
	<i>(RMB in thousands)</i>	<i>% of Total</i>	<i>(RMB in thousands)</i>	<i>% of Total</i>	<i>(RMB in thousands)</i>	<i>% of Total</i>
Electricity dispatch and sale business	222,652	46.5	204,691	47.3	207,812	45.9
Power generation and supply business	203,494	42.5	183,522	42.4	185,461	41.0
Steam	155,341	32.5	144,821	33.5	145,043	32.1
Electricity	22,570	4.7	19,974	4.6	20,741	4.6
Heating and cooling	25,583	5.3	18,727	4.3	19,677	4.3
Other businesses	52,458	11.0	44,673	10.3	59,194	13.1
Total Revenue	478,604	100.0	432,886	100.0	452,467	100.0

Cost of sales

Our cost of sales primarily consists of cost of purchase of electricity from a local branch of State Grid, cost of coal, cost of trading of electrical components, depreciation, cost of water and electricity, cost of outsourcing operation to independent third parties, cost of provision of construction and maintenance services and labor cost. Our cost of sales was RMB386.0 million, RMB348.4 million and RMB393.8 million for the three years ended December 31, 2015, 2016 and 2017, respectively.

Under our power generation and supply business, our cost of sales primarily consists of cost of coal, cost of outsourcing operation to independent third parties, cost of water and electricity, depreciation and staff costs. We have adopted coal-fired cogeneration technology utilizing backpressure turbines in our power generation and supply business, which allows us to generate electricity when we generate steam, heating and cooling. Therefore, sales of steam, electricity, heating and cooling under our power generation and supply business shared common costs in connection with the operation and maintenance of our backpressure turbines and CFB boilers. Under our electricity dispatch and sale business, our cost of sales primarily consists of cost of purchase of electricity from Tianjin Electric Power Company Binhai Branch, which is a local branch of State Grid. Under our other businesses, our cost of sales and services primarily consists of cost of trading of electrical components and cost of provision of construction and maintenance services.

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The table below sets forth a breakdown of our cost of sales, both in actual amounts and as a percentage of total cost of sales for the Track Record Period:

	Year ended December 31,					
	2015		2016		2017	
	<i>(RMB in thousands)</i>	<i>% of Total</i>	<i>(RMB in thousands)</i>	<i>% of Total</i>	<i>(RMB in thousands)</i>	<i>% of Total</i>
Electricity dispatch and sale business	203,643	52.8	188,308	54.0	193,108	49.0
Cost of purchase of electricity	186,994	48.4	170,931	49.1	176,408	44.8
Others	16,649	4.4	17,377	4.9	16,700	4.2
Power generation and supply business	135,207	35.0	119,848	34.4	149,776	38.1
Cost of coal	62,108	16.1	57,704	16.6	81,697	20.7
Cost of outsourcing operation to independent third parties	18,710	4.8	15,901	4.6	16,605	4.2
Cost of water and electricity	17,908	4.6	14,328	4.1	12,155	3.1
Others	36,481	9.5	31,915	9.1	39,319	10.1
Other businesses	47,188	12.2	40,242	11.6	50,904	12.9
Cost of trading of electrical components	26,067	6.8	27,864	8.0	37,261	9.4
Others	21,121	5.4	12,378	3.6	13,643	3.5
Total	386,038	100.0	348,398	100.0	393,788	100.0

Gross profit and gross profit margin

Our gross profit represents our revenue less cost of sales. Our gross profit was RMB92.6 million, RMB84.5 million and RMB58.7 million for the three years ended December 31, 2015, 2016 and 2017, respectively. Our gross profit margin was 19.3%, 19.5% and 13.0% for the three years ended December 31, 2015, 2016 and 2017, respectively.

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The table below sets forth a breakdown of our gross profit, both in actual amounts and as a percentage of our total gross profit, and our gross profit margin for the Track Record Period:

	Year ended December 31,								
	2015			2016			2017		
	(RMB in thousands)	(% of gross profit)	(Gross profit margin)	(RMB in thousands)	(% of gross profit)	(Gross profit margin)	(RMB in thousands)	(% of gross profit)	(Gross profit margin)
Power generation and supply business	68,287	73.8%	33.6%	63,674	75.4%	34.7%	35,685	60.8%	19.2%
Electricity dispatch and sale business	19,009	20.5%	8.5%	16,383	19.4%	8.0%	14,704	25.1%	7.1%
Other businesses	5,270	5.7%	10.0%	4,431	5.2%	9.9%	8,290	14.1%	14.0%
Total	92,566	100.0%	19.3%	84,488	100.0%	19.5%	58,679	100.0%	13.0%

Other net income

Our other net income primarily consists of government grants and a written-off long-aged payable amount. For the three years ended December 31, 2015, 2016 and 2017, our other net income was RMB0.2 million, RMB0.3 million and RMB6.6 million, respectively.

The following table sets forth the breakdown of our other net income for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	(RMB in thousands)		
Government grants	568	–	6,518
Others	(348)	299	98
Total	220	299	6,616

Government grants primarily represent government subsidies for the operation of Haigang Thermal Plant's desulphurization, denitration and de-dusting systems and online monitor equipment.

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Administrative expenses

Our administrative expenses primarily consist of employee salaries and benefits, tax expenses, consulting expenses, property management expenses, depreciation and amortization expenses, rental expenses, office expenses, travel expenses, maintenance and repair expenses and others. For the three years ended December 31, 2015, 2016 and 2017, our administrative expenses were RMB22.4 million, RMB12.4 million and RMB15.0 million, respectively.

The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Employee salaries and benefits	10,721	6,348	7,836
Tax expenses	6,203	1,835	2,846
Consulting expenses	1,427	1,651	2,094
Others ¹	4,044	2,553	2,214
Total	22,395	12,387	14,990

Note:

1. Others primarily consist of office expenses and other miscellaneous expenses for daily operations.

Interest income

Our interest income primarily consists of interest on our cash deposits at third-party banks and Tianbao Finance. For the three years ended December 31, 2015, 2016 and 2017, our interest income was RMB3.2 million, RMB0.4 million and RMB1.4 million, respectively.

Interest expense

Our interest expense primarily consists of interest on bank loans as well as interest expense recorded in connection with payables for our equity reduction. Please see “– Certain Balance Sheet Items – Other non-current liabilities”. For the three years ended December 31, 2015, 2016 and 2017, our interest expense was RMB9.0 thousand, RMB0.4 million and RMB11.3 million, respectively.

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Income tax

Our income tax primarily consists of PRC enterprise income tax (EIT) and deferred income tax during the same year. The following table sets forth the breakdown of our income tax for the years indicated:

	<u>Year ended December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>(RMB in thousands)</i>		
Current tax	18,661	18,292	12,942
Deferred tax	<u>(143)</u>	<u>(182)</u>	<u>(2,845)</u>
Total	<u>18,518</u>	<u>18,110</u>	<u>10,097</u>

Under the EIT Law and the Implementation Regulations of the EIT Law, our PRC subsidiaries have been subject to the EIT rate of 25% since January 1, 2008. For the three years ended December 31, 2015, 2016 and 2017, our income tax was RMB18.5 million, RMB18.1 million and RMB10.1 million, and our effective income tax rate was 25.2%, 25.0% and 25.0%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Profit for the year

For the years ended December 31, 2015, 2016 and 2017, our profit for the year was RMB55.0 million, RMB54.3 million and RMB30.3 million, respectively.

YEAR TO YEAR COMPARISON OF OUR RESULTS OF OPERATIONS

Year ended December 31, 2017 compared to Year ended December 31, 2016

Revenue

Our revenue increased to RMB452.5 million for year ended December 31, 2017 from RMB432.9 million for the year ended December 31, 2016. This increase was primarily due to an increase of RMB14.5 million in our revenue from our other businesses and an increase of RMB3.1 million in our revenue from our electricity dispatch and sale business.

Revenue from our power generation and supply business increased by RMB2.0 million, or 1.1%, to RMB185.5 million for the year ended December 31, 2017 from RMB183.5 million for the year ended December 31, 2016. This increase was primarily due to an increase in demand for electricity and heating and cooling by certain of our customers in the Tianjin Port

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Free Trade Zone (Seaport). Revenue generated from sales of heating and cooling increased by RMB1.0 million, or 5.3%, to RMB19.7 million for the year ended December 31, 2017 from RMB18.7 million for the year ended December 31, 2016, primarily due to increase in demand for heating from certain of our customers, in line with the increase in our sales volume of heating and cooling from approximately 1.9 million square meters in 2016 to approximately 2.0 million square meters in 2017. Revenue generated from sales of electricity increased by RMB0.7 million, or 3.5%, to RMB20.7 million for the year ended December 31, 2017 from RMB20.0 million for the year ended December 31, 2016, primarily due to an increase in demand from one of our customers in line with such customer's increase in operations. Revenue generated from sales of steam remained relatively stable for the years ended December 31, 2016 and 2017.

Revenue from our electricity dispatch and sale business increased by RMB3.1 million, or 1.5%, to RMB207.8 million for the year ended December 31, 2017 from RMB204.7 million for the year ended December 31, 2016. This increase was generally in line with an increase in sales volume of electricity from approximately 253,624 MWh for the year ended December 31, 2016 to approximately 264,440 MWh for the year ended December 31, 2017, which was attributable to an increase in demand for electricity by certain of our customers in the Tianjin Port Free Trade Zone (Seaport), which mainly included an international marine container manufacturer, who had, to the best knowledge of the Directors, resumed its normal production level in 2017 after decreasing production in 2015 and 2016.

Revenue from our other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components, increased by RMB14.5 million, or 32.4%, to RMB59.2 million for the year ended December 31, 2017 from RMB44.7 million for the year ended December 31, 2016. This increase was primarily due to an increase in our sales of electrical components mainly as a result of an increase in demand for certain electrical component products, which was, to the best knowledge of the Directors, attributable to an increase in new electricity dispatch facility construction projects.

Cost of sales

Our cost of sales increased by RMB45.4 million, or 13.0%, to RMB393.8 million for the year ended December 31, 2017 from RMB348.4 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase in cost of coal as a result of an increase in the average price of standard coal (5,000 kcal/kg) we purchased (excluding VAT) from RMB398.2 per ton to RMB561.2 per ton, and (ii) an increase in cost of trading of electrical components which was in line with the increase in sales of electrical components.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit decreased by RMB25.8 million, or 30.5%, to RMB58.7 million for the year ended December 31, 2017 from RMB84.5 million for the year ended December 31, 2016. Our gross profit

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margin decreased to 13.0% for the year ended December 31, 2017 from 19.5% for the year ended December 31, 2016. This decrease was primarily due to a decrease in gross profit margin of our power generation and supply business, which was mainly as a result of increased average price of coal we purchased. This decrease was partially offset by an increase in gross profit margin of our other businesses, primarily due to the growth of our industrial facility operation and maintenance services, which commanded a relatively higher gross profit margin and constituted a larger portion of our revenue from other businesses.

Other net income

Our other net income increased significantly to RMB6.6 million for the year ended December 31, 2017 from RMB0.3 million for the year ended December 31, 2016. This increase was primarily because we received government subsidy of RMB6.5 million in connection with the operation of Haigang Thermal Plant's desulphurization, denitration and de-dusting systems in the year ended December 31, 2017, while we did not receive such subsidy in the year ended December 31, 2016.

Administrative expenses

Our administrative expenses increased by RMB2.6 million, or 21.0%, to RMB15.0 million for the year ended December 31, 2017 from RMB12.4 million for the year ended December 31, 2016. This increase was primarily due to an increase in consulting expenses mainly due to the listing expenses we incurred during the year ended December 31, 2017.

Interest income

Our interest income increased to RMB1.4 million for the year ended December 31, 2017 from RMB0.4 million for the year ended December 31, 2016. This increase was primarily due to increased cash at bank.

Interest expense

Our interest expense increased significantly to RMB11.3 million for the year ended December 31, 2017 from RMB0.4 million for the year ended December 31, 2016. This increase was primarily because we recorded interest expense in connection with payables for our equity reduction. Please see “– Certain Balance Sheet Items – Other non-current liabilities”.

Income tax expenses

Our income tax expenses decreased by RMB8.0 million, or 44.2%, to RMB10.1 million for the year ended December 31, 2017 from RMB18.1 million for the year ended December 31, 2016. This decrease was primarily due to a decrease in our profit before taxation in the year ended December 31, 2017. The effective tax rate for the year ended December 31, 2016 and 2017 was 25.0% and 25.0%, respectively.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB24.0 million, or 44.2%, to RMB30.3 million for the year ended December 31, 2017 from RMB54.3 million for the year ended December 31, 2016.

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Year Ended December 31, 2016 compared to Year Ended December 31, 2015

Revenue

Our revenue decreased by RMB45.7 million, or 9.6%, to RMB432.9 million for the year ended December 31, 2016 from RMB478.6 million for the year ended December 31, 2015. This decrease was primarily due to a decrease of RMB20.0 million in our revenue from our power generation and supply business and a decrease of RMB18.0 million in our revenue from our electricity dispatch and sale business.

Revenue from our power generation and supply business decreased by RMB20.0 million, or 9.8%, to RMB183.5 million for the year ended December 31, 2016 from RMB203.5 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in demand for steam, heating and cooling by certain of our customers in the Tianjin Port Free Trade Zone (Seaport), whose demand may have been affected by the overall PRC economic environment. In particular, revenue generated from sales of steam decreased by RMB10.5 million, or 6.8%, to RMB144.8 million for the year ended December 31, 2016 from RMB155.3 million for the year ended December 31, 2015, which was generally in line with the decrease in our sales volume of steam from 860,625 tons in 2015 to 802,949 tons in 2016. The decrease in our sales of steam was primarily attributable to a decrease in demand by one customer who was a grain and oil producer and to the best knowledge of the Directors, who had decreased its production due to the overall PRC economic slowdown. Revenue generated from sales of electricity decreased by RMB2.6 million, or 11.5%, to RMB20.0 million for the year ended December 31, 2016 from RMB22.6 million for the year ended December 31, 2015, which was generally in line with the decrease in sales of steam. Revenue generated from sales of heating and cooling decreased by RMB6.9 million, or 27.0%, to RMB18.7 million for the year ended December 31, 2016 from RMB25.6 million for the year ended December 31, 2015 which was generally in line with the decrease in our sales volume of heating and cooling from approximately 2.5 million square meters in 2015 to approximately 1.9 million square meters in 2016. The decrease in our sales of heating was primarily attributable to the fact that one customer sent us notice to terminate our supply of heating as, to the best knowledge of the Directors, it chose to use air-conditioners instead of central heating, and three other customers sent us notices to suspend our supply of heating as, to the best knowledge of the Directors, their operations were impacted by the massive explosion in Tianjin in August 2015 which was widely reported. The decrease in our sales of cooling was primarily attributable to the fact that two customers sent us notices to terminate our supply of cooling as, to the best knowledge of the Directors, they chose to use air-conditioners instead of central cooling.

Revenue from our electricity dispatch and sale business decreased by RMB18.0 million, or 8.1%, to RMB204.7 million for the year ended December 31, 2016 from RMB222.7 million for the year ended December 31, 2015. This decrease was primarily due to (i) a decrease in average selling price at which we sold electricity to our end-users (excluding VAT) from RMB0.8125 per kWh in 2015 to RMB0.8070 per kWh in 2016; and (ii) a decrease in sales volume of electricity from approximately 274,035 MWh in 2015 to approximately 253,624 MWh in 2016, which was attributable to a decrease in demand for electricity by certain of our

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customers in the Tianjin Port Free Trade Zone (Seaport), which mainly included an international marine container manufacturer and a manufacturer of chassis for construction and mining equipment, who had, to the best knowledge of the Directors, decreased or suspended production due to the overall PRC economic slowdown, particularly in the secondary sector in Tianjin.

Revenue from our other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components, decreased by RMB7.8 million, or 14.8%, to RMB44.7 million for the year ended December 31, 2016 from RMB52.5 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in revenue from power facility construction services, which in turn, was primarily attributable to a decrease in power facility construction projects we undertook in 2016.

Cost of sales

Our cost of sales decreased by RMB37.6 million, or 9.8%, to RMB348.4 million for the year ended December 31, 2016 from RMB386.0 million for the year ended December 31, 2015. This decrease was primarily due to (i) a decrease in the cost of purchase of electricity which was in line with the decrease in sales in our electricity dispatch and sale business; (ii) a decrease in construction cost mainly as a result of a decrease in power facility construction projects we undertook, which was in line with the decrease in revenue from power facility construction services; and (iii) a decrease in cost of coal and a decrease in cost of water and electricity as a result of less coal, water and electricity consumed, which were in line with the decrease in sales in our power generation and supply business.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit decreased by RMB8.1 million, or 8.7%, to RMB84.5 million for the year ended December 31, 2016 from RMB92.6 million for the year ended December 31, 2015. Our gross profit margin increased slightly to 19.5% for the year ended December 31, 2016 from 19.3% for the year ended December 31, 2015.

Other net income

Our other net income was RMB0.2 million and RMB0.3 million for the year ended December 31, 2015 and 2016, respectively. Our other net income for the year ended December 31, 2015 primarily comprised government grants of RMB0.6 million in connection with Haigang Thermal Plant's operations. Our other net income for the year ended December 31, 2016 comprised a written-off long-aged payable amount of RMB0.3 million.

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Administrative expenses

Our administrative expenses decreased by RMB10.0 million, or 44.7%, to RMB12.4 million for the year ended December 31, 2016 from RMB22.4 million for the year ended December 31, 2015. This decrease was primarily due to (i) a decrease of RMB4.4 million in employee salaries and benefits mainly because after the Business Combination, we have optimized the operations of Haigang Thermal Plant Business to the extent that we operated the Haigang Thermal Plant Business on our own with only a limited number of administrative employees of Tianbao Thermal required to be transferred to us; and (ii) a decrease of RMB4.4 million in tax expenses, which was mainly attributable to payments of deed tax and stamp duties in connection with the acquisition of the allocated land use rights held by Tianbao Thermal, which was under common control of the Company, in 2015.

Interest income

Our interest income decreased significantly by RMB2.8 million to RMB0.4 million for the year ended December 31, 2016 from RMB3.2 million for the year ended December 31, 2015. This decrease was primarily due to less interest-bearing cash at bank in 2016 as we used cash to pay for the consideration of the acquisition of the Haigang Thermal Plant Business at the end of 2015 and during 2016.

Interest expense

Our interest expense increased significantly to RMB388.0 thousand for the year ended December 31, 2016 from RMB9.0 thousand for the year ended December 31, 2015. This increase was primarily due to our borrowing of a RMB24.0 million bank loan used for working capital purpose in 2016, while we had no borrowings in 2015.

Income tax

Our income tax decreased by RMB0.4 million, or 2.2%, to RMB18.1 million for the year ended December 31, 2016 from RMB18.5 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in our profit before taxation in 2016. The effective tax rate in 2015 and 2016 was 25.2% and 25.0%, respectively.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB0.7 million, or 1.3%, to RMB54.3 million for the year ended December 31, 2016 from RMB55.0 million for the year ended December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash generated from our operations and bank borrowings. Our principal uses of cash primarily include purchases of electricity, coal and other raw materials, purchase of electrical components for subsequent sales, payments to

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third-party construction service providers, outsourced operation and maintenance service providers, employee salaries and benefits, acquisition of a fellow subsidiary, purchase of property, plant and equipment, repayment of bank loans and payment of dividends to our equity owners/shareholders. As of December 31, 2015, 2016 and 2017 we had cash and cash equivalents of RMB65.6 million, RMB94.3 million and RMB116.1 million, respectively.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2015 ⁽¹⁾	2016	2017
	<i>(RMB in thousands)</i>		
Net cash generated from operating activities	76,351	67,277	76,200
Net cash (used in)/generated from investing activities	(33,800)	(13,322)	3,947
Net cash used in financing activities	(167,272)	(25,297)	(58,327)
Net increase/(decrease) in cash and cash equivalents	(124,721)	28,658	21,820
Cash and cash equivalents at beginning of the year	190,310	65,591	94,251
Effect of foreign exchange rate changes, net	2	2	–
Cash and cash equivalents at end of the year	65,591	94,251	116,071

Note:

- In December 2015, Tianbao Thermal transferred the Haigang Thermal Plant Business, including all the property, plant and equipment, construction in progress and lease prepayments as well as all sales contracts relating to the Haigang Thermal Plant Business to us. Our financial statements have been prepared on the basis as if Haigang Thermal Plant Business had always been a part of us and consolidated by us. However, as Haigang Thermal Plant Business constituted only a part of the operations of Tianbao Thermal prior to the Business Combination, there were no financial statements prepared for Haigang Thermal Plant Business on a stand-alone basis. For the preparation of our financial statements, we have identified financial information, to the extent possible, from the historical financial information of Tianbao Thermal as of and for the two years ended December 31, 2015, which included assets, liabilities, income and expenses specifically relating to the Haigang Thermal Plant Business. For our consolidated statements of financial position, in particular. As of December 31, 2015, when the Business Combination was completed, non-current assets specifically relating to the Haigang Thermal Plant Business, including property, plant and equipment, construction in progress and lease prepayments with total net book value of RMB324.7 million were transferred to us, while non-current liabilities as well as current assets and liabilities specifically relating to Haigang Thermal Plant Business were not transferred to us and were excluded from our consolidated statements of financial position.

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Please see “History, Reorganization and Corporate Structure” for more details of the Haigang Thermal Plant Business.

Since Tianbao Thermal maintained the same bank accounts for Haigang Thermal Plant Business and its other businesses, all cash transactions from Haigang Thermal Plant Business and Tianbao Thermal’s other businesses were processed through the same bank accounts which were not transferred to us upon completion of the Business Combination and cannot be segregated. Therefore, none of Tianbao Thermal’s cash and cash equivalent has been allocated to the historical financial information of Haigang Thermal Plant Business.

Our consolidated cash flow statements for the year ended December 31, 2015 has been prepared to reflect the operating and investing cash flow specifically relating to Haigang Thermal Plant Business. As none of Tianbao Thermal’s cash and cash equivalents have been included in our consolidated statements of financial position, the net cash flow movement specifically relating to Haigang Thermal Plant Business was reflected in our consolidated statements of cash flows for the year ended December 31, 2015 as “Deemed cash outflows to the controlling owner” under financing activities. Please see “– Basis of Presentation”.

As a result of the foregoing, the analysis of net current asset and liability items as of December 31, 2015, when compared to those as of December 31, 2016, may not be meaningful. For the purpose of conducting a more informative analysis, the table set forth in the sub-section headed “Net Current Assets” and in the sub-sections headed “– Certain Balance Sheet Items” and “– Key Financial Ratios” also present illustrative adjusted current assets and liabilities positions as of December 31, 2015, which combined (i) the current assets and liabilities specifically relating to the Haigang Thermal Plant Business as of December 31, 2015 that were originally excluded from our consolidated statements of financial position, with (ii) our current assets and liabilities as of December 31, 2015 as recorded in our consolidated statements of financial position. In addition, our consolidated operating and investing cash flow movements for the years ended December 31, 2015 have been prepared to reflect such adjusted current assets and liabilities positions as of December 31, 2015 and the net cash flow movements specifically relating to Haigang Thermal Plant Business were deemed as distribution to Tianbao Thermal and reflected in our consolidated financing cash flow movements. Please see “– Basis of Presentation” for more details.

Operating activities

We derive our cash inflow from operating activities primarily through electricity dispatch and sale, power generation and supply and other businesses. Cash outflow from operating activities primarily comprises payments for purchase of electricity, coal and other raw materials, purchase of electrical components for subsequent sales, employee salaries and benefits, administrative expenses and other operating expenses. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as depreciation in property, plant and equipment, and the effects of changes in working capital items.

Our net cash generated from operating activities was RMB76.2 million for the year ended December 31, 2017. This net cash inflow was primarily attributable to (i) profit before taxation of RMB40.4 million, as adjusted to reflect non-cash items, which principally included depreciation in property, plant and equipment of RMB23.5 million and interest expenses of RMB11.3 million; and (ii) an increase in trade and other payables of RMB24.1 million primarily due to (a) an increase in payables to our electrical component suppliers which was in line with the increase in revenue from sales of electrical components, (b) an increase in payables to outsourced operation and maintenance service providers because more maintenance and repairs services for our coal-fired cogeneration power plant were provided during the year ended December 31, 2017 than during the year ended December 31, 2016, (c)

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an increase in payables for purchases of coal mainly as a result of the better credit terms granted by our suppliers which we believe were attributable to longer trading relationships with them, (d) payables for listing expenses recorded during the year ended December 31, 2017. These were partially offset by (i) income tax paid of RMB15.8 million; and (ii) an increase in other receivables and assets of RMB6.4 million primarily due to prepayment recorded in relation to listing expenses.

Our net cash generated from operating activities was RMB67.3 million for the year ended December 31, 2016. This net cash inflow was primarily attributable to profit before taxation of RMB72.4 million, as adjusted to reflect non-cash items, which principally included depreciation in property, plant and equipment of RMB22.3 million. These were partially offset by (i) income tax paid of RMB16.7 million, and (ii) a decrease in trade and other payables of RMB11.2 million primarily due to settlement of collections on behalf of a local branch of State Grid, namely, Tianjin Electric Power Company Binhai Branch.

Our net cash generated from operating activities was RMB76.4 million for the year ended December 31, 2015. This net cash inflow was primarily attributable to (i) profit before taxation of RMB73.6 million, as adjusted to reflect non-cash items, which principally included depreciation in property, plant and equipment of RMB22.2 million; and (ii) an increase in trade and other payables of RMB7.7 million primarily due to an increase in trade payables to third parties, which was mainly due to the longer credit terms we enjoyed for purchases of coal as a result of a decrease in market price of coal. These were partially offset by (i) an increase in other receivables and assets of RMB18.2 million primarily due to deductible VAT incurred in 2015 as a result of the Business Combination, and (ii) income tax paid of RMB7.2 million.

Investing activities

Our cash used in investing activities reflects our cash used in payment for the purchase of property, plant and equipment. Cash inflow from investing activities mainly comprises proceeds from government grants.

Our net cash generated from investing activities was RMB3.9 million for the year ended December 31, 2017. This net cash inflow was primarily attributable to proceeds from the receipt of government grant of RMB6.0 million, partially offset by payment for purchase of property, plant and equipment of RMB2.0 million, which primarily consisted of equipment for office use.

Our net cash used in investing activities was RMB13.3 million for the year ended December 31, 2016. This net cash outflow was primarily attributable to payment for purchase of property, plant and equipment of RMB13.3 million, which primarily consisted of equipment used for our power generation and supply business.

Our net cash used in investing activities was RMB33.8 million for the year ended December 31, 2015. This net cash outflow was primarily attributable to payment for purchase of property, plant and equipment of RMB33.8 million due to payment in connection with the construction of our coal-fired cogeneration power plant.

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Financing activities

Our cash inflows from financing activities primarily consist of proceeds from new bank loans. Our cash used in financing activities primarily comprise payment for business combinations under common control, dividend payments and deemed cash outflows to the controlling owner, namely, Tianbao Thermal. Cash flows deemed to the controlling owner represent the net cash flow movements specifically relating to Haigang Thermal Plant Business which were deemed as distribution to controlling owner and reflected in our consolidated financing cash flow movements for the years ended December 31, 2015. Please see “– Basis of Presentation” for more details.

Our net cash used in financing activities was RMB58.3 million for the year ended December 31, 2017. This net cash outflow was primarily attributable to (i) repayment of loan in the amount of RMB24.0 million, (ii) dividends paid of RMB21.0 million and (iii) payment for listing expenses of RMB15.1 million.

Our net cash used in financing activities was RMB25.3 million for the year ended December 31, 2016. This net cash outflow was primarily attributable to payment for business combinations under common control of RMB48.9 million due to our settlement of the remaining consideration payable for acquiring the Haigang Thermal Plant Business. This net cash outflow was offset by proceeds from new bank loans of RMB24.0 million.

Our net cash used in financing activities was RMB167.3 million for the year ended December 31, 2015. This net cash outflow was primarily attributable to (i) payment for business combinations under common control of RMB90.0 million due to payment of a portion of the consideration for acquiring the Haigang Thermal Plant Business; (ii) dividends paid to equity owners of RMB54.0 million; and (iii) deemed cash outflows to the controlling owner of RMB23.3 million.

CAPITAL COMMITMENTS

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Contracted for	–	–	7,078
Authorised but not contracted for	2,131	–	24,142
	2,131	–	31,220

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We classify a commitment as authorized, but by not contracted for if our management has identified the potential capital commitment and has determined that it is more likely than not to make the commitment.

Our capital commitments during the Track Record Period were primarily related to equipment purchases in connection with facility upgrades for our electricity dispatch and sale and power generation and supply businesses.

Operating Lease Commitments

The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Within one year	90	55	617
After one year but within five years	–	48	41
	<u>90</u>	<u>103</u>	<u>658</u>

Our operating lease commitments during the Track Record Period were related to rental payables for our leased properties and motor vehicles.

WORKING CAPITAL

We have funded our working capital requirements through a combination of cash and cash equivalents, cash inflow from our operations and bank borrowings. We recorded an operating cash inflow in the amount of RMB76.4 million, RMB67.3 million, and RMB76.2 million for the three years ended December 31, 2015, 2016 and 2017, respectively. We recorded net current assets in the amount of RMB7.8 million, RMB50.3 million and RMB42.5 million as of December 31, 2015, 2016 and 2017, respectively.

Taking into account the net proceeds of the Share Offer, net cash from our operating activities and bank facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this Prospectus. We have obtained credit facilities in an aggregate amount up to RMB262 million in case we need to repay any amount due to our Controlling Shareholders.

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NET CURRENT ASSETS

Details of our current assets and liabilities at each of the indicated balance sheet dates are as follows:

	As of December 31,				February 28, 2018
	2015	2015 adjusted ⁽¹⁾	2016	2017	
	<i>(RMB in thousands)</i>				
Current assets:					
Inventories	8,217	9,590	7,650	6,363	6,195
Trade and bill receivables	33,587	73,561	37,478	41,910	34,253
Other receivables and assets	17,870	19,627	737	22,191	23,421
Cash and cash equivalents	65,591	65,591	94,251	116,071	132,992
Total current assets	<u>125,265</u>	<u>168,369</u>	<u>140,116</u>	<u>186,535</u>	<u>196,861</u>
Current liabilities:					
Trade and other payables	97,210	136,241	19,670	44,258	57,174
Loans and borrowings	–	–	24,000	–	–
Receipts in advance	14,962	19,932	17,137	22,185	17,544
Dividends payable	–	–	21,000	–	–
Salary and welfare payables	1,318	1,987	2,431	2,431	469
Current taxation	3,940	3,940	5,540	2,633	2,573
Current portion of other non-current liabilities	–	–	–	72,490	72,490
Total current liabilities	<u>117,430</u>	<u>162,100</u>	<u>89,778</u>	<u>143,997</u>	<u>150,250</u>
Net current assets	<u>7,835</u>	<u>6,269</u>	<u>50,338</u>	<u>42,538</u>	<u>46,611</u>

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Note:

1. In December 2015, Tianbao Thermal transferred the Haigang Thermal Plant Business, including all the property, plant and equipment, construction in progress and lease prepayments as well as all sales contracts relating to the Haigang Thermal Plant Business to us. Our financial statements have been prepared on the basis as if Haigang Thermal Plant Business had always been a part of us and consolidated by us. However, as Haigang Thermal Plant Business constituted only a part of the operations of Tianbao Thermal prior to the Business Combination, there were no financial statements prepared for Haigang Thermal Plant Business on a stand-alone basis. For the preparation of our financial statements, we have identified financial information, to the extent possible, from the historical financial information of Tianbao Thermal as of and for the year ended December 31, 2015, which included assets, liabilities, income and expenses specifically relating to the Haigang Thermal Plant Business. For our consolidated statements of financial position, in particular, as of December 31, 2015, when the Business Combination was completed, current assets and liabilities specifically relating to Haigang Thermal Plant Business were not transferred to us and were excluded from our consolidated statements of financial position.

Please see “History, Reorganization and Corporate Structure” for more details of the Haigang Thermal Plant Business.

Since Tianbao Thermal maintained the same bank accounts for Haigang Thermal Plant Business and its other businesses, all cash transactions from Haigang Thermal Plant Business and Tianbao Thermal’s other businesses were processed through the same bank accounts which were not transferred to us upon completion of the Business Combination and cannot be segregated. Therefore, none of Tianbao Thermal’s cash and cash equivalents has been allocated to the historical financial information of Haigang Thermal Plant Business.

As a result of the foregoing, the analysis of certain balance sheet items as of December 31, 2015, when compared to those as of December 31, 2016, may not be meaningful. For the purpose of conducting a more informative analysis, the table above and in the sub-sections headed “– Certain Balance Sheet Items” and “– Key Financial Ratios” also present illustrative adjusted current assets and liabilities positions as of December 31, 2015, which combined (i) the current assets and liabilities specifically relating to the Haigang Thermal Plant Business as of December 31, 2015 that were originally excluded from our consolidated statements of financial position, with (ii) our current assets and liabilities as of December 31, 2015 as recorded in our consolidated statements of financial position.

As of February 28, 2018, we had net current assets of RMB46.6 million, consisting of current assets of RMB196.9 million and current liabilities of RMB150.3 million, compared to net current assets of RMB42.5 million as of December 31, 2017. The increase of RMB4.1 million was due to an increase in cash and cash equivalents of RMB16.9 million in relation to operating cash inflow, which was partially offset by an increase of trade payables in relation to purchases of coal, mainly as a result of the better credit terms granted by our suppliers, which we believe is attributable to longer trading relationship with them.

As of December 31, 2017, we had net current assets of RMB42.5 million, consisting of current assets of RMB186.5 million and current liabilities of RMB144.0 million, compared to our net current assets of RMB50.3 million as of December 31, 2016. The decrease of RMB7.8 million in our net current assets was primarily due to (i) an increase in the current portion of other non-current liabilities of RMB72.5 million in relation to our equity reduction and (ii) an increase of RMB24.6 million in trade and other payables primarily due to (a) an increase in payables to our electrical component suppliers which was in line with the increase in revenue from sales of electrical components, (b) an increase in payables to outsourced operation and maintenance service providers because more maintenance and repair services for our coal-fired cogeneration power plant were provided during the year ended December 31, 2017 than during the year ended December 31, 2016, (c) an increase in payables for purchases of coal mainly as a result of the better credit terms granted by our suppliers, which we believe were attributable to longer trading relationships with them, and (d) listing expense payables recorded during the year ended December 31, 2017. The decrease was partially offset by (i) a decrease

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of RMB24.0 million in loans and borrowings due to the repayment of a bank loan, (ii) an increase of RMB21.8 million in cash and cash equivalents primarily generated from operating cash inflows, (iii) an increase of RMB21.5 million in other receivables and assets primarily due to prepayment recorded during the year ended December 31, 2017 in relation to listing expenses and (iv) a decrease of RMB21.0 million in dividends payable due to the payment in November 2017 of dividends declared during the year ended December 31, 2015.

As of December 31, 2016, we had net current assets of RMB50.3 million, consisting of current assets of RMB140.1 million and current liabilities of RMB89.8 million, compared to the adjusted net current assets of RMB6.3 million as of December 31, 2015. The increase of RMB44.0 million in our net current assets was primarily due to (i) a decrease of RMB116.6 million in trade and other payables as a result of (a) our settlement of the remaining consideration payable for acquiring the Haigang Thermal Plant Business, (b) a decrease in trade payables to third parties primarily due to a decrease in payables for purchases of coal as a result of the shorter credit terms granted by our suppliers due to significant fluctuations in the market price of coal during the fourth quarter of 2016, and a decrease in payable to our third-party construction service providers which was in line with the decrease in revenue from construction services, (c) settlement of collections on behalf of a local branch of State Grid, namely, Tianjin Electric Power Company Binhai Branch, and (d) settlement of payables in connection with the construction of our coal-fired cogeneration power plant; and (ii) an increase of cash and cash equivalents of RMB28.7 million from operating cash inflows. The increase were partially offset by (i) a decrease of RMB36.1 million in trade and bill receivables primarily due to our enhanced credit management and collection efforts after the Business Combinations; (ii) an increase of RMB24.0 million in loans and borrowings used for working capital purpose; (iii) an increase of RMB21.0 million in dividends payable; and (iv) a decrease of other receivables and assets of RMB18.9 million primarily due to deductible VAT incurred in 2015 as a result of the Business Combination.

As of December 31, 2015, the adjusted net current assets were RMB6.3 million, consisting of current assets of RMB168.4 million and current liabilities of RMB162.1 million.

CERTAIN BALANCE SHEET ITEMS

Inventories

Our inventories mainly comprised (i) fuel namely, coal for power generation, and (ii) goods and supplies, primarily in connection with our trading of electrical components.

The following table shows a summary of our inventory balances as of the dates indicated:

	As of December 31,			
	2015	2015 adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Fuel	–	1,373	2,944	2,550
Goods and supplies	8,217	8,217	4,706	3,813
Total	8,217	9,590	7,650	6,363

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Our inventories decreased by 16.8% to RMB6.4 million as of December 31, 2017 from RMB7.7 million as of December 31, 2016, primarily due to an increase in sales of electrical components and a concurrent decrease of purchases into inventory resulting from changes in our inventory management practices.

Our inventories decreased by 19.8% to RMB7.7 million as of December 31, 2016 from RMB9.6 million as of December 31, 2015, primarily as a result of a decrease in inventories of electrical components, as we anticipated that sales of electricity components would continue to decrease in 2016.

For the three years ended December 31, 2015, 2016 and 2017, our inventory turnover days were 21 days, 21 days and 14 days, respectively. We calculate the inventory turnover days using the average of the beginning and ending inventory balances of the period, divided by cost of sales of our power generation and supply business plus cost of trading of electrical components for the year, multiplied by the number of days for the relevant period (365 days for 2015, 2016 and 2017). Our inventory turnover days remained relatively stable during the Track Record Period. Our inventory turnover days decreased from 21 days in 2016 to 14 days for the year ended December 31, 2017, primarily due to (i) an increase in our cost of coal resulting from an increase in the price of coal, and (ii) our improved management of inventory levels.

As of February 28, 2018, approximately RMB4.7 million, or 73.4%, of our inventories as of December 31, 2017 were utilized or sold.

Trade and bill receivables

Our trade and bill receivables mainly represent outstanding amounts due from our customers. Before accepting new customers, we gather and assess the credit information of the potential customers when considering their quality and determining the credit terms for them. We generally grant a credit term of 30 days to our electricity dispatch and sale and power generation customers and a credit term of 90 days to our customers of electrical components.

The following table sets forth our trade and bill receivables as of the dates indicated:

	As of December 31,			
	2015	2015 adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Accounts receivables	32,157	70,328	37,228	41,910
Notes receivables	1,430	3,233	250	–
Total	33,587	73,561	37,478	41,910

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Our trade and bill receivables increased by 11.8% to RMB41.9 million as of December 31, 2017 from RMB37.5 million as of December 31, 2016, primarily due to an increase in accounts receivables mainly as a result of increased sales of electrical components.

Our trade and bill receivables decreased by 49.0% to RMB37.5 million as of December 31, 2016 from RMB73.6 million as of December 31, 2015, primarily due to our enhanced credit management and collection efforts after the Business Combination.

The following table sets forth an aging analysis of our trade and bill receivables, based on invoice date, as of the dates indicated:

	As of December 31,			
	2015			
	2015	adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Within three months	27,499	67,473	34,541	36,157
Four to six months	3,067	3,067	2,089	5,080
Seven to 12 months	3,021	3,021	848	17
Over 12 months	–	–	–	656
Total	33,587	73,561	37,478	41,910

For the three years ended December 31, 2015, 2016 and 2017, our trade and bill receivables turnover days were 58 days, 47 days and 32 days, respectively. We calculate the trade and bill receivables turnover days using the average of the beginning and ending trade and bill receivable balances of the period, divided by revenue for the year, multiplied by the number of days for the relevant period (365 days for 2015, 2016 and 2017). Our trade and bill receivables turnover days remained relatively stable for the years ended December 31, 2015, 2016 and 2017. Our trade and bill receivables turnover days decreased from 58 days for the year ended December 31, 2015 to 47 days for the year ended December 31, 2016, and further to 32 days for the year ended December 31, 2017, primarily due to our enhanced credit management and collection efforts after the Business Combination.

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The following table sets forth the aging analysis of our trade and bill receivables that are not individually nor collectively considered to be impaired:

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Neither past due nor impaired	27,499	34,541	36,157
Less than 1 month past due	–	2,089	1,278
1 to 3 months past due	3,067	–	3,802
4 to 12 months past due	3,021	848	673
	6,088	2,937	5,753
Total	33,587	37,478	41,910

The trade receivables that were neither past due nor impaired at the end of each reporting period were related to a wide range of customers who had no recent history of payment defaults. The trade receivables that were past due but not impaired were related to a number of independent customers who have a good track record of making payment to us. Based on our past experience, our management believes that no impairment allowance is necessary in respect of these balances, as there has not been a significant change in credit quality of the trade receivables from the date that credit was initially granted up to the end of each reporting period. As such, the balances are still considered fully recoverable.

As of February 28, 2018, approximately RMB34.5 million, or 82.3%, of our trade and bill receivables as of December 31, 2017 had been settled.

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Other receivables and assets

Our other receivables and assets mainly represent listing expenses prepayments, advance to suppliers, deposits with third parties, interest receivables and deductible VAT.

The following table sets forth the components of our other receivables and assets as of the dates indicated:

	As of December 31,			
	2015	2015 adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Listing expenses prepayments	–	–	–	21,239
Advance to suppliers	913	1,623	220	276
Deposits with third parties	489	1,536	517	676
Interest receivables	–	–	–	–
Deductible VAT	16,468	16,468	–	–
Total	17,870	19,627	737	22,191

Our other receivables and assets increased significantly to RMB22.2 million as of December 31, 2017 from RMB0.7 million as of December 31, 2016, primarily due to prepayment recorded during the year ended December 31, 2017 in relation to listing expenses.

Our other receivables and assets decreased significantly to RMB0.7 million as of December 31, 2016 from RMB19.6 million as of December 31, 2015, primarily due to deductible VAT incurred in 2015 as a result of the Business Combination.

Trade and other payables

Our trade and other payables mainly represent trade payables to third parties, payables for listing expenses, payables for purchase of property, plant and equipment, amount due to a fellow subsidiary, collections on behalf of third parties, deposit received, payables for VAT and other taxes. Our trade payables to third parties primarily consist of payables for purchases of coal for our power generation and supply business, purchases of electrical components for subsequent sales and payables to our third-party construction service providers. Collections on behalf of third parties mainly represent prepaid facility usage fees we collected on behalf of a local branch of State Grid, namely, Tianjin Electric Power Company Binhai Branch, from their new customers. Our trade and other payables are non-interest-bearing and are expected to be settled within one year or are repayable on demand.

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The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			
	2015	2015 adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Trade payables to third parties	29,225	50,472	17,708	33,078
Payables for listing expenses	–	–	–	7,968
Payables for purchase of property, plant and equipment	–	17,167	110	537
Amount due to a fellow subsidiary	48,938	48,938	–	–
Collections on behalf of third parties	18,407	18,407	–	–
Deposit received	274	387	1,139	900
Payables for VAT and other taxes	217	217	124	1,730
Others	149	653	589	45
Total	97,210	136,241	19,670	44,258

Our trade and other payables increased significantly to RMB44.3 million as of December 31, 2017 from RMB19.7 million as of December 31, 2016, primarily due to (i) an increase of RMB15.4 million in trade payables to third parties as a result of (a) an increase in payables to our electrical component suppliers which was in line with the increase in revenue from sales of electrical components, (b) an increase in payables to outsourced operation and maintenance service providers because more maintenance and repairs services for our coal-fired cogeneration power plant were provided during the year ended December 31, 2017 than during the year ended December 31, 2016, (c) an increase in payables for purchases of coal mainly as a result of the better credit terms granted by our suppliers which we believe were attributable to longer trading relationships with them; and (d) listing expenses payables recorded during the year ended December 31, 2017.

Our trade and other payables decreased by 85.5% to RMB19.7 million as of December 31, 2016 from RMB136.2 million as of December 31, 2015, primarily due to (i) a decrease of RMB48.9 million in amount due to a fellow subsidiary as a result of our settlement of the remaining consideration payable for acquiring the Haigang Thermal Plant Business; (ii) a decrease of RMB32.8 million in trade payables to third parties primarily due to (a) a decrease in payables for purchases of coal as a result of the shorter credit terms granted by our suppliers due to significant fluctuations in the market price of coal during the fourth quarter of 2016, and (b) a decrease in payables to our third-party construction service providers which was in line

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with the decrease in revenue from construction services; (iii) a decrease of RMB18.4 million in collections on behalf of third parties due to settlement of the outstanding amounts; and (iv) a decrease of RMB17.1 million in payables for purchase of property, plant and equipment primarily attributable to settlement of payables in connection with the construction of our coal-fired cogeneration power plant.

The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,			
	2015	2015 adjusted	2016	2017
	<i>(RMB in thousands)</i>			
Within 1 year	27,277	48,524	15,936	43,634
Between 1 to 2 years	1,686	1,686	384	503
Between 2 to 3 years	262	262	1,388	121
Over 3 years	–	–	–	–
Total	29,225	50,472	17,708	44,258

For the three years ended December 31, 2015, 2016 and 2017, our trade payables turnover days were 130 days, 84 days and 50 days, respectively. We calculate the trade payables turnover days using the average of the beginning and ending balances of trade payables to third parties of the period, divided by cost of sales of our power generation and supply business plus cost of trading of electrical components for the year, multiplied by the number of days for the relevant period (365 days for 2015, 2016 and 2017). Our trade payables turnover days decreased from 130 days in 2015 to 84 days in 2016, primarily due to a significant decrease in trade payables to third parties as a result of the above-mentioned reasons. Our trade payables turnover days decreased from 84 days in 2016 to 50 days for the year ended December 31, 2017, primarily due to the higher cost of sales of our power generation and supply business and the cost of trading in electrical components in 2017, which were partially offset by the increase in trade payables to third parties as of December 31, 2017 as a result of the above-mentioned reasons.

Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period.

Other non-current liabilities

In October 2016, we reduced our equity by RMB240.9 million in order to facilitate our then Shareholders to recover part of the acquisition funds used to acquire the assets of Haigang Thermal Plant. After the aforesaid capital reduction, Tianjin Tianbao Electricity was obliged to return approximately RMB228.4 million and RMB12.5 million to Tianbao Holdings and

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Tianbao Investment, respectively. Please see “History, Reorganization and Corporate Structure – Our History and Development – III. 2015 – present”. According to the Repayment Agreement we entered into with Tianbao Holdings and Tianbao Investment in December 2016 to facilitate the repayment of these amounts, we agreed to make payments in installments to Tianbao Holdings and Tianbao Investment in the amount of RMB72.5 million, RMB80.0 million and RMB88.4 million in 2018, 2020 and 2021, respectively. Such payments are interest free. Please see “Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence – Repayments of the capital reduction”. We recorded such payments as non-current payables based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and the difference between the total amount of outstanding payments and their present value, net of income tax, is recorded in capital reserve as capital contribution from equity owners. Such difference is recorded as interest expenses in our consolidated statements of profit or loss in 2017 and will continue to be recorded as such until the payments are fully settled.

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of borrowings and non-current payables in relation to our equity reduction. The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Short-term borrowings	–	24,000	–
Current portion of other non-current liabilities	–	–	72,490
Other non-current liabilities	–	203,634	141,791
Total	–	227,634	214,281

As of the Latest Practicable Date, we have obtained credit facilities in an aggregate amount of RMB262 million, of which RMB262 million is unutilized, which can be used to repay any amount due to our Controlling Shareholders.

We expect to repay our borrowings through cash flows generated from operating activities.

Our Directors further confirm that we did not experience material defaults in payment of trade and non-trade payables and bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

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Our Directors confirm that there has been no material change in our indebtedness position since February 28, 2018, the latest date for liquidity disclosure, up to the date of this Prospectus.

Contingent Liabilities

Except as disclosed above, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, debentures, mortgages, charges, finance leases, liabilities under acceptances or acceptance credits (other than normal trade-related bills), hire purchase commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any independent third parties.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time.

The following table sets forth a breakdown of our amounts deposited in/due from/to related parties as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Cash deposited in Tianbao Finance	60,467	62,612	102,294
Amounts due from TFIHC and its subsidiaries	<u>2,184</u>	<u>1,376</u>	<u>1,588</u>
Total	<u>62,651</u>	<u>63,988</u>	<u>103,882</u>
Amounts due to a TFIHC and its subsidiaries	<u>49,288</u>	<u>262,847</u>	<u>242,921</u>
Total	<u>49,288</u>	<u>262,847</u>	<u>242,921</u>

Cash deposited in a related party represent cash deposits with Tianbao Finance.

Amounts due from TFIHC and its subsidiaries primarily represent amounts due in relation to sales of electricity, steam, heating and cooling. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”.

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Amounts due to TFIHC and its subsidiaries as of December 31, 2016 and 2017 primarily comprised non-current payables in relation to our equity reduction and dividends payables. Please see “– Certain Balance Sheet Items – Other non-current liabilities”. Amounts due to TFIHC and its subsidiaries as of December 31, 2015 primarily comprised remaining consideration payable for acquiring the Haigang Thermal Plant Business.

In addition, we had the following material transactions with related parties for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Sales of goods to subsidiaries of TFIHC ⁽¹⁾	8,055	6,953	8,677
Purchase of goods from subsidiaries of TFIHC ⁽²⁾	21,266	19,225	365
Services to be provided to subsidiaries of TFIHC ⁽³⁾	3,774	3,203	6,635
Services provided by subsidiaries of TFIHC ⁽⁴⁾	991	1,651	–
Purchase of property, plant and equipment from subsidiaries of TFIHC	–	6,868	–
Interest income received from subsidiaries of TFIHC ⁽⁵⁾	3,151	297	1,359
Funding transfer from TFIHC and its subsidiary ⁽⁶⁾	446,000	620,000	–
Funding transfer to TFIHC and its subsidiary ⁽⁶⁾	446,000	420,000	–

Notes:

- (1) Represent sales of electricity, steam, heating and cooling to TFIHC.
- (2) Represents purchase of coal and water from the TFIHC. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”.
- (3) Represent certain technical support and maintenance services we provided to TFIHC. Please see “Connected Transactions – II. Non-Exempt Continuing Connected Transactions”.
- (4) Represent certain financial management services provided by Tianjin Tianbao Financial Management Co., Ltd. (天津天保財務管理有限公司), a subsidiary of TFIHC.
- (5) Represent interest income from deposits with Tianbao Finance.
- (6) Represents the remittance of bank loans by Tianbo Holdings and TFIHC which were all subsequently remitted back to them by us very shortly after the initial remittance to us. For more details, please see “Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence”.

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We have discontinued all non-trade related party transactions prior to Listing, except as in compliance with the Listing Rules and as disclosed in the section headed “Connected Transactions” in this Prospectus.

It is the view of our Directors that each of the related party transactions set out in Note 27 to the Accountants’ Report set forth in Appendix I to this Prospectus were conducted in the ordinary course of business on an arm’s length basis between the relevant parties and were entered into on normal commercial terms. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

Capital Reduction Payments

We are obliged to make certain payments to our existing shareholders, including payments made in connection with our capital reduction. In October 2016, we reduced our equity by RMB240.9 million. This capital reduction was to facilitate Tianbao Holdings and Tianbao Investment to recover part of the acquisition funds used to acquire the assets of Haigang Thermal Plant. See the section headed “Relationship with Controlling Shareholders – Delineation of Business of Competition – Relationship with Controlling Shareholders.” After the aforesaid capital reduction, Tianjin Tianbao Electricity was obliged to pay approximately RMB228.4 million and RMB12.5 million to Tianbao Holdings and Tianbao Investment, respectively, totalling to RMB240.9 million. According to the Repayment Agreement, we agreed to make payments in installments to Tianbao Holdings and Tianbao Investment with the last installment to be fully settled by December 2021. We recorded such payments as non-current payables based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and the difference between the total amount of outstanding payments and their present value, net of income tax, is recorded in capital reserve as capital contribution from equity owners. Such difference has been recorded as interest expenses in our consolidated statements of profit or loss for the year ended December 31, 2017 and will continue to be recorded as such until the payments are fully settled.

The following table shows the schedule of payments owed under the Repayment Agreement; our Directors believe that this related party debt will not impact the sustainability of our Group’s operations during the term of the repayment schedule.

	Year ended December 31,					
	2017	2018	2019	2020	2021	Total
Capital						
Reduction						
Payment	–	72,490	–	80,000	88,384	240,874

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Taking into account our Company's current working capital level, our Directors believe that we have sufficient working capital to repay the capital reduction by installment or in full as planned. The following table provides an analysis of the impact on our total assets, interest-bearing liabilities, debt to assets ratio, our interest expenses and our profit for the year (or "net profit"), had the capital reduction occurred prior to the Track Record Period, assuming that the payment schedule under the supplemental agreement called for the same payments, but made as at December 31, 2014.

	Year ended December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Total assets	449,697	425,008	425,691
Interest-bearing liabilities	160,000	144,000	80,000
Debt to assets ratio	36%	34%	19%
Interest expenses	(9,509)	(7,988)	(6,399)
Net profit for the year	47,918	48,618	33,982

For illustrative purposes only, under this scenario, our net profit for the years ended December 31, 2015 and 2016 decreases by 12.9% and 10.5%, respectively, and our net profit for the year ended December 31, 2017 increases by 12.3% as compared with our actual net profit for the same periods.

For further illustrative purposes, the following table shows the sensitivity of our total assets, interest bearing liabilities, debt to assets ratio, interest expenses and profit for the year during the Track Record Period under the above scenario based on the highest price of coal we purchased during the Track Record Period (RMB595.1 per ton) (assuming all other variables remain constant).

	As of December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Increase in cost of coal (net of income tax)	30,079	21,400	3,701
Percentage of increase in coal price	64.6%	49.4%	6.0%
Total assets	419,617	403,608	421,989
Interest-bearing liabilities	160,000	144,000	80,000
Debt to assets ratio	38%	36%	19%
Interest expenses	(9,509)	(7,988)	(6,399)
Net profit for the year	17,839	27,218	30,281

For illustrative purposes only, under this scenario, our net profit under the above scenario for the years ended December 31, 2015 and 2016 decreases by 67.6% and 49.9%, respectively, and shows no significant change for the year ended December 31, 2017, as compared with our actual net profit for the same periods.

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In view of these illustrative impact to our net profits during the Track Record Period which would not have affected our qualification for listing, our directors believe that our Group will have the ability to make the capital reduction payments and pay dividends under our new dividend policy after the completion of the Share Offer.

Basis

The analysis above is based on the assumptions and calculations of our Directors as outlined below:

- a. The repayment of the capital reduction amounting to RMB240,874,000 at the end of 2014 (the “Capital Reduction”) would be financed with (i) RMB40,874,000 from our internal resources and (ii) RMB200.0 million from the proceeds of a bank loan secured in 2014, to be repaid in equal instalments over five years. The bank loan would carry an annual interest rate of 4.75%, which is consistent with the benchmark interest rate for 2-5 year bank loans issued by the People’s Bank of China, and for which we could take a tax deduction;
- b. We would pay dividends of 50% of our net profit from internal resources each year during the Track Record Period, in accordance with our expected maximum level of dividend payout policy after the completion of the Share Offer. See “– Dividends”;
- c. Our working capital levels would be managed to prioritize and ensure sufficient cash on hand to fund the financing payments resulting from the Capital Reduction. (i.e. our actual dividend paid during the Track Record Period)

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The cumulative impacts of these assumptions are outlined in the table below, from which we have derived the conclusions presented in the above analysis.

	As of and for the years ended		
	December 31,		
	2015	2016	2017
	<i>(RMB in thousands)</i>		
Total assets (Audited)	520,966	525,936	555,203
Repayments of Capital Reduction	(40,873)	(40,873)	(40,873)
Interest payment (net of income tax)	(7,125)	(12,825)	(17,100)
Dividend payment	(23,271)	(47,230)	(71,539)
Total assets (Illustrative)	449,697	425,008	425,691
Bank loan (Audited)	–	24,000	–
Additional bank loan under assumption	160,000	120,000	80,000
Interest-bearing liabilities (Illustrative)	160,000	144,000	80,000
Debt to assets ratio (Illustrative)	36%	34%	19%
Interest expenses (Audited)	(9)	(388)	(11,346)
Additional interest expense	(9,500)	(7,600)	(5,700)
Reduced interest expense regarding Capital Reduction	–	–	10,647
Interest expenses (Illustrative)	(9,509)	(7,988)	(6,399)
Net profit for the year (Audited)	55,043	54,318	30,272
Additional interest expense	(9,500)	(7,600)	(5,700)
Reduced interest expense regarding Capital Reduction	–	–	10,647
Tax benefit/(expenses) regarding additional/reduced interest expense	2,375	1,900	(1,237)
Net profit for the year (Illustrative)	47,918	48,618	33,982

The above figures and analysis is for illustrative purposes only, have not been independently verified and do not reflect our actual financial condition or results of operation during the Track Record Period.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates indicated:

	Year ended December 31,			
	2015	2015 adjusted ⁽⁸⁾	2016	2017
Profitability ratios				
Return on equity ⁽¹⁾	12.8%	12.8%	17.9%	13.2%
Return on total assets ⁽²⁾	9.1%	8.8%	10.0%	5.6%
	As of December 31,			
	2015	2015 adjusted	2016	2017
Liquidity ratios				
Current ratio ⁽³⁾	1.07	1.04	1.56	1.30
Quick ratio ⁽⁴⁾	1.00	0.98	1.48	1.25
	As of and for the year ended December 31,			
	2015	2015 adjusted	2016	2017
Capital adequacy ratios				
Net debt to net assets ratio ⁽⁵⁾	net cash	net cash	62.2%	40.1%
Gearing ratio ⁽⁶⁾	–	–	43.3%	38.6%
Interest coverage ⁽⁷⁾	7,821.2	7,821.2	186.6	4.4

Notes:

- (1) Return on equity is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant year and multiplied by 100%.
- (2) Return on total assets is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total assets in the relevant year and multiplied by 100%.
- (3) Current ratio is calculated as total current assets divided by total current liabilities.
- (4) Quick ratio is calculated as total current assets minus inventories divided by total current liabilities.
- (5) Net debt to net assets ratio is calculated as net debt (total borrowings and other non-current liabilities minus cash and cash equivalents) divided by net assets.
- (6) Gearing ratio is calculated as total borrowing and other non-current liabilities divided by total assets.
- (7) Interest coverage is calculated as dividing profit before tax by interest expense.
- (8) 2015 adjusted ratios are used for discussion below.

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Return on equity

Our return on equity decreased from 17.9% for the year ended December 31, 2016 to 13.2% for the year ended December 31, 2017, primarily due to a decrease in profit for the year in 2017 and an increase in total equity in 2017.

Our return on equity increased from 12.8% for the year ended December 31, 2015 to 17.9% for the year ended December 31, 2016, primarily due to a decrease in our equity as a result of equity reduction in 2016. Please see “– Certain Balance Sheet Items – Other non-current liabilities”.

Return on total assets

Our return on total assets decreased from 10.0% for the year ended December 31, 2016 to 5.6% for the year ended December 31, 2017, primarily due to a decrease in profit for the year in 2017 and an increase in total equity in 2017.

Our return on total assets increased from 8.8% for the year ended December 31, 2015 to 10.0% for the year ended December 31, 2016, primarily due to higher current assets as of December 31, 2016 as compared with that as of December 31, 2015, which was primarily attributable to the decrease in cash and cash equivalents in 2015 mainly as a result of the payment of the consideration for acquiring the Haigang Thermal Plant Business in 2015.

Current ratio

Our current ratio decreased from 1.56 as of December 31, 2016 to 1.30 as of December 31, 2017, primarily due to an increase in current liabilities resulting mainly from an increase in trade and other payables due within one year.

Our current ratio increased from 1.04 as of December 31, 2015 to 1.56 as of December 31, 2016, primarily due to a decrease in trade and other payables.

Quick ratio

Consistent with the changes in our current ratio, our quick ratio increased from 0.98 as of December 31, 2015 to 1.48 as of December 31, 2016, and decreased to 1.25 as of December 31, 2017.

Net debt to net assets ratio

Our net debt to net assets ratio decreased from 62.2% as of December 31, 2016 to 40.1% as of December 31, 2017, primarily due to a decrease in loans and borrowings and an increase in cash and cash equivalents, contributing to an increase in our net assets, in 2017.

We recorded net cash as of December 31, 2015 because we did not have any borrowings as of December 31, 2015.

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Gearing ratio

Our gearing ratio decreased from 43.3% as of December 31, 2016 to 38.6% as of December 31, 2017, primarily due to a decrease in loans and borrowings and an increase in cash and cash equivalents.

Our gearing ratio increased from nil as of December 31, 2015 to 43.3% as of December 31, 2016, primarily because (i) we recorded non-current payables of RMB203.6 million as of December 31, 2016 in connection with our equity reduction in 2016, and (ii) we recorded borrowings of RMB24.0 million as of December 31, 2016, while we did not have any borrowings as of December 31, 2015.

Our gearing ratio was nil as of December 31, 2015 because we did not have any borrowings as of December 31, 2015.

Interest coverage

Our interest coverage decreased from 186.6 for the year ended December 31, 2016 to 4.4 for the year ended December 31, 2017, primarily because we recorded interest expense during the year ended December 31, 2017 in connection with payables for our equity reduction.

Our interest coverage decreased from 7,821.2 for the year ended December 31, 2015 to 186.6 for the year ended December 31, 2016, primarily due to an increase in interest expense attributable to a RMB24.0 million loan used for working capital purpose in 2016, while we did not have any borrowings in 2015.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual obligations set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

MARKET RISKS

We are exposed to a variety of market risks, including credit risk, liquidity risk and interest rate risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, please see Note 25 in Appendix I to this Prospectus.

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Credit Risk

Our credit risk is primarily attributable to bank deposits, prepayments, trade and other receivables. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits are placed with reputable banks and financial institutions. In addition, a portion of our bank deposits is deposited with a non-bank financial institution which is a related party of us. Corresponding maximum exposures of these bank deposits are disclosed in Note 25 to “Appendix I – Accountants’ Report”.

Credit risk of our other financial assets, which comprise prepayments and other receivables, arise from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within around 30-90 days from the date of billing, except for certain customers to which specific credit period or credit limit are granted. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2015, 2016 and 2017, 1.0%, 26.0% and 26.0% of the total trade receivables were due from our largest customer and 18.0%, 59.0% and 41.0% were due from our five largest customers.

Further quantitative disclosures in respect of our exposure to credit risk arising from trade receivables are set out in Note 16 to “Appendix I – Accountants’ Report”.

Liquidity Risk

We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our operating capital requirements and financial obligations when they fall due. To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow.

We had net current assets of RMB7.8 million, RMB50.3 million and RMB42.5 million as of December 31, 2015, 2016 and 2017, respectively. For the three years ended December 31, 2015, 2016 and 2017, we had net cash generated from operating activities of RMB76.4 million, RMB67.3 million and RMB76.2 million, respectively. As such, our Directors consider our liquidity risk insignificant.

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Interest Risk

Our exposure to the risk of changes in market interest rates primarily relates to our variable-rate bank balances, which carry prevailing market interest. As of December 31, 2015, 2016 and 2017, our fixed-rate bank borrowing balance amounted to nil, RMB24.0 million and nil, respectively.

We currently do not have a specific policy to manage our interest rate risk or use interest rate swap or other derivative financial instruments to hedge against our interest rate risk. We mitigate this risk by closely monitoring the movements in interest rates. Our Directors consider our interest rate risk on our bank balances insignificant.

DIVIDENDS

In 2014, we declared dividends of RMB39.3 million, which were paid in 2015. In 2015, we also paid dividends of RMB14.7 million, which were declared in 2013. In addition, we declared dividends of RMB21.0 million in 2016, which we paid in November 2017 through internal resources. No other dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period.

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be formulated by our Board at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations and other factors that our Directors may consider relevant. We currently intend, subject to the above considerations and in the absence of any adverse circumstances which might reduce the profits that are distributable whether by losses or otherwise, to distribute 30% to 50% of our profit for the year after the completion of the Share Offer in the form of dividends to our shareholders. Based on (i) the schedule for capital reduction payments under the supplemental agreement, (ii) the banking facilities available to our Company, (iii) our Company's current asset position and (iv) our Company's present financial position and business strategies, our Directors are confident that making dividend payments of 50% of our profit for the year will not adversely affect our financial position given the pre-determined cash outflow in relation to capital reduction.

In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory common reserve fund an amount equivalent to 10% of our profit after tax, as determined under PRC GAAP; and

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- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the statutory common reserve fund is 10% of our profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this statutory common reserve fund will be required. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. In addition, the declaration and payment of dividends may also be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2017, we had distributable reserves of RMB25.2 million, which were available for distribution to our equity shareholders.

PROPERTY VALUATION RECONCILIATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited has conducted a valuation of our selected property interest as of February 28, 2018. The texts of its letter and the valuation certificate are set out in Appendix III to this Prospectus.

The table below sets forth the reconciliation between the net book value of our properties as of December 31, 2017 as extracted from our Accountants' Report as included in Appendix I to this Prospectus and the Property Valuation Report as included in Appendix III to this Prospectus as of February 28, 2018.

	<i>(RMB in thousands)</i>
Net book value of our properties as of December 31, 2017	110,769
Less:	
Depreciation	705
Net book value of our properties as of February 28, 2018	110,064
Net valuation surplus as of February 28, 2018	14,936
Valuation amount as of February 28, 2018	125,000

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LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Share Offer, including underwriting commissions) for the Share Offer are approximately RMB38.6 million. During the Track Record Period, we incurred approximately RMB3.3 million of listing expenses for the Share Offer, which was charged to the consolidated statements of profit or loss for the years ended December 31, 2016 and 2017, as administrative expenses. We expect to incur additional listing expenses of RMB35.3 million in connection with the Share Offer, of which an estimated amount of RMB2.4 million is expected to be recognized as administrative expenses and the remaining amount of RMB32.9 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect that such expenses will have a material and adverse impact on our results of operations for the year ending December 31, 2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on December 31, 2017. This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer been completed on December 31, 2017 or any future dates.

The following is an illustrative pro forma statement of our adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on December 31, 2017.

This pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our net tangible assets (liabilities) attributable to the owners of the Company as of December 31, 2017 or any future dates following the Share Offer.

	Consolidated net tangible assets attributable to the shareholders of the Company as of December 31, 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000⁽¹⁾</i>	<i>RMB'000⁽²⁾</i>	<i>RMB'000</i>	<i>RMB⁽³⁾</i>	<i>HK\$⁽³⁾</i>
Based on an Offer Price of HK\$1.74 per Share	243,371	20,770	264,141	1.71	2.05
Based on an Offer Price of HK\$1.90 per Share	243,371	25,744	269,115	1.75	2.09

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Notes:

- (1) The consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2017 is based on the consolidated net assets attributable to shareholders of the Company of RMB244,805,000 after deduction of intangible assets of RMB1,434,000 as of December 31, 2017. The consolidated net tangible assets attributable to the shareholders of the Company were extracted from the accountants' report as set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Prices of HK\$1.74 and HK\$1.90 per Share, respectively, after deduction of the underwriting fees and other relevant expenses payable by the Company (excluding listing expenses of approximately RMB3,273,000 that have been charged to profit or loss up to December 31, 2017), and 38,540,000 Shares expected to be issued under the Share Offer, assuming the Offer Size Adjustment Option is not exercised. The estimated net proceeds from the Share Offer are converted to RMB at an exchange rate of RMB0.8359 to HK\$1 prevailing on December 31, 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the above paragraphs and on the basis that 154,140,907 Shares were in issue assuming that the Share Offer has been completed on December 31, 2017, but do not take into account any shares which may be issued upon the exercise of the Offer Size Adjustment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8359 to HK\$1 prevailing on December 31, 2017. No representation is made that the RMB amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (4) Our selected property interest as of February 28, 2018 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The above pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of our property interests amounting to approximately RMB14,936,000. Revaluation surplus has not been recorded in our historical financial information and will not be recorded in our consolidated financial statements for the year ending December 31, 2017 as our property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in our financial statements, additional annual depreciation and amortization of approximately RMB506,000 would be charged against the profit for the year ending December 31, 2017.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2017.

NO MATERIAL ADVERSE CHANGE

We confirm that there has been no material adverse change in our financial or trading position since December 31, 2017, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant's Report in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Our Strategies” in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately HK\$30.7 million, after deducting the underwriting fees and expenses payable by us in the Share Offer, and assuming the Offer Size Adjustment Option is not exercised and an Offer Price of HK\$1.82 per Share, being the mid-point of the Offer Price range stated in this Prospectus.

We intend to use these net proceeds from the Share Offer for the purposes and in the amounts set out below:

- approximately HK\$19.1 million (RMB16.0 million), or approximately 62.2% of the net proceeds from the Share Offer, will be used to upgrade our technology and equipment, including:
 - (i) upgrading our de-dusting system to reach the super-clean standard; and
 - (ii) upgrading our #1 and #2 power transformation stations.
- approximately HK\$11.6 million (RMB9.7 million), or approximately 37.8% of the net proceeds from the Share Offer, will be used to establish Tianbao Electricity Sales Company and contribute to its registered share capital according to requirement under the latest development of the power industry reform. For details, please refer to the section headed “Future Plans and Use of Proceeds – Electricity Reform under the New Policy – The role of Tianbao Electricity Sales Company”.

In the event that the Offer Price per Share is not finally determined to be HK\$1.82, the amount of proceeds for each use set out above will be increased or reduced, as the case may be, on a pro-rata basis.

In the event that the Offer Size Adjustment Option is exercised in full, we estimate we would receive additional net proceeds of approximately HK\$10.2 million, assuming an Offer Price of HK\$1.82 per Share, being the mid-point of the Offer Price range stated in this Prospectus. We intend to use the additional net proceeds for the aforesaid purposes in the same proportion as disclosed above.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including but not limited to, cash generated from operations and bank financing.

To the extent our net proceeds are not immediately used for the aforesaid purposes or if we are unable to effect any part of our future plans, we may hold such net proceeds in deposits with certain financial institutions.

FUTURE PLANS AND USE OF PROCEEDS

ELECTRICITY REFORM UNDER THE NEW POLICY

Leveraging on our efficient operations and use of advanced technologies, we believe that we are in a strong position to capitalize on the new business opportunities arising from the electricity reform of the PRC power industry. It is one of our main strategies to proactively adapt to the reformation of the PRC power industry as described in the section headed “Business – Proactively adapt to the reformation of the PRC power industry and seize potential business opportunities”. For details of the historical background and recent development of the electricity system reform in the PRC and Tianjin, please refer to the section headed “Industry Overview – Electricity Reform Under the New Policy”.

The role of Tianbao Electricity Sales Company

In order to positively respond to the national and regional policies on electricity system reform and seize opportunities in the reform to support our long-term strategic development, we aim to expand our business of electricity sale beyond Tianjin Port Free Trade Zone (Seaport) and plan to establish Tianbao Electricity Sales Company. Based on experience from the Guangdong model already in operation for 3 years, it is expected that when the New Policy is implemented in Tianjin, an electricity exchange center will be established in Tianjin which allows end-users to directly purchase from power generation enterprises or, more likely, purchase through an Electricity Sales Company like Tianbao Electricity Sales Company, which will match the supply and demand more efficiently and therefore reduces the unnecessary premium due to monopoly in the electricity grid market.

For distribution grid operators such as us, establishing an Electricity Sales Company like Tianbao Electricity Sales Company is a natural extension of and a complement to our current electricity dispatch business via our own grid. To participate in the electricity trading market, electricity users have to equip themselves with relevant professional knowledge and accurately estimate their electricity consumption. Making references to the models adopted in other provinces, when electricity is traded through the exchange trading platform, deviation of actual electricity consumption from contracted volume beyond a certain level will incur penalties. Therefore, it is not economically feasible for end-users who lack electricity industry knowledge or consume small volume of electricity to directly participate in the electricity trading market. Tianbao Electricity Sales Company can more effectively connect the electricity user and producer, provide professional services, purchase the electricity from power wholesale market and sell the electricity to the end-user in electricity retail market.

In our electricity dispatch and sale business, we purchase electricity from a local branch of the State Grid and then dispatch and sell it via our power facilities and grid to our existing customers. Upon implementation of the reform, the electricity sale business to be conducted through Tianbao Electricity Sales Company will continue to be very similar to our existing electricity sale business except the New Policy allows us (i) the flexibility to purchase electricity from other third parties power plants; and (ii) the autonomy to extend our customer base to enterprises located in the Tianjin Binhai New District (2,270 km²) and the whole of the Tianjin Municipality (over 11,000 km²), instead of just confining to the enterprises located

FUTURE PLANS AND USE OF PROCEEDS

within the Tianjin Port Free Trade Zone (Seaport) (7.0 km²). When expanding into new regions, 1) if there is no existing electricity grid company in charge of the electricity supply, we can engage in the electricity dispatch and sales business through investment on incremental grids; 2) if the region is covered by one of the two national grid companies, namely the State Grid and the China Southern Power Grid, we can participate in the competition of the electricity sales market and pay wheeling charges to local branches of the national grid companies; 3) if the region is covered by other regional grid company, we can still participate in the competition of the electricity sales market but will face fierce competition from the original local grid company.

Concrete plan for participating in electricity system reform under the New Policy

Based on the view of the Frost & Sullivan Report and our communication with Tianjin Municipal Commission of Industry and Information Technology, a commission which has been officially delegated with the task of leading the implementation of the electricity reform in Tianjin, we expect the New Policy to be implemented before June 2018. Our Directors believe that setting up Tianbao Electricity Sales Company at this stage and engaging in all necessary preparatory works are imperative for our Group to maintain our competitive edge.

Our business plan of establishing Tianbao Electricity Sales Company has met the market admission standards, employee qualifications, technology requirements and capital thresholds of an Electricity Sales Company under the New Policy. Firstly, Tianbao Electricity Sales Company will comply with the market admission standards listed in Administrative Measures for Access and Withdrawal of Electricity Sale Companies. Secondly, Tianbao Electricity Sales Company will comply with the regulations about the number and qualifications of staffs. Thirdly, the registered capital of the electricity sales company will be RMB20 million, which meets the capital requirements of Administrative Measures for Access and Withdrawal of Electricity Sale Companies. According to the regulations, Tianbao Electricity Sales Company is allowed to operate electricity sales business at a scale from 600 million to 3 billion kWh. Lastly, Tianbao Electricity Sales Company will comply with the technology requirements of the regulations, and can provide various functions including quotation of prices, information reporting, contract signing and customer services. Furthermore, we as the holding company of Tianbao Electricity Sales Company operate an electricity dispatch and sale business as well as a power generation business which provide us with abundant experience in technology and management of electricity systems, outstanding human resources and a strong customer base that would allow Tianbao Electricity Sales Company to meet the requirements on entering the electricity sales market.

It is our current plan that Tianbao Electricity Sales Company will be located at Tianjin Port Free Trade Zone (Seaport), which mainly targets the enterprises in the Tianjin Binhai New District and other areas in Tianjin. We plan to hire at least ten technicians for Tianbao Electricity Sales Company. We have entered into a number of non-binding electricity supply framework agreements and electricity purchase framework agreements (“**Framework Agreements**”) with other significant market players. These Framework Agreements include:

- (a) two electricity sales and purchase strategic cooperation framework agreements dated July 2017 and October 2017 with two corporate customers pursuant to which these two companies agreed, subject to the conditions specified in the agreement, to purchase electricity from Tianbao Electricity Sales Company;
- (b) a strategic cooperation framework agreement for direct supply of electricity to major customers in October 2017 with a power supply company pursuant to which this company agreed to secure the power supply required by us for a term of 5 years; and

FUTURE PLANS AND USE OF PROCEEDS

- (c) a strategic cooperation framework agreement for direct supply of electricity to major customers in October 2017 with a power supply company pursuant to which this company agreed to supply electricity to our customers at a tariff lower than that offered by it to other entities of the same industry through direct trade.

There are also further offtake agreements in the pipeline which are expected to be concluded within the next couple of months. Our Directors believe that the sooner we can secure the market share in this business segment, the better it will be for us to build up our market position and reputation.

Competitive landscape and prospects

We are the sole power operator in Tianjin Port Free Trade Zone (Seaport), engaging in (1) energy generation and supply; (2) electricity dispatch and sales; and (3) other value-added services. Also, we are the only licensed entity in Northern China (other than the State Grid) with over 20 years of track record engaged in the electricity dispatch and sale business. The electricity consumption in Tianjin grew steadily over the recent years. In 2016, electricity consumption in Tianjin reached 80.8 billion kWh, with a year-on-year growth of 0.9%. With the economic development and the improvement of urban residents' living standard in Tianjin, electricity consumption in Tianjin is expected to keep the steady growth in the future. Please find below a table showing comparison between Tianjin, Binhai New Area and Tianjin Port Free Trade Zone (Seaport) in 2016:

	Tianjin	Binhai New Area	Tianjin Port Free Trade Zone (Seaport)
Area (km ²)	11,000	2,270	7
GDP (RMB Billion)	1,788.54	1,000.23	97.33
Electricity Usage (Billion kWh)	80.79	45.00 ⁽¹⁾	0.25

Note:

- (1) Electricity usage for Binhai New Area was estimated by share of Tianjin's GDP.

Our existing electricity supply service is mainly provided for the consumers in Tianjin Port Free Trade Zone (Seaport), and the electricity load is concentrated in large processing enterprises. Tianjin Port Free Trade Zone (Seaport) has over 130 electricity users with a regional GDP of RMB97.33 billion and planned land area of 7 km² which is larger than the area of Yau Tsim Mong Region in Hong Kong. Tianjin Port Free Trade Zone (Seaport) reached a stable electricity consumption of 250 million kWh in 2016, which equals to over 80% of electricity consumption of Tianjin Port Area (310 million kWh and 132 km²). Since our electricity customers are mainly industrial companies, which are concentrated in Tianjin Port Free Trade Zone (Seaport), we are at the forefront of the electricity sales market reform as these users require larger electricity supplies as described above.

FUTURE PLANS AND USE OF PROCEEDS

The Tianjin Government is actively developing the incremental power distribution business in industrial parks. On September 28th, 2017, Tianjin Government Office issued the *Tianjin Electric Power System Reform Comprehensive Pilot Program*, which stipulated that before 2017, incremental power distribution plans should be promoted to carry out in the qualified districts and zones, including economic and technological development zones, free trade zones, high-tech districts and recycling economy industrial zones. A large number of newly-developing industrial zones in Tianjin will generate enormous demand for electricity dispatching and sales services. Up to the end of 2015, Tianjin has built nine national-level, 24 city-level new-type industrial demonstration bases and 31 district-level industrial demonstration zones. According to the 13th five-year plan of industrial development in Tianjin (2016-2020), the Tianjin government has publicly announced its plan to expand and build nine industrial zones and five green manufacturing demonstration parks. As the reform continues, we will have opportunities to engage into incremental distribution business investment and operation in the above-mentioned existing and planned industrial zones. Tianjin Economic and Technological Development Zone, Tianjin Port Free Trade Zone (Seaport), and Jinghai Economic Development Zone are included in the first list of the incremental power distribution reform pilot projects.

By making references to the Guangdong model and after review of the Frost & Sullivan Report, our Directors believe that (a) although the electricity market will be more liberalized with intensified competition, no drastic and material adverse impact on us is expected; (b) we will face greater opportunities than challenges if following the trend of the reform; and (c) any failure to capture the business opportunities we participate in under the electricity reform has limited impact on the Group's overall business, for the reasons stated below:

- After the liberalisation of the Tianjin electricity sales market, theoretically speaking, other Electricity Sales Companies will have access to provision of electricity sales service in the Tianjin Port Free Trade Zone (Seaport). However, practically speaking other Electricity Sales Companies may not have the competing advantages over the Group because according to the *Circular on Standardizing the Pilot Reform of the Incremental Distribution Business*, only one company can own the operation concession in a certain electricity dispatch area, and in Tianjin Port Free Trade Zone (Seaport), we are the only company in possession of the dispatch grid which are the sole operator of the electricity dispatch business in this areas; hence, whenever Electricity Sales Companies sale electricity to the customers in Tianjin Port Free Trade Zone (Seaport), the imposition of the grid wheeling charges by us will increase their cost of sale;
- Through establishing Tianbao Electricity Sales Company, we can participate competitively in the electricity sales market. Leveraging our advantages in (a) long-term cooperation with clients in the area; (b) strong capability and rich experience in operation and maintenance of access to distribution grid; and (c) cost advantages due to having our self-owned grid, we are likely to retain our existing customers for our electricity sales business;

FUTURE PLANS AND USE OF PROCEEDS

- According to the Tianjin Electric Power System Reform Comprehensive Pilot Program, the qualified zones that are willing to participate in electricity trading will be chosen to organize or establish an Electricity Sales Company which represents all the companies in the zone as a whole for trading electricity. Supported by such policy, we can participate in the electricity sales market by representing all electricity customers in Tianjin Port Free Trade Zone (Seaport) as a whole, thus retaining existing customers while at the same time consolidating our purchasing power;
- In the event that Tianbao Electricity Sales Company fails to capture the new business opportunities, the impact on our overall energy business is limited, because (a) the fixed investment and operating costs of an Electricity Sales Company are relatively low, hence the downside risk is limited; (b) as the sole operator in the Tianjin Port Free Trade Zone (Seaport), we will still be entitled to collect the grid wheeling charges based on transmission and distribution electricity prices, even if we do not enter into electricity sale market; and (c) the gross profits of electricity dispatch and sales segment accounted for less than 25% of the total gross profits of our Group during the Track Record Period, with our main business lines such as supply of steam and heat being basically intact and unaffected by the reform. In addition, we are expected to make relatively accurate predictions of the electricity consumption of our customers, an essential calibre to be the top player in the electricity trading platform.

Investment Risk

We believe that the investment risk concerning the electricity sale business to be conducted through Tianbao Electricity Sales Company will be minimal given that:

- (a) the Group's business sustainability would continue to be supported by its existing businesses, which will not be replaced by the operations of Tianbao Electricity Sales Company;
- (b) the capital injection in the total amount of HK\$23.9 million will be used as the registered capital contribution for Tianbao Electricity Sales Company pursuant to relevant PRC directives promulgated for electricity reform purpose under the New Policy. There is no additional fixed asset or capital expenditure required. The registered capital is required to be maintained at such level as long as Tianbao Electricity Sales Company remains in operation. In case of winding-up, the registered capital shall be repaid to us after all debts and loans to third parties being repaid and other payments being settled in accordance with the applicable PRC insolvency or corporate laws. The operation of Tianbao Electricity Sales Company will involve no other substantial capital commitments;
- (c) market reform of this scale will be implemented by phases and in a gradual manner. No drastic changes and adverse impact on the Group are expected even if the market is evolving and developing to become more competitive. Given the pace of

FUTURE PLANS AND USE OF PROCEEDS

development of the business of Tianbao Electricity Sales Company is within our control and also the limited investment risk set out above, the financial performance of Tianbao Electricity Sales Company is unlikely to have any material adverse impact on our consolidated performance. It is expected that, in the worst case scenario, the Group may fail to fully capture the new business opportunities offered by the policy change but these should not affect our current business segment.

Financial impact

The capital to be injected into Tianbao Electricity Sales Company in the amount of HK\$23.9 million will be partly funded as to 51% (i.e. HK\$12.3 million) from our internal source of fund and 49% (i.e. HK\$11.6 million) from the proceeds of the Listing.

Although the detailed implementation rules have not been announced by Tianjin Municipality, our expansion plan is supported by the Frost & Sullivan Report which concluded that after the implementation of the New Policy, Tianbao Electricity Sales Company may be able to purchase electricity with a lower average cost in a market driven environment, mainly because our Directors expect that the aggregated cost, including the expected lower electricity purchase price offered by qualified power plants (assuming such purchase price equals to the standard price set by Tianjin Municipality and our current sale price to State Grid), the dispatch fee charged by State Grid, and other fees levied by the government, will be lower than the current price set by State Grid. Based on the information available as of the Latest Practicable Date, our Directors estimate that the cost of electricity (inclusive of VAT) for electricity purchased from qualified power plants after the implementation of the New Policy would be approximately RMB0.6016/kWh, which is approximately 11.3% lower than the current average cost of electricity inclusive of VAT) for electricity purchased from State Grid of approximately RMB0.6785/kWh.

This estimate is not intended to be treated as any form of profit forecast or estimate and is subject to assumptions and uncertainty.

Our Directors expect our Group will be able to generate more income by lowering the costs with a larger customer base. We believe the expansion plan will be conducive to the long term growth of our Group, both operationally and financially.

REASONS FOR LISTING

Based on the reasons set out below and elsewhere in this Prospectus, we believe that the Listing on the Stock Exchange will increase our competitiveness and enhance our business development, productivity, market share, financial results and business prospect. We believe that the Listing would provide us a platform to meet our expected financial needs when we implement our expansion plans in the future and also provide other benefits including:

The Listing may bring about economic advantages such as enhancing our future fundraising capability by reducing costs and allowing us to take advantage of various refinancing channels through a listed platform. In particular, we expect to expand our business

FUTURE PLANS AND USE OF PROCEEDS

in areas outside of our current scope of operations by (i) purchasing power transformation facilities, companies with dispatch grids and cables and other facilities for expansion of our electricity dispatch and sale business; (ii) upgrading our technologies in the generation and supply of electricity, steam, heating and cooling; (iii) penetrating into new geographic areas; and (iv) seeking strategic acquisitions and other investment opportunities in other electricity dispatch companies and coal-fired cogeneration power plants. In addition, obtaining listing status will enable us to participate in certain tendering processes for PPP Projects which might otherwise be closed to us. For details, please see “Business – Our Strategies – Participation in PPP Projects”. A listing status will thus enable us to maintain our competitive advantages in cogeneration of steam together with electricity, heating and cooling and electricity dispatch over other qualified competitors, especially those with listing status. The Listing will also enhance our credibility when negotiating with third parties.

Based on the continual reform and development of the PRC, SOEs are expected to operate in market-driven fashion, and create value for investors. Therefore, the core values of operational, financial and management independence are most relevant to SOEs these days. We are therefore expected to operate independently from our parent.

Other than fund raising, there are other compelling reasons for an SOE, like us, to be listed on the Stock Exchange, including helping to drive reform and modernization through market means, broadening our shareholder base, providing access to the international capital markets for growth, raising the profile and visibility for Tianjin-based SOEs, reinforcing employee incentive and commitment and increasing corporate transparency. Future mergers or acquisitions made through a listed platform could also open up other opportunities for future injections of businesses under the SASAC Tianjin as and when such businesses become mature and profitable. Being a SOE, we are therefore dictated in many ways by policies promulgated by the PRC government from time to time, and there are numerous opinions issued by the State Council as well as Municipal Government for SOEs to implement rapid reform, including by Listing. Some policy directives generally forbid local governments’ PPP Projects to be tendered from government financing platform companies of the same hierarchy or their controlled SOEs, but these restrictions would not apply to us after the Listing according to the “Notice on the Administration of Contracts and Co-operations between the PRC Government and Social Capital Enterprises (Cai Jin [2014] No. 156)” (《關於規範政府和社會資本合作合同管理工作的通知》(財金[2014]156號)). The Listing will enhance our credibility when negotiating with third parties suppliers and customers in relation to the electricity sales business expected to be taking place in June 2018, and if successful, will enable us to enjoy a first-mover advantage. The Listing will also enable us to tap into other financing channels and be able to utilize various structured products for refinancing needs.

For the reasons stated above, our Directors believe that the Listing is commercially sensible and justifiable.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Orient Securities (Hong Kong) Limited

ChaoShang Securities Ltd.

ABCI Securities Company Limited

SPDB International Capital Limited

China Investment Securities International Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering initially 3,854,000 Public Offer Shares (subject to adjustment) for subscription by way of the Public Offer on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Share Offer (including any additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) as mentioned in this Prospectus, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for the Public Offer Shares now being offered which are not taken up under the Public Offer on and subject to the terms and conditions of this Prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to, among other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall be entitled by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) either (1) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Public Offer Underwriting Agreement or the Placing Underwriting Agreement by the Company; or (2)

UNDERWRITING

any of the representations, warranties and undertakings given by the Company in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any material respect; or

- (ii) that any statement contained in this Prospectus, Application Forms, the formal notice or any offering materials and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become or has been discovered to be, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
- (iii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
- (iv) any material breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
- (v) any change or development involving a prospective change in the business, assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of the Group, which taken as a whole will have a material adverse effect; or
- (vi) the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Offer Size Adjustment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn or withheld; or
- (vii) all the approvals in connection with the listing of the H shares granted by the relevant PRC regulatory authorities, including CSRC, are valid and are not otherwise revoked, withdrawn or invalidated; or
- (viii) the Company withdraws any of the Relevant Documents or the Share Offer; or

UNDERWRITING

- (ix) a substantial portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters), at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its reasonable discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or

- (b) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional, international event or circumstance, or series of events or circumstances in any Specific Jurisdictions (defined below), beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms)); or

 - (ii) any change or development involving a prospective change in any Specific Jurisdictions, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit) on the Stock Exchange; or

 - (iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong or the PRC (the “**Specific Jurisdictions**”); or

 - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

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- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the H Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this Prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (x) any of the executive Directors as set out in the “Directors, Supervisors and Senior Management” section of this Prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of the Company vacating his office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or Supervisor in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or a contravention by any member of the Group, any Director or Supervisor of the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, or any other laws under the Specific Jurisdictions; or
- (xiii) non-compliance of the any of the Relevant Documents or any aspect of the Share Offer with the Listing Rules or any other laws under the Specific Jurisdictions; or
- (xiv) the issue or requirement to issue by the Company of a supplement or amendment to this Prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group prior to its stated maturity or in respect of which any member of the Group is liable prior to its stated maturity,

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which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of the Company or the Group or any member of the Group or on any present or prospective shareholder of the Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Share Offer or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Share Offer, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in this prospectus and ending on the date which is six month from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share or securities in respect of which he or it is shown by this Prospectus to be the beneficial owners; and

UNDERWRITING

- (b) in the period of six months commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests, or encumbrances, he or it would cease to be a controlling shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when he or it pledges or charges any securities or interest in the securities of our Company beneficially owned by him or it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold or transferred or disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement.

Undertakings Pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

We undertake to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option), during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), the Company will not, and will procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, assign, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise

UNDERWRITING

transfer or dispose of or create any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (the “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any H Shares or any shares of such other member of the Group, as applicable), or deposit any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the six-month period immediately following the First Six-Month Period, the Company enters into any of the transactions specified in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any H Shares or other securities of the Company.

UNDERWRITING

Indemnity

We have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Public Underwriters' Interests in Our Company

Except for its obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters and the Sole Global Coordinator. Under the Placing Underwriting Agreement, subject to the conditions set out therein, the Placing Underwriters will severally agree to procure subscribers or purchasers for the Placing Shares, failing which they agree to subscribe for or purchase their respective portions of the Placing Shares which are not taken up under the Placing.

We expect to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Global Coordinator on behalf of the Placing Underwriters, at any time during the period from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Public Offer Shares in writing, to require us to issue and allot up to an aggregate of 5,781,000 H Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer at the Offer Price to cover excess demand, if any, in the Placing.

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Commissions and Expenses

The Public Offer Underwriters will receive an underwriting commission of 0.5% of the aggregate Offer Price of all the Public Offer Shares initially offered under the Public Offer. In addition, we agree to pay to the Sole Global Coordinator (on behalf of the Public Offer Underwriters) a discretionary incentive fee.

For unsubscribed Public Offer Shares reallocated to the Placing, the underwriting commission will not be paid to the Public Offer Underwriters but will instead be paid, at the rate applicable to the Placing, to the Sole Global Coordinator and the relevant Placing Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and all other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately RMB38.6 million (assuming an Offer Price of HK\$1.82 per Offer Share (being the mid-point of the indicative Offer Price range stated in this Prospectus) and the Offer Size Adjustment Option is not exercised at all), are payable and borne by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This Prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Public Offer of 3,854,000 Public Offer Shares (subject to reallocation as mentioned in the paragraph headed “– The Public Offer – Reallocation and Clawback” in this Prospectus) in Hong Kong as described in the paragraph headed “– The Public Offer” in this section; and
- (b) the Placing of 34,686,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) outside the United States (including to professional, institutional and other investors within Hong Kong).

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer without taking into account the exercise of the Offer Size Adjustment Option. If the Offer Size Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option as set out in the paragraph headed “– The Placing – Offer Size Adjustment Option” in this section.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong and other jurisdictions. The Placing Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Public Offer Shares and Placing Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “– The Public Offer – Reallocation and Clawback” in this section.

THE PUBLIC OFFER

Number of Public Offer Shares Initially Offered

We are initially offering 3,854,000 Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the Public Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer (assuming that the Offer Size Adjustment Option is not exercised).

STRUCTURE OF THE SHARE OFFER

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

In Hong Kong, individual retail investors are expected to apply for the Public Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Placing Shares will not be allotted with Placing Shares in the Placing.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has also made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for the Public Offer Shares.

Completion of the Public Offer is subject to the conditions set out in the paragraph headed “– Conditions of the Share Offer” in this section.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 3,854,000 Public Offer Shares (being 100% of the 3,854,000 Public Offer Shares initially available under the Public Offer) are liable to be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate;

STRUCTURE OF THE SHARE OFFER

- (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 3,854,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 7,708,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 11,562,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 15,416,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 19,270,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 3,854,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the

STRUCTURE OF THE SHARE OFFER

Offer Shares available under the Public Offer will be increased to 7,708,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above; or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.74 per Offer Share) stated in this Prospectus.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such allocation shall be not more than double the initial allocation to the Public Offer (i.e. 7,708,000 Offer Shares). In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Sole Global Coordinator may in its sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.90 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “– Pricing and Allocation” in this section, is less than the maximum price of HK\$1.90 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this Prospectus.

THE PLACING

Number of Placing Shares Initially Offered

Subject to the reallocation described in the paragraph headed “The Public Offer – Reallocation and Clawback” in this section the Placing will consist of an initial offering of 34,686,000 Placing Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer.

STRUCTURE OF THE SHARE OFFER

Our Company is expected to grant to the Sole Global Coordinator the Offer Size Adjustment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) at any time during the period from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Public Offer Shares in writing, to require our Company to allot and issue up to an aggregate of 5,781,000 additional H Shares, representing 15% of the initial Offer Shares in aggregate, at the Offer Price, to cover any excess demand in the Placing at the absolute discretion of the Sole Global Coordinator.

Allocation

The Placing will include selective marketing of Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “– Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and that of our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has also made an application under the Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Public Offer Shares under the Public Offer.

Reallocation

The total number of Placing Shares to be issued or sold pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “– The Public Offer – Reallocation and Clawback” in this section or the Offer Size Adjustment Option in whole or in part and/or any reallocation of unsubscribed Public Offer Shares originally included in the Public Offer.

Offer Size Adjustment Option

Pursuant to the Placing Underwriting Agreement, the Company will grant to the Sole Global Coordinator the Offer Size Adjustment Option, which is exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) at any time during the period

STRUCTURE OF THE SHARE OFFER

from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Public Offer Shares in writing, to require our Company to allot and issue up to 5,781,000 additional H Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Share Offer. Any such additional H Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Sole Global Coordinator.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilization activities of our H Shares in the secondary market after the listing of our H Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of our H Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part. Our Company will disclose in the allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. In the event that the Offer Size Adjustment Option is exercised in full, 5,781,000 additional H Shares will be issued resulting in a total number of 159,921,907 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.61%.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional H Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this Prospectus, on a pro rata basis.

PRICING AND ALLOCATION

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Placing Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be fixed by an agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or about Thursday, April 19, 2018 and in any event no later than Wednesday, April 25, 2018.

The Offer Price will not be more than HK\$1.90 per Offer Share and is expected to be not less than HK\$1.74 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public

STRUCTURE OF THE SHARE OFFER

Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Wednesday, April 25, 2018, the Share Offer will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers appropriate, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced to below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Stock Exchange's website at www.hkexnews.hk, and on our Company's website at www.tjtbn.com, notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of these notices, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, for itself and on behalf of the Underwriters, and us will be fixed within this revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics, and the future plans and use of proceeds as currently set out in "Summary" and any other financial information which may change as a result of such reduction. In the absence of any notice of reduction published as described in this paragraph, the Offer Price, if agreed upon between us and the Sole Global Coordinator, for itself and on behalf of the Underwriters, will be within the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Public Offer Shares to be offered in the Public Offer and the Placing Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

STRUCTURE OF THE SHARE OFFER

Supplemental listing documents will also be issued by our Company in the event of a reduction in the number of Offer Shares and/or Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. If such supplemental listing documents are issued by our Company, our Company will extend the period under which the offer is open for acceptance to allow applicants sufficient time to consider their subscriptions or reconsider their existing subscriptions and give applicants who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances. In the absence of any such supplemental listing documents so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they may withdraw their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental listing documents and all unconfirmed applications will not be valid.

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of and results of allocations of Offer Shares under the Public Offer are expected to be announced on Thursday, April 26, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.tjtbnny.com) and the website of the Stock Exchange (www.hkexnews.hk).

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Priced Determination Date.

The Placing is expected to be fully underwritten by the Placing Underwriters. We expect that our Company will, on or about Thursday, April 19, 2018, shortly after determination of the Offer Price, enter into the Placing Underwriting Agreement relating to the Placing. The Underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement are summarized in the section headed “Underwriting” in this Prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on, inter alia:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Share Offer (including any additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) (subject only to allotment) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

STRUCTURE OF THE SHARE OFFER

- (b) our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange;
- (c) the Offer Price having been duly determined and the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date which is 30 days after the date of this Prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer Shares” in this Prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Public Offer and the Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Thursday, April 26, 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Offer Shares, which is expected to be on Friday, April 27, 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Offer Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, April 27, 2018, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, April 27, 2018. Our H Shares will be traded in board lots of 2,000 H Shares each. The stock code of our H Shares is 1671.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of any Shares in our Company and/or our subsidiary;
- are a Director or chief executive officer of our Company and/or our subsidiary;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, April 16, 2018 until 12:00 noon on Thursday, April 19, 2018 from:

(i) *any of the following offices of the Public Offer Underwriters:*

**Orient Securities (Hong Kong)
Limited**

28-29/F
100 Queen's Road Central
Central, Hong Kong

ChaoShang Securities Ltd.

Room 4001-2, China Resources
Building
26 Harbour Road, Wanchai
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
SPDB International Capital Limited	Suites 3207-3212 32/F One Pacific Place, 88 Queensway Hong Kong
China Investment Securities International Brokerage Limited	Unit Nos. 7701A & 05B-08, Level 77 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

(ii) or any of the following branches of the receiving bank:

The Bank of East Asia, Limited

District	Branch name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	North Point Branch	326-328 King's Road, North Point
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, April 16, 2018 until 12:00 noon on Thursday, April 19, 2018 from the Depository Counter of HKSCC at 1/F, One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Tianbao Energy Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, April 16, 2018	– 9:00 a.m. to 5:00 p.m.
Tuesday, April 17, 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, April 18, 2018	– 9:00 a.m. to 5:00 p.m.
Thursday, April 19, 2018	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, April 19, 2018, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this Prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in "14. Dispatch/Collection of H Share Certificates and Refund Monies – Personal Collection" section in this Prospectus to collect the H Share certificate(s) and/or refund cheque(s);
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO

General

Individuals who meet the criteria in “– 2. Who Can Apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, April 16, 2018 until 11:30 a.m. on Thursday, April 19, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, April 19, 2018 or such later time under “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Tianjin Tianbao Energy Co., Ltd.” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send the H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, on our behalf and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, on our behalf and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association;
- agree with our Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Company (on our behalf and for the benefit of each of our Shareholders) that H Shares in our Company are freely transferable by their holders;
- authorize our Company to enter into a contract on our behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, April 16, 2018	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, April 17, 2018	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, April 18, 2018	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, April 19, 2018	– 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, April 16, 2018 until 12:00 noon on Thursday, April 19, 2018 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, April 19, 2018, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, April 19, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer – Pricing and Allocation” in this Prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 19, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, April 19, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, April 26, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.tjtbn.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.tjtbnny.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, April 26, 2018;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, April 26, 2018 to 12:00 midnight on Wednesday, May 2, 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, April 26, 2018 to Sunday, April 29, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, April 26, 2018, Friday, April 27, 2018 and Saturday, April 28, 2018 at all the receiving bank designated branches.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.90 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer – Conditions of the Share Offer" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, April 26, 2018.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Thursday, April 26, 2018. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, April 27, 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, April 26, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, April 26, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Public Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, April 26, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, April 26, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "– 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, April 26, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 or more Public Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, April 26, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, April 26, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, April 26, 2018 or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “– 11. Publication of Results” above on Thursday, April 26, 2018. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, April 26, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time

HOW TO APPLY FOR PUBLIC OFFER SHARES

to time) on Thursday, April 26, 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, April 26, 2018.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-54, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TIANJIN TIANBAO ENERGY CO., LTD. AND ORIENT CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Tianjin Tianbao Energy Co., Ltd. (the "Company") and its subsidiary (together, the "Group") set out on pages I-3 to I-54, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-54 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 16 April 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2015, 2016 and 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 24(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

16 April 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based (the "Underlying Financial Statements"), were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Consolidated statements of profit or loss

(Expressed in RMB)

	<i>Note</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	3	478,604	432,886	452,467
Cost of sales		<u>(386,038)</u>	<u>(348,398)</u>	<u>(393,788)</u>
Gross profit		92,566	84,488	58,679
Other net income	5	220	299	6,616
Administrative expenses		<u>(22,395)</u>	<u>(12,387)</u>	<u>(14,990)</u>
Profit from operations		70,391	72,400	50,305
Interest income		3,179	416	1,410
Interest expense	6(a)	<u>(9)</u>	<u>(388)</u>	<u>(11,346)</u>
Profit before taxation	6	73,561	72,428	40,369
Income tax	7(a)	<u>(18,518)</u>	<u>(18,110)</u>	<u>(10,097)</u>
Profit for the year		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>
Attributable to:				
Equity owners/shareholders of the Company		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>
Profit for the year		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>
Earnings per share	<i>10</i>			
Basic		<u>0.48</u>	<u>0.47</u>	<u>0.26</u>
Diluted		<u>0.48</u>	<u>0.47</u>	<u>0.26</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income*(Expressed in RMB)*

	<i>Note</i>	2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		55,043	54,318	30,272
Other comprehensive income for the year		—	—	—
Total comprehensive income for the year		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>
Attributable to:				
Equity owners/shareholders of the Company		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>
Total comprehensive income for the year		<u>55,043</u>	<u>54,318</u>	<u>30,272</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position*(Expressed in RMB)*

	<i>Note</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	<i>11</i>	378,309	368,600	351,583
Lease prepayment	<i>14</i>	16,313	15,982	15,651
Intangible assets	<i>12</i>	1,079	1,238	1,434
		<u>395,701</u>	<u>385,820</u>	<u>368,668</u>
Current assets				
Inventories	<i>15</i>	8,217	7,650	6,363
Trade and bill receivables	<i>16</i>	33,587	37,478	41,910
Other receivables and assets	<i>17</i>	17,870	737	22,191
Cash and cash equivalents	<i>18</i>	65,591	94,251	116,071
		<u>125,265</u>	<u>140,116</u>	<u>186,535</u>
Current liabilities				
Trade and other payables	<i>19</i>	97,210	19,670	44,258
Loans and borrowings	<i>20</i>	–	24,000	–
Receipts in advance		14,962	17,137	22,185
Dividends payable	<i>24(b)</i>	–	21,000	–
Salary and welfare payables		1,318	2,431	2,431
Current taxation	<i>22(a)</i>	3,940	5,540	2,633
Current portion of other non-current liabilities	<i>23</i>	–	–	72,490
		<u>117,430</u>	<u>89,778</u>	<u>143,997</u>
Net current assets		<u>7,835</u>	<u>50,338</u>	<u>42,538</u>
Total assets less current liabilities		<u>403,536</u>	<u>436,158</u>	<u>411,206</u>
Non-current liabilities				
Deferred income	<i>21</i>	8,871	8,384	17,848
Deferred tax liabilities	<i>22(b)</i>	479	9,607	6,762
Other non-current liabilities	<i>23</i>	–	203,634	141,791
		<u>9,350</u>	<u>221,625</u>	<u>166,401</u>
NET ASSETS		<u>394,186</u>	<u>214,533</u>	<u>244,805</u>
CAPITAL AND RESERVES				
Paid-in capital/share capital	<i>24(c), (g)</i>	219,003	87,003	115,601
Reserves	<i>24(f)</i>	175,183	127,530	129,204
TOTAL EQUITY		<u>394,186</u>	<u>214,533</u>	<u>244,805</u>

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company
(Expressed in RMB)

	<i>Note</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	<i>11</i>	378,256	368,559	351,496
Investments in subsidiary	<i>13</i>	6,258	6,258	6,258
Lease prepayment	<i>14</i>	16,313	15,982	15,651
Intangible assets	<i>12</i>	835	1,024	1,250
		<u>401,662</u>	<u>391,823</u>	<u>374,655</u>
Current assets				
Inventories	<i>15</i>	209	3,556	3,549
Trade and bill receivables	<i>16</i>	21,058	32,510	30,644
Other receivables and assets	<i>17</i>	24,233	4,586	24,004
Cash and cash equivalents	<i>18</i>	55,974	86,755	112,585
		<u>101,474</u>	<u>127,407</u>	<u>170,782</u>
Current liabilities				
Trade and other payables	<i>19</i>	83,076	17,460	40,505
Loans and borrowings	<i>20</i>	–	24,000	–
Receipts in advance		14,372	16,552	22,069
Dividends payable	<i>24(b)</i>	–	21,000	–
Salary and welfare payables		1,159	2,256	2,256
Current taxation	<i>22(a)</i>	3,892	5,548	2,588
Current portion of other non-current liabilities	<i>23</i>	–	–	72,490
		<u>102,499</u>	<u>86,816</u>	<u>139,908</u>
Net current (liabilities)/assets		<u>(1,025)</u>	<u>40,591</u>	<u>30,874</u>
Total assets less current liabilities		<u>400,637</u>	<u>432,414</u>	<u>405,529</u>
Non-current liabilities				
Deferred income	<i>21</i>	8,871	8,384	17,848
Deferred tax liabilities	<i>22(b)</i>	479	9,607	6,762
Other non-current liabilities	<i>23</i>	–	203,634	141,791
		<u>9,350</u>	<u>221,625</u>	<u>166,401</u>
NET ASSETS		<u>391,287</u>	<u>210,789</u>	<u>239,128</u>
CAPITAL AND RESERVES				
Paid-in capital/share capital	<i>24(c), (g)</i>	219,003	87,003	115,601
Reserves	<i>24(a)</i>	172,284	123,786	123,527
TOTAL EQUITY		<u>391,287</u>	<u>210,789</u>	<u>239,128</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

	Note	Attributable to equity owners of the Company				Total RMB'000
		Paid-in capital/ Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	
Balance at 1 January 2015		110,290	329,797	10,645	16,695	467,427
Changes in equity for 2015:						
Profit for the year		—	—	—	55,043	55,043
Total comprehensive income		—	—	—	55,043	55,043
Appropriation to reserves	24(f)(ii)	—	—	967	(967)	—
Deemed distribution to the controlling owner	1	—	34,989	—	(43,924)	(8,935)
Capital injection	1, 24(c), 24(f)(i)	108,713	93,346	—	—	202,059
Business combination under common control	1, 24(e)	—	(321,408)	—	—	(321,408)
Balance at 31 December 2015 and 1 January 2016		219,003	136,724	11,612	26,847	394,186
Changes in equity for 2016:						
Profit for the year		—	—	—	54,318	54,318
Total comprehensive income		—	—	—	54,318	54,318
Capital reduction	24(c), 24(f)(i)	(132,000)	(108,874)	—	—	(240,874)
Appropriation to reserves	24(f)(ii)	—	—	5,347	(5,347)	—
Dividends	24(b)	—	—	—	(21,000)	(21,000)
Capital contribution (net of income tax)	23	—	27,903	—	—	27,903
Balance at 31 December 2016 and 1 January 2017		87,003	55,753	16,959	54,818	214,533
Changes in equity for 2017:						
Profit for the year		—	—	—	30,272	30,272
Total comprehensive income		—	—	—	30,272	30,272
Appropriation to reserves	24(f)(ii)	—	—	2,834	(2,834)	—
Capitalization upon converting into a joint stock company	24(g)	28,598	34,421	(11,612)	(51,407)	—
Balance at 31 December 2017		115,601	90,174	8,181	30,849	244,805

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements*(Expressed in RMB)*

	<i>Note</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Operating activities				
Profit before taxation		73,561	72,428	40,369
Depreciation in property, plant and equipment		22,221	22,339	23,515
Amortization in intangible assets and lease prepayment		450	582	623
Loss on disposal of property, plant and equipment		5	14	2
IPO listing subsidies received from local government		-	-	(2,400)
Interest (income)/expense		(2)	357	11,320
Changes in working capital:				
(Increase)/decrease in inventories		(425)	567	1,286
Decrease/(increase) in trade and bill receivables		4,583	(3,891)	(4,432)
(Increase)/decrease in other receivables and assets		(18,219)	(5)	(6,369)
Increase/(decrease) in trade and other payables		7,725	(11,224)	24,130
(Decrease)/increase in receipts in advance		(4,526)	2,175	5,049
(Decrease)/increase in salary and welfare payables		(1,169)	1,113	-
Decrease in deferred income		(630)	(486)	(1,044)
Cash generated from operations		<u>83,574</u>	<u>83,969</u>	<u>92,049</u>
Income tax paid		<u>(7,223)</u>	<u>(16,692)</u>	<u>(15,849)</u>
Net cash generated from operating activities		<u>76,351</u>	<u>67,277</u>	<u>76,200</u>
Investing activities				
Proceeds from sale of property, plant and equipment		-	2	2
Proceeds from government grants related to assets		-	-	5,977
Payment for the purchase of property, plant and equipment		<u>(33,800)</u>	<u>(13,324)</u>	<u>(2,032)</u>
Net cash (used in)/generated from investing activities		<u>(33,800)</u>	<u>(13,322)</u>	<u>3,947</u>
Financing activities				
Proceeds from new bank loans		-	24,000	-
Repayment of bank loans		-	-	(24,000)
Interest paid		-	(359)	(673)
Dividends paid to equity owners/shareholders of the Company		(53,983)	-	(21,000)
Deemed cash outflows to the controlling owner	<i>1</i>	(23,289)	-	-
Payment for listing expenses		-	-	(15,054)
IPO listing subsidies received from local government		-	-	2,400
Payment for business combinations under common control		<u>(90,000)</u>	<u>(48,938)</u>	<u>-</u>
Net cash used in financing activities		<u>(167,272)</u>	<u>(25,297)</u>	<u>(58,327)</u>
Net (decrease)/increase in cash and cash equivalents		(124,721)	28,658	21,820
Cash and cash equivalents at the beginning of the year	<i>18</i>	190,310	65,591	94,251
Effect of foreign exchange rate changes		<u>2</u>	<u>2</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<i>18</i>	<u>65,591</u>	<u>94,251</u>	<u>116,071</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Tianjin Tianbao Energy Co., Ltd. (the “Company”, previously known as Tianjin Tianbao Electricity Company Limited) was established in the People’s Republic of China (“PRC”) on 19 October 1992 with limited liability under the Companies Law (2011 Revision) and converted into a joint stock limited liability company on 28 February 2017. The registered office of the Company is located at Tianjin, the PRC.

The Group is principally engaged in power generation and supply business in Tianjin Port Free Trade Zone (Seaport) (the “Haigang Thermal Plant Business”) and electricity dispatch and sale business in Tianjin Port Free Trade Zone (Seaport). Prior to 31 December 2015, the Haigang Thermal Plant Business was conducted through Tianjin Tianbao Thermal Electricity Company Limited (“Tianbao Thermal”). As of 31 December 2015, the carrying value of assets and liabilities relating to Haigang Thermal Plant Business amounted to RMB321,408,000. As part of the reorganization, the details of which are described in the section headed “History, Reorganization and Corporate Structure” in the Prospectus, on 31 December 2015 (the “Completion Date”), Tianbao Thermal transferred the Haigang Thermal Plant Business, including all the property, plant and equipment, construction in progress and lease prepayments as well as all sales contracts relating to the Haigang Thermal Plant Business to the Company (the “Business Combination”). The remaining assets and liabilities related to the Haigang Thermal Plant Business as of 31 December 2015 with a net liability amounted to RMB3,303,000 were retained by Tianbao Thermal. The difference between the carrying amount of the assets transferred of RMB324,711,000, the related deductible VAT and deferred tax of RMB16,286,000 and the cash consideration of RMB138,938,000, amounted to RMB202,059,000, has been credited to paid-in capital and capital reserve of RMB108,713,000 and RMB93,346,000, respectively.

As the Group and the Haigang Thermal Plant Business were controlled by the same controlling owner before and after the Business Combination, there was a continuation of risks and benefits to the controlling owner. Accordingly, the Business Combination has been accounted for as a restructuring of business under common control in accordance with the principles of merger accounting. The Historical Financial Information has been prepared on the basis as if Haigang Thermal Plant Business has been always part of the Group and is consolidated by the Company using the existing book values from the controlling owner’s perspective.

In addition, as the Haigang Thermal Plant Business constitute only part of the operations of Tianbao Thermal, no financial statements for the Haigang Thermal Plant Business have previously been prepared on a stand-alone basis. For the preparation of the Historical Financial Information, the Group has identified financial information specifically relating to the Haigang Thermal Plant Business and to the extent possible from the historical financial information of Tianbao Thermal as of and for the year ended 31 December 2015, which have been included in the Historical Financial Information as set out below.

- Prior to the completion of the Business Combination, property, plant and equipment, construction in progress, lease prepayment, deferred tax assets, inventories, trade and bill receivables, receipt in advance, other receivables and assets, trade and other payables, salary and welfare payables and deferred income, which are specifically relating to the Haigang Thermal Plant Business were reflected in the consolidated statements of financial position of the Group. Upon the completion of the Business Combination on 31 December 2015, all assets and liabilities of the Haigang Thermal Plant Business that were not transferred to the Group and retained by Tianbao Thermal were deemed as distributed to the controlling owner and were excluded from the consolidated statement of financial position of the Group as of 31 December 2015.

Details of the assets and liabilities of the Haigang Thermal Plant Business as of the Completion Date of the Business Combination are summarised in the table below:

	As of 31 December 2015		
	Assets and Liabilities relating to Haigang Thermal Plant Business <i>RMB'000</i>	Assets and liabilities transferred to the Group <i>RMB'000</i>	Assets and liabilities not transferred to the Group and the related deferred tax impact deemed distributed to controlling owner <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	308,398	308,398	–
Lease prepayment	16,313	16,313	–
Deferred tax assets	979	–	979
	325,690	324,711	979
	325,690	324,711	979
Current assets			
Inventories	1,373	–	1,373
Trade and bill receivables	39,974	–	39,974
Other receivables and assets	2,051	–	2,051
	43,398	–	43,398
	43,398	–	43,398
Current liabilities			
Trade and other payables	(39,031)	–	(39,031)
Receipts in advance	(5,264)	–	(5,264)
Salary and welfare payables	(669)	–	(669)
	(44,964)	–	(44,964)
	(44,964)	–	(44,964)
Net current liabilities	(1,566)	–	(1,566)
Non-current liabilities			
Deferred income	(2,716)	–	(2,716)
	(2,716)	–	(2,716)
	(2,716)	–	(2,716)
NET ASSETS/ (LIABILITIES)	321,408	324,711	(3,303)

- For the year ended 31 December 2015, operating results, including income, expenses and income tax relevant to the Haigang Thermal Plant Business were included in the consolidated statement of profit or loss of the Group. Costs associated with Tianbao Thermal's corporate overhead functions for Haigang Thermal Plant Business for the year ended 31 December 2015 have been allocated to the Haigang Thermal Plant Business and included in the Historical Financial Information. The allocation was made based upon the most relevant allocation method, primarily relative percentage of revenue or headcount. Income tax of the Haigang Thermal Plant Business was included in the Haigang Thermal Plant Business and included in the Historical Financial Information based upon the segregated profit before taxation of the Haigang Thermal Plant Business and the effective income tax rate for the Haigang Thermal Plant Business as if it has been part of the Group for the year ended 31 December 2015. As the Group does not retain the operating results of the Haigang Thermal Plant Business prior to the completion of the Business Combination, the operating results are treated as deemed distribution to the controlling owner during the reporting periods prior to the completion of the Business Combination and was shown as "Deemed distribution to the controlling owner" in the consolidated statements of changes in equity.
- Since Tianbao Thermal maintained same bank accounts for both of Haigang Thermal Plant Business and its other business, all cash transactions from Haigang Thermal Plant Business and other business are processed through the same bank accounts which were not transferred to the Group at the Business Combination. As a result, none of Tianbao Thermal's cash and cash equivalent have been allocated to the historical financial information of the Haigang Thermal Plant Business. As Tianbao Thermal does not specifically distinguish payments to or from the Haigang Thermal Plant Business as capital contributed/distributed, deemed dividend payable or receivable/payable with Tianbao Thermal but rather considered such net amounts as invested equity and was also shown as "Deemed contribution from the controlling owner" in the consolidated statements of changes in equity.
- For the purpose of the preparation of Historical Financial Information, cash flows movements which are specifically relevant to the Haigang Thermal Plant Business were reflected in the consolidated statement of cash flows for the year ended 31 December 2015 as "Deemed cash outflows to the controlling owner" under financing activities. As the Haigang Thermal Plant Business was not a standalone legal entity and did not pay income tax separately, tax impact of Haigang Thermal Plant Business was also included in the "Deemed cash outflows to controlling owner" in the consolidated statements of cash flows.

The directors believe the basis of preparation described above results in the Historical Financial Information reflecting the assets and liabilities specifically associated with the Haigang Thermal Plant Business and results of operations and cash flows associated with the functions that would be necessary for the Haigang Thermal Plant Business to operate independently and operate as part of the Group. However, as the Haigang Thermal Plant Business did not operate as a stand-alone entity nor as part of the Group before the Business Combination, the Historical Financial Information may not be indicative of the Haigang Thermal Plant Business' performance and do not necessarily reflect what its results of operations, financial position, and cash flows would have been had the Haigang Thermal Plant Business operated as a separate entity apart from Tianbao Thermal or as part of the Group before the Business Combination.

As at the date of this report, the Company has direct interests in the following principal subsidiary, which is a private company:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Held by the Company	Held by the subsidiary	Principal activities
Directly held					
Tianjin Baorun International Trading Electrical Engineering Co., Ltd. 天津保潤國際貿易電氣工程有限公司	Tianjin, PRC November 1994	1,708,900 ordinary shares	100%	100%	Electricity Infrastructure construction and sales of electronic component

- * The English translation of the company's name is for reference only. The official name of the company is in Chinese.

All entities comprising the Group have adopted 31 December as their financial year end date.

The statutory financial statements of the Group and its subsidiary were audited by Zhongxingcai Guanghua Certified Public Accountants LLP Tianjin Branch (中興財光華會計師事務所(特殊普通合夥)天津分所) for the fiscal years ended 31 December 2015 and 2016, Lixin Zhonglian Certified Public Accountants' Firm (Special General Partnership) (立信中聯會計師事務所(特殊普通合夥)) for the fiscal year ended 31 December 2017.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the year ended 31 December 2017 are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed as follows:

(i) *Impairment of receivables*

The management assesses doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(ii) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense

to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Deferred tax assets

The Company and its subsidiary recognized the deferred tax assets to the extent that it is probable that future taxable profit will be available against which the asset can be utilized, using tax rates that are expected to be applied in the period when the asset is recovered. The management assesses the deferred tax assets based on the expected amount and timing of future taxable profit, the enacted tax laws and applicable tax rates. It is reasonably possible, based on existing knowledge, the outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of deferred tax assets.

(c) Business combination under common control

The Historical Financial Information incorporates the historical financial information items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the common control combination.

(d) Subsidiary

Subsidiary is entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment consists of buildings and structure, power generation plant and electric utility in service, motor vehicles, others and construction-in-progress ("CIP"). Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see note 2(g)(ii)).

Cost of CIP comprises construction expenditures, other expenditures necessary for the purpose of preparing the CIP for its intended use, those borrowing costs (see note 2(r)) incurred before the assets are ready for intended use that are eligible for capitalization. CIP is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs about property, plant and equipment are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualifying for capitalization are charged in the current period profit or loss when they are incurred.

Depreciation of property, plant and equipment is provided based on book value of the asset less estimated residual value over the estimated useful life using straight-line method. For those impaired property, plant and equipment, depreciation is provided based on book value after deducting impairment provision over the estimated useful life of the asset. The estimated useful lives are as follows:

– Buildings and structure	30 years
– Power generation plant and electric utility in service	5 – 30 years
– Motor vehicles	5 – 10 years
– Others	4 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Property, plant and equipment is derecognized when it is disposed of, or is not expected to bring economic benefit through use or disposal. The amount of disposal income arising from sale, transfer, disposal or write-off of the property, plant and equipment less book value and related tax expenses is recorded in the statements of comprehensive income.

The carrying amount of property, plant and equipment is written down immediately to its recoverable amount when its carrying amount is greater than its recoverable amount (see note 2(g)(ii)).

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(g)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(g)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software and others	3 – 10 years
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Both the period and method of amortisation are reviewed annually.

(g) Impairment of assets**(i) Impairment of receivables**

Receivables that are stated at cost or amortised cost are reviewed at each reporting period end date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, for trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where the receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- Lease prepayment;
- Intangible assets;
- Investments in subsidiary in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of coal is calculated using the weighted average cost formula. The cost of other inventories is calculated using the first in first out formula.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Receivables

Receivables primarily include trade and bill receivables, other receivables and assets, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(g)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

Employee benefits include salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits, are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to Investments in subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity and power

Revenue from sale of electricity and power represents the fair value of the consideration received or receivable for electricity and power sold in the ordinary course of the activities of the Group (net of VAT). Revenue is earned and recognized upon transmission of electricity and power to the customers or the power grid controlled and owned by the respective regional or provincial grid companies.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Service revenue

Service revenue refers to amounts received from service of electricity infrastructure. The Group recognize revenue when the relevant service is provided.

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and are subsequently recognised in profit or loss over the useful life of the related asset.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 REVENUE

The amount of each significant category of revenue recognised in profit or loss during the Relevant Periods is as follows:

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Electricity dispatch and sale	222,652	204,691	207,812
Power generation and supply	203,494	183,522	185,461
Others	52,458	44,673	59,194
	<u>478,604</u>	<u>432,886</u>	<u>452,467</u>

Note: Other revenue mainly represents the revenue from power facility construction services, industrial facility operation and maintenance service and trading of electronic components.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. During the track record period, total revenue to this customer amounted to approximately RMB92,470,000, RMB96,332,000 and RMB92,825,000 in each of the years ended 31 December 2015, 2016 and 2017, respectively from electricity dispatch and sale and power generation and supply segments. Details of concentrations of credit risk arising from this customer are set out in note 25(a).

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Electricity dispatch and sale business: selling electricity purchased from the local branch of State Grid to end-users in various industries in Tianjin Port Free Trade Zone (Seaport).
- Power generation and supply business: selling electricity to the local branch of State Grid, and providing steam, heating and cooling to the industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).
- Others: construction and operation maintenance of industrial facilities and trading of electronic components.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the manufacturing and sales activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "gross profit". In addition to receiving segment information concerning gross profit, management is provided with segment information concerning revenue (including inter segment sales), Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015, 2016 and 2017 is set out below.

	Electricity dispatch and sale		Power generation and supply		Others		Total					
	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000				
Revenue from external customers	222,652	204,691	207,812	203,494	183,522	185,461	52,458	44,673	59,194	478,604	432,886	452,467
Inter-segment revenue	1,933	1,947	1,877	—	—	—	—	—	—	1,933	1,947	1,877
Reportable segment revenue	224,585	206,638	209,689	203,494	183,522	185,461	52,458	44,673	59,194	480,537	434,833	454,344
Reportable segment profit (gross profit)	20,942	18,330	16,581	66,354	61,727	33,808	5,270	4,431	8,290	92,566	84,488	58,679
Depreciation and amortisation for the year	5,868	5,891	5,925	16,611	16,761	17,842	61	65	122	22,540	22,717	23,889
Reportable segment assets	78,004	71,985	64,074	324,711	343,217	328,487	35,119	14,915	23,627	437,834	430,117	416,188
Additions to non-current segment assets during the year	229	2,877	499	16,628	9,392	6,085	22	7	193	16,879	12,276	6,777
Reportable segment liabilities	46,070	26,218	30,702	—	7,696	28,877	27,134	12,214	16,620	73,204	46,128	76,199

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue			
Reportable segment revenue	480,537	434,833	454,344
Elimination of inter-segment revenue	(1,933)	(1,947)	(1,877)
Consolidated revenue (<i>note 3</i>)	<u>478,604</u>	<u>432,886</u>	<u>452,467</u>
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit			
Reportable segment profit	92,566	84,488	58,679
Other net income	220	299	6,616
Interest income	3,179	416	1,410
Interest expenses	(9)	(388)	(11,346)
Depreciation and amortisation	(131)	(204)	(249)
Unallocated head office and corporate expenses	<u>(22,264)</u>	<u>(12,183)</u>	<u>(14,741)</u>
Consolidated profit before taxation	<u>73,561</u>	<u>72,428</u>	<u>40,369</u>
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Assets			
Reportable segment assets	437,834	430,117	416,188
Unallocated head office and corporate assets	<u>83,132</u>	<u>95,819</u>	<u>139,015</u>
Consolidated total assets	<u>520,966</u>	<u>525,936</u>	<u>555,203</u>
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Liabilities			
Reportable segment liabilities	73,204	46,128	76,199
Unallocated head office and corporate liabilities	<u>53,576</u>	<u>265,275</u>	<u>234,199</u>
Consolidated total liabilities	<u>126,780</u>	<u>311,403</u>	<u>310,398</u>

(iii) Geographic information

Since all the revenue from customers is derived from the customers located in Tianjin and the non-current assets are located in Tianjin, there is no information separated by different geographical locations provided to the Group's management.

5 OTHER NET INCOME

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Government grants	568	–	6,518
Others	(348)	299	98
	<u>220</u>	<u>299</u>	<u>6,616</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
(a) Finance costs			
Interest expense on bank loans and other borrowings	–	359	11,320
Other interest expense	9	29	26
	<u>9</u>	<u>388</u>	<u>11,346</u>
(b) Staff costs			
Contributions to defined contribution retirement plan	3,525	2,284	2,448
Salaries, wages and other benefits	20,733	15,504	17,097
	<u>24,258</u>	<u>17,788</u>	<u>19,545</u>
(c) Other items			
Amortisation			
– land lease premium (<i>note 14</i>)	255	331	331
– intangible assets (<i>note 12</i>)	195	251	292
	<u>450</u>	<u>582</u>	<u>623</u>
Depreciation (<i>note 11</i>)	22,221	22,339	23,515
Operating lease charges	235	127	583
Auditors' remuneration	134	784	252
Purchase of electricity	186,994	170,931	176,408
Fuel	62,413	57,854	81,990
Outsourcing operation	18,402	15,901	16,605

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax				
Provision for the year	22(a)	<u>18,661</u>	<u>18,292</u>	<u>12,942</u>
Deferred tax				
Reversal of temporary differences	22(b)	<u>(143)</u>	<u>(182)</u>	<u>(2,845)</u>
		<u>18,518</u>	<u>18,110</u>	<u>10,097</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit before taxation		<u>73,561</u>	<u>72,428</u>	<u>40,369</u>
Notional tax on profit before taxation (<i>Note (i)</i>)		18,390	18,107	10,092
Tax effect of non-deductible expenses		<u>128</u>	<u>3</u>	<u>5</u>
Actual tax expense		<u>18,518</u>	<u>18,110</u>	<u>10,097</u>

- (i) The Group was subject to the statutory income tax rate of 25% for each of the years ended 31 December 2015, 2016 and 2017.

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the Relevant Periods are as follows:

Year ended 31 December 2015

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Directors:					
Gao Hongxin	–	566	47	75	688
Gong Yiqing	–	482	39	68	589
Yin Ning	–	141	7	27	175
Gao Fei	–	–	–	–	–
Yang Jing	–	–	–	–	–
Fan Peiming	–	–	–	–	–
Supervisors:					
Yang Kui (appointed on 1 May 2015)	–	222	22	36	280
Xue Xiaofang	–	–	–	–	–
Sun Jingyu	–	–	–	–	–
	–	1,411	115	206	1,732

Year ended 31 December 2016

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Directors:					
Gao Hongxin	–	542	86	71	699
Gong Yiqing (resigned on 1 Feb 2016)	–	41	–	5	46
Yin Ning	–	–	–	–	–
Gao Fei	–	–	–	–	–
Yang Jing	–	–	–	–	–
Fan Peiming	–	–	–	–	–
Supervisors:					
Yang Kui	–	345	41	55	441
Xue Xiaofang	–	–	–	–	–
Sun Jingyu	–	–	–	–	–
	–	928	127	131	1,186

Year ended 31 December 2017

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Directors:					
Gao Hongxin	–	374	113	68	555
Xing Cheng (appointed on 24 Mar 2017)	–	340	99	64	503
Fang Wei (appointed on 24 Mar 2017)	–	264	41	54	359
Peng Chong (appointed on 24 Mar 2017)	–	234	50	55	339
Wu Tao (appointed on 24 Mar 2017)	–	–	–	–	–
Yu Yang (appointed on 22 Nov 2017)	–	–	–	–	–
Zhou Shanzhong (appointed on 24 Mar 2017, resigned on 22 Nov 2017)	–	–	–	–	–
Yin Ning (resigned on 19 Jan 2017)	–	–	–	–	–
Gao Fei (resigned on 19 Jan 2017)	–	–	–	–	–
Yang Jing (resigned on 19 Jan 2017)	–	–	–	–	–
Fan Peiming (resigned on 19 Jan 2017)	–	–	–	–	–
Supervisors:					
Yang Kui	–	253	51	54	358
Xue Xiaofang	–	–	–	–	–
Shao Guoyong (appointed on 19 Jan 2017)	–	–	–	–	–
Sun Jingyu (resigned on 19 Jan 2017)	–	–	–	–	–
	–	1,465	354	295	2,114

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors for each of the years ended 31 December 2015, 2016 and 2017 whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the individuals who are not directors are as follows:

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other emoluments	1,045	1,163	821
Discretionary bonuses	83	224	211
Retirement scheme contributions	166	164	170
	<u>1,294</u>	<u>1,551</u>	<u>1,202</u>

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2015	2016	2017
HK\$Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

10 EARNINGS PER SHARE

The calculation of basic earnings per share of the years ended 31 December 2015, 2016 and 2017 is based on the profit attributable to equity owners/shareholders of the Company of RMB55,043,000, RMB54,318,000 and RMB30,272,000, respectively, and the 115,600,907 ordinary shares in issue as set out in Note 24(g) as at the date of this report as if the shares were outstanding throughout the entire Relevant Periods.

There was no difference between basic and diluted earnings per share as there were no potential dilutive shares during the Relevant Periods.

11 PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings and structure RMB'000	Power generation plant and electric utility in service RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015	16,420	590,086	488	20,107	–	627,101
Additions	–	60	–	249	–	309
Disposals	–	–	–	(54)	–	(54)
At 31 December 2015	16,420	590,146	488	20,302	–	627,356
Additions	313	7,722	–	2,480	2,131	12,646
Transfer from CIP	–	2,131	–	–	(2,131)	–
Disposals	–	(297)	–	(21)	–	(318)
At 31 December 2016	16,733	599,702	488	22,761	–	639,684
Additions	–	4,839	–	701	962	6,502
Disposals	–	–	–	(51)	–	(51)
At 31 December 2017	16,733	604,541	488	23,411	962	646,135
Accumulated depreciation:						
At 1 January 2015	(4,835)	(214,885)	(312)	(6,843)	–	(226,875)
Charge for the year	(432)	(20,645)	(17)	(1,127)	–	(22,221)
Written back on disposal	–	–	–	49	–	49
At 31 December 2015	(5,267)	(235,530)	(329)	(7,921)	–	(249,047)
Charge for the year	(456)	(20,664)	(17)	(1,202)	–	(22,339)
Written back on disposal	–	282	–	20	–	302
At 31 December 2016	(5,723)	(255,912)	(346)	(9,103)	–	(271,084)
Charge for the year	(454)	(21,727)	(17)	(1,317)	–	(23,515)
Written back on disposal	–	–	–	47	–	47
At 31 December 2017	(6,177)	(277,639)	(363)	(10,373)	–	(294,552)
Net book value:						
At 31 December 2015	11,153	354,616	159	12,381	–	378,309
At 31 December 2016	11,010	343,790	142	13,658	–	368,600
At 31 December 2017	10,556	326,902	125	13,038	962	351,583

The Company	Buildings and structure RMB'000	Power generation plant and electric utility in service RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015	3,930	151,547	488	3,490	–	159,455
Additions	–	–	–	227	–	227
Transfer in through business combination under common control	12,490	438,599	–	16,490	–	467,579
At 31 December 2015	16,420	590,146	488	20,207	–	627,261
Additions	313	7,722	–	2,476	2,131	12,642
Transfer from CIP	–	2,131	–	–	(2,131)	–
Disposals	–	(297)	–	(21)	–	(318)
At 31 December 2016	16,733	599,702	488	22,662	–	639,585
Additions	–	4,839	–	585	962	6,386
Disposals	–	–	–	(51)	–	(51)
At 31 December 2017	16,733	604,541	488	23,196	962	645,920
Accumulated depreciation:						
At 1 January 2015	(3,228)	(78,260)	(312)	(2,171)	–	(83,971)
Additions	(51)	(5,500)	(17)	(285)	–	(5,853)
Transfer in through business combination under common control	(1,988)	(151,770)	–	(5,423)	–	(159,181)
At 31 December 2015	(5,267)	(235,530)	(329)	(7,879)	–	(249,005)
Additions	(456)	(20,664)	(17)	(1,186)	–	(22,323)
Disposals	–	282	–	20	–	302
At 31 December 2016	(5,723)	(255,912)	(346)	(9,045)	–	(271,026)
Additions	(454)	(21,727)	(17)	(1,247)	–	(23,445)
Disposals	–	–	–	47	–	47
At 31 December 2017	(6,177)	(277,639)	(363)	(10,245)	–	(294,424)
Net book value:						
At 31 December 2015	11,153	354,616	159	12,328	–	378,256
At 31 December 2016	11,010	343,790	142	13,617	–	368,559
At 31 December 2017	10,556	326,902	125	12,951	962	351,496

12 INTANGIBLE ASSETS

	The Group Software and others RMB'000	The Company Software and others RMB'000
Cost:		
At 1 January 2015	1,490	1,195
Additions	<u>6</u>	<u>6</u>
At 31 December 2015	1,496	1,201
Additions	<u>410</u>	<u>410</u>
At 31 December 2016	1,906	1,611
Additions	<u>488</u>	<u>488</u>
At 31 December 2017	----- 2,394	----- 2,099
Accumulated amortisation:		
At 1 January 2015	222	200
Charge for the year	<u>195</u>	<u>166</u>
At 31 December 2015	417	366
Charge for the year	<u>251</u>	<u>221</u>
At 31 December 2016	668	587
Charge for the year	<u>292</u>	<u>262</u>
At 31 December 2017	----- 960	----- 849
Net book value:		
At 31 December 2015	<u>1,079</u>	<u>835</u>
At 31 December 2016	<u>1,238</u>	<u>1,024</u>
At 31 December 2017	<u>1,434</u>	<u>1,250</u>

13 INVESTMENTS IN SUBSIDIARY

As at 31 December 2015, 2016 and 2017, the Company had one subsidiary, which is wholly owned by the Company.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital <i>RMB'000</i>	Percentage of ownership interest		Principal activity
			Group's effective interest	Held by the company	
Tianjin Baorun International Trading Electrical Engineering Co., Ltd. 天津保潤國際貿易電氣工程有限公司	Tianjin, PRC	1,709	100%	100%	Electricity infrastructure construction and sales of electronic component

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

14 LEASE PREPAYMENTS

	2015 <i>RMB'000</i>	The Group 2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost:			
At the beginning of the year	–	16,568	16,568
Additions	16,568	–	–
At the end of the year	16,568	16,568	16,568
Accumulated amortisation:			
At the beginning of the year	–	(255)	(586)
Amortisation for the year	(255)	(331)	(331)
At the end of the year	(255)	(586)	(917)
Net book value:			
At the end of the year	16,313	15,982	15,651

	The Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:			
At the beginning of the year	–	16,568	16,568
Transfer in through business combination under common control	16,568	–	–
	<u>16,568</u>	<u>–</u>	<u>–</u>
At the end of the year	16,568	16,568	16,568
	<u>16,568</u>	<u>16,568</u>	<u>16,568</u>
Accumulated amortisation:			
At the beginning of the year	–	(255)	(586)
Amortisation for the year	–	(331)	(331)
Transfer in through business combination under common control	(255)	–	–
	<u>(255)</u>	<u>–</u>	<u>–</u>
At the end of the year	(255)	(586)	(917)
	<u>(255)</u>	<u>(586)</u>	<u>(917)</u>
Net book value:			
At the end of the year	16,313	15,982	15,651
	<u>16,313</u>	<u>15,982</u>	<u>15,651</u>

Lease prepayments of the Group and the Company mainly represent the payments for the acquisitions of lands held under operating leases.

15 INVENTORIES

Inventories in the consolidated statements of financial position and statements of financial position of the Company comprise:

	The Group		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fuel	–	2,944	2,550
Goods and supplies	8,217	4,706	3,813
	<u>8,217</u>	<u>4,706</u>	<u>3,813</u>
	<u>8,217</u>	<u>7,650</u>	<u>6,363</u>
	<u>8,217</u>	<u>7,650</u>	<u>6,363</u>
	The Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fuel	–	2,944	2,550
Goods and supplies	209	612	999
	<u>209</u>	<u>612</u>	<u>999</u>
	<u>209</u>	<u>3,556</u>	<u>3,549</u>
	<u>209</u>	<u>3,556</u>	<u>3,549</u>

16 TRADE AND BILL RECEIVABLES

	The Group		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	32,157	37,228	41,910
Bills receivable	1,430	250	–
	<u>33,587</u>	<u>37,478</u>	<u>41,910</u>

	The Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	21,058	32,510	30,644
	<u>21,058</u>	<u>32,510</u>	<u>30,644</u>

(a) Ageing analysis

Included in trade receivables were debtors with the following ageing analysis as at 31 December 2015, 2016 and 2017:

	The Group		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	27,499	34,541	36,157
4 to 6 months	3,067	2,089	5,080
7 to 12 months	3,021	848	17
Over 12 months	–	–	656
	<u>33,587</u>	<u>37,478</u>	<u>41,910</u>

	The Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	21,058	32,173	28,006
4 to 6 months	–	337	2,638
	<u>21,058</u>	<u>32,510</u>	<u>30,644</u>

Trade receivables are generally due within 30-90 days from the date of billing.

(b) Trade and bill receivable that are not impaired

The ageing analysis of trade and bill receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired	27,499	34,541	36,157
Less than 1 month past due	–	2,089	1,278
1 to 3 months past due	3,067	–	3,802
4 to 12 months past due	3,021	848	673
	<u>6,088</u>	<u>2,937</u>	<u>5,753</u>
	<u>33,587</u>	<u>37,478</u>	<u>41,910</u>
		The Company	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired	21,058	32,173	28,006
Less than 1 month past due	–	337	404
1 to 3 months past due	–	–	2,234
	<u>–</u>	<u>337</u>	<u>2,638</u>
	<u>21,058</u>	<u>32,510</u>	<u>30,644</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Further details on the Group's credit policy are set out in note 25(a) credit risk.

17 OTHER RECEIVABLES AND ASSETS

	The Group		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Listing expenses prepayments	–	–	21,239
Deposits with third parties	489	517	676
Advance to suppliers	913	220	276
Value added tax recoverable	16,468	–	–
	<u>17,870</u>	<u>737</u>	<u>22,191</u>

	The Company		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Listing expenses prepayments	–	–	21,239
Dividends receivables	6,846	4,000	2,000
Deposits with third parties	479	507	653
Advance to suppliers	604	79	112
Value added tax recoverable	16,304	–	–
	<u>24,233</u>	<u>4,586</u>	<u>24,004</u>

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash at bank	<u>65,591</u>	<u>94,251</u>	<u>116,071</u>

	The Company		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash at bank	<u>55,974</u>	<u>86,755</u>	<u>112,585</u>

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

The Group	Loans and borrowings RMB'000	Dividends payable RMB'000	Payables for business combinations under common control RMB'000	Interest payables RMB'000	Listing expenses prepayments /Payables for listing expenses RMB'000
At 1 January 2015	–	53,983	–	–	–
Cash flows	–	(53,983)	(90,000)	–	–
<i>Non-cash changes</i>					
Payables accrued for business combinations under common control	–	–	138,938	–	–
At 31 December 2015	–	–	48,938	–	–
Cash flows	24,000	–	(48,938)	(359)	–
<i>Non-cash changes</i>					
Dividends declared	–	21,000	–	–	–
Borrowings interest incurred	–	–	–	359	–
At 31 December 2016	24,000	21,000	–	–	–
Cash flows	(24,000)	(21,000)	–	(673)	(15,054)
<i>Non-cash changes</i>					
Borrowings interest incurred	–	–	–	673	–
Listing expenses prepayments and accruals (net)	–	–	–	–	1,783
At 31 December 2017	–	–	–	–	(13,271)

19 TRADE AND OTHER PAYABLES

	The Group		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Trade payable to third parties	29,225	17,708	33,078
Payables for listing expenses	–	–	7,968
Payables for value added tax and other taxes	217	124	1,730
Deposit received	274	1,139	900
Payables for purchase of property, plant and equipment	–	110	537
Amount due to fellow subsidiary	48,938	–	–
Collections on behalf of third parties	18,407	–	–
Others	149	589	45
	<u>97,210</u>	<u>19,670</u>	<u>44,258</u>

	The Company		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payable to third parties	14,880	12,589	26,558
Payables for listing expenses	–	–	7,968
Amounts due to subsidiary	304	2,634	2,937
Payables for value added tax and other taxes	125	398	1,673
Deposit received	274	1,140	795
Payables for purchase of property, plant and equipment	–	110	537
Amount due to fellow subsidiary	48,938	–	–
Collections on behalf of third parties	18,407	–	–
Others	148	589	37
	<u>83,076</u>	<u>17,460</u>	<u>40,505</u>

All of the trade and other payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

As at 31 December 2015, 2016 and 2017, the ageing analysis of trade payables, based on invoice date, is as follows:

	The Group		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	27,277	15,936	43,634
Between 1 to 2 years	1,686	384	503
Between 2 to 3 years	262	1,388	121
	<u>29,225</u>	<u>17,708</u>	<u>44,258</u>

	The Company		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	13,249	13,559	39,881
Between 1 to 2 years	1,568	276	503
Between 2 to 3 years	367	1,388	121
	<u>15,184</u>	<u>15,223</u>	<u>40,505</u>

The balance of trade payables that over 1 years mainly represent of quality guarantee deposit for construction.

20 LOANS AND BORROWINGS

As at 31 December 2016, the short-term bank loans were unsecured.

21 DEFERRED INCOME

	The Group and the Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid facility usage fees (a)	8,871	8,384	7,898
Government grants (b)	—	—	9,950
	<u>8,871</u>	<u>8,384</u>	<u>17,848</u>

- (a) The Company received prepaid facility usage fees for power grid facilities specifically constructed for certain external customers, which have been recognised as deferred income and amortised over the service period to profit or loss.
- (b) The Group received subsidies from the local government on the construction and acquisition of related property, plant and equipment for denitrification systems in the Haigang thermal plant, which have been recognised as deferred income and amortised over the useful life of the related assets to profit or loss. When the Haigang Thermal Plant Business was transferred from Tianbao Thermal to the Company in December 2015, the balance of those subsidies was not transferred as agreed by both parties, and therefore the balance was not included in the consolidated statement of financial position as of 31 December 2015.

The Group received grants from the local government on the construction and upgrade of the heating pipelines and discharge facilities in 2017 which have been recognised as deferred income and are subsequently recognised in profit or loss over the useful life of the related assets.

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	The Group		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax payable at the beginning of the year	7,497	3,940	5,540
Provision for income tax on the estimated taxable profits for the year	18,661	18,292	12,942
Income tax paid during the year	(7,223)	(16,692)	(15,849)
Tax attribute to controlling owner	(14,995)	—	—
Income tax payable at the end of the year	<u>3,940</u>	<u>5,540</u>	<u>2,633</u>

	The Company		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax payable at the beginning of the year	7,225	3,892	5,548
Provision for income tax on the estimated taxable profits for the year	3,183	18,011	12,296
Income tax paid during the year	(6,516)	(16,355)	(15,256)
Income tax payable at the end of the year	<u>3,892</u>	<u>5,548</u>	<u>2,588</u>

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the statements of financial position, the movements during the Relevant Periods are as follows:

The Group	Property, plant and equipment <i>RMB'000</i>	Government grants <i>RMB'000</i>	Infrastructure compensation <i>RMB'000</i>	Interest-free payable to equity owner <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax arising from:					
At 1 January 2015	–	715	2,339	–	3,054
Credited/(charged) to profit or loss	–	264	(121)	–	143
Charged to reserves	(2,697)	(979)	–	–	(3,676)
At 31 December 2015	(2,697)	–	2,218	–	(479)
Credited/(charged) to profit or loss	303	–	(121)	–	182
Charged to reserves	–	–	–	(9,310)	(9,310)
At 31 December 2016	(2,394)	–	2,097	(9,310)	(9,607)
Credited/(charged) to profit or loss	303	–	(121)	2,663	2,845
At 31 December 2017	(2,091)	–	1,976	(6,647)	(6,762)

The Company	Property, plant and equipment <i>RMB'000</i>	Infrastructure compensation <i>RMB'000</i>	Interest-free payable to equity owner <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax arising from:				
At 1 January 2015	–	2,339	–	2,339
Credited/(charged) to profit or loss	–	(121)	–	(121)
Charged to reserves	(2,697)	–	–	(2,697)
At 31 December 2015	(2,697)	2,218	–	(479)
Credited/(charged) to profit or loss	303	(121)	–	182
Charged to reserves	–	–	(9,310)	(9,310)
At 31 December 2016	(2,394)	2,097	(9,310)	(9,607)
Credited/(charged) to profit or loss	303	(121)	2,663	2,845
At 31 December 2017	(2,091)	1,976	(6,647)	(6,762)

23 OTHER NON-CURRENT LIABILITIES

In October 2016, the Company reduced its equity by RMB240,874,000 and recorded the refund of capital as non-current payables to Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Company Limited (the "Equity Owners") of RMB228,384,000 and RMB12,490,000, respectively.

According to the supplementary agreement between the Company and the Equity Owners entered into in December 2016, the Group scheduled the payment terms as follows: (1) payment to Tianjin Free Trade Zone Investment Company Limited of RMB12,490,000 before June 2018; (2) payment to Tianjin Tianbao Holdings Limited of RMB60,000,000 before December 2018; (3) payment to Tianjin Tianbao Holdings Limited of RMB80,000,000 before December 2020; (4) payment to Tianjin Tianbao Holdings Limited of RMB88,384,000 before December 2021. The payables to Equity Owners are interest-free.

The difference between the amount of total payments and their present value (net of income tax) amounted to RMB27,903,000 was recorded in capital reserve as capital contribution from Equity Owners in the year ended 31 December 2016.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Relevant Periods are set out in the consolidated statements of changes in equity.

Details of the changes in the Company's individual components of equity during the Relevant Periods are set out below:

	Paid-in capital/ Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	110,290	43,378	10,645	15,237	179,550
Total comprehensive income	–	–	–	9,678	9,678
Capital injection	108,713	93,346	–	–	202,059
Appropriation to reserves	–	–	967	(967)	–
Dividends	–	–	–	–	–
At 31 December 2015	<u>219,003</u>	<u>136,724</u>	<u>11,612</u>	<u>23,948</u>	<u>391,287</u>
At 1 January 2016	219,003	136,724	11,612	23,948	391,287
Total comprehensive income	–	–	–	53,473	53,473
Capital reduction	(132,000)	(108,874)	–	–	(240,874)
Appropriation to reserves	–	–	5,347	(5,347)	–
Dividends	–	–	–	(21,000)	(21,000)
Capital contribution (net of income tax)	–	27,903	–	–	27,903
At 31 December 2016	<u>87,003</u>	<u>55,753</u>	<u>16,959</u>	<u>51,074</u>	<u>210,789</u>
At 1 January 2017	87,003	55,753	16,959	51,074	210,789
Total comprehensive income	–	–	–	28,339	28,339
Appropriation to reserves	–	–	2,834	(2,834)	–
Capitalization upon converting into a joint stock company	28,598	34,421	(11,612)	(51,407)	–
At 31 December 2017	<u>115,601</u>	<u>90,174</u>	<u>8,181</u>	<u>25,172</u>	<u>239,128</u>

(b) Dividends*(i) Dividends payable to equity owners/shareholders of the Company attributable to the year*

	2015 RMB'000	2016 RMB'000	2017 RMB'000
Final dividend proposed after the end of the reporting year	21,000	–	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting year.

(ii) Dividends payable to equity owners/shareholders of the Company attributable to the previous financial year, approved during the year.

	2015 RMB'000	2016 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved during the year	–	21,000	–

(c) Capital injections and reductions

As detailed in note 1, during the year ended 31 December 2015, Tianbao Thermal transferred the long-term assets of Haigang Thermal Plant to the Company. The consideration of the Business Combination was settled by cash of RMB138,938,000 and new equity of the Company. The difference between the carrying amount of the assets transferred of RMB324,711,000, the related deductible VAT and deferred tax of RMB16,286,000 and the cash consideration, amounted to RMB202,059,000, has been credited to paid-in capital and capital reserve of RMB108,713,000 and RMB93,346,000, respectively.

During the year ended 31 December 2016, the Company reduced the equity by RMB240,874,000 with reductions of paid-in capital and capital reserve of RMB132,000,000 and RMB108,874,000, respectively.

(d) Deemed contribution from/distribution to controlling owner

As further explained in note 1, for the purpose of this report, deemed contribution from/distribution to controlling owner represented profits of Haigang Thermal Plant Business during the Relevant Periods prior to the completion of the Business Combination retained by Tianbao Thermal and also the balances of receivable/payable with Tianbao Thermal.

(e) Business combination under common control

After the transfer of Haigang Thermal Plant Business to the Company on 31 December 2015, the net assets (including the retained earnings) of Haigang Thermal Plant Business combined on an as if basis prior to the Completion Date are deemed to be distributed to the controlling owner and were reflected as deemed distributions to the controlling owner in the consolidated statements of changes in equity for the year ended 31 December 2015.

(f) Nature and purpose of reserves*(i) Capital reserve*

The capital reserve comprises the following:

- Capital premium, contributions from equity owners/shareholders, the impacts of capital injections and capital deductions. The capital injections and reductions within the Relevant Periods were disclosed in note 24(c).
- Deemed contribution from/distribution to controlling owner as disclosed in note 1.

(ii) *Statutory surplus reserves*

According to the Company Law of the PRC, the Company's articles of association, the Company appropriates 10% of each year's net profit under Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC GAAP") to the statutory surplus reserve. The Company has the option to cease provision for such reserve when it reaches 50% of the registered paid-in capital. Upon the approval from relevant authorities, this reserve can be used to make up any losses incurred or to increase paid-in capital. Except for offsetting against losses, this reserve cannot fall below 25% of the registered paid-in capital after being used to increase paid-in capital.

(g) **Capitalization upon converting into a joint stock company**

On 28 February 2017, the Company was converted from a limited liability company into a joint stock company limited liability company. Based on the approval obtained from authorities, the Company issued and allotted 115,600,907 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capitals to the Company as at 28 February 2017. The remaining net assets of the Company as at the base date 30 November 2016 were converted into capital reserve with the amount of RMB62,271,000 at the date of conversion.

As at 31 December 2017, the number of ordinary shares issued and fully paid was 115,600,907.

(h) **Distributable reserves**

Payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling owner, Tianjin Tianbao Holdings Limited will be able to influence the Company's dividend policy. As at 31 December 2015, 2016 and 2017, the aggregate amount of reserves available for distribution to the equity owners/shareholders of the Company is RMB23,948,000, RMB51,074,000 and RMB25,172,000, respectively.

Following the establishment of the Company, under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

- (i) Making up prior years' cumulative losses, if any;
- (ii) Allocations to the reserve fund as set out in note 24(f) above; and
- (iii) Allocations to the discretionary common reserve if approved by the equity owners/shareholders.

After the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("HKSE"), in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRS.

(i) **Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owner returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans, borrowings and other non-current liability) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to owners, issue new shares, return capital to owners, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio as at 31 December 2015, 2016 and 2017 was as follows:

	<i>Note</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current liability:				
Loans and borrowings	20	–	24,000	–
Current portion of other non-current liabilities	23	–	–	72,490
Non-current liability:				
Other non-current liability	23	–	203,634	141,791
Add: Proposed dividends		21,000	–	–
Less: Cash and cash equivalents		(65,591)	(94,251)	(116,071)
Adjusted net debt		<u>(44,591)</u>	<u>133,383</u>	<u>98,210</u>
Total equity		394,186	214,533	244,805
Less: Proposed dividends		(21,000)	–	–
Adjusted capital		<u>373,186</u>	<u>214,533</u>	<u>244,805</u>
Net debt-to-capital ratio		<u>Net cash</u>	<u>62%</u>	<u>40%</u>

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, prepayments, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits are placed with reputable banks and financial institutions. In addition, a significant portion is deposited with a non-bank financial institution which is a related party of the Group.

Credit risk of the Group's other financial assets, which comprise prepayments and other receivables, arise from default of the counterparty.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within around 30-90 days from the date of billing, except for certain customers to which specific credit period or credit limit are granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2015, 2016 and 2017, 1%, 26% and 26% of the total trade receivables were due from the Group's largest customer and 18%, 59% and 41% were due from the five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2015					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	97,210	–	–	–	97,210	97,210
Salary and welfare payables	1,318	–	–	–	1,318	1,318
Total	98,528	–	–	–	98,528	98,528

	2016					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	19,670	–	–	–	19,670	19,670
Loans and borrowings	24,648	–	–	–	24,648	24,000
Dividends payables	21,000	–	–	–	21,000	21,000
Salary and welfare payables	2,431	–	–	–	2,431	2,431
Other non-current liabilities	–	72,490	168,384	–	240,874	203,634
Total	67,749	72,490	168,384	–	308,623	270,735

	2017				Total RMB'000	Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Trade and other payables	44,258	–	–	–	44,258	44,258
Salary and welfare payables	2,431	–	–	–	2,431	2,431
Current portion of other non-current liabilities	72,490	–	–	–	72,490	72,490
Other non-current liabilities	–	–	168,384	–	168,384	141,791
Total	119,179	–	168,384	–	287,563	260,970

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing bank loans. Bank loans issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total interest bearing borrowings as at 31 December 2015, 2016 and 2017:

	2015		2016		2017	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:						
Bank loans		–	4.35%	24,000		–
		–		24,000		–
		–		–		–
Variable rate borrowings:						
Bank loans		–		–		–
		–		–		–
		–		–		–
Total net borrowings		–		24,000		–
Net fixed rate borrowings as a percentage of total net borrowings		–		100%		–

(ii) Sensitivity analysis

As at 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profit by RMB180,000.

(d) Fair value measurement

As at 31 December 2015, 2016 and 2017, the carrying amounts of trade and bill receivables, other receivables and assets, trade and other payables were not materially different from their fair values.

26 COMMITMENTS**(a) Capital commitments outstanding at end of each reporting period not provided for in the Historical Financial Information are as follows:**

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Contracted for	–	–	7,078
Authorised but not contracted for	2,131	–	24,142
	<u>2,131</u>	<u>–</u>	<u>31,220</u>

(b) At end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	90	55	617
After 1 year but within 5 years	–	48	41
	<u>90</u>	<u>103</u>	<u>658</u>

27 MATERIAL RELATED PARTY TRANSACTIONS**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Short-term employee benefits	1,987	2,064	2,238
Post-employment benefits	261	239	356
	<u>2,248</u>	<u>2,303</u>	<u>2,594</u>

Total remuneration is included in "staff costs" (see note 6(b))

(b) Related party balances and transactions

The related parties of the Company and its subsidiary that had transactions with the Company and its subsidiary are as follows:

Names of related parties	Nature of relationship
Tianjin Free Trade Zone Investment Company Limited 天津保稅區投資有限公司	a subsidiary of Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. (“Tianbao Group”)
Tianjin Tianbao Real Estate Development Co., Ltd. 天津天保房地產開發有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Construction Development Co., Ltd. 天津天保建設發展有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Finance Company Ltd. 天津天保財務有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Municipal Co., Ltd. 天津天保市政有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao International Logistics Co., Ltd. 天津天保國際物流集團有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Thermal Electricity Company Limited 天津天保熱電有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Financial Management Co., Ltd. 天津天保財務管理有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Century Trade Development Co. Ltd. 天津天保世紀貿易發展有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Hongxin Logistics Center Co., Ltd. 天津天保宏信物流中心有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Real Estate Co., Ltd. 天津天保置業有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Asset Management Co., Ltd. 天津天保資產經營管理有限公司	a subsidiary of Tianbao Group
Tianjin International Logistics Park Co., Ltd. 天津國際物流園有限公司	a subsidiary of Tianbao Group
Tianbao Mingmen (Tianjin) International Cargo Agent Co., Ltd. 天保名門(天津)國際貨運代理有限公司	a subsidiary of Tianbao Group
Tianjin Binhai Kaiyuan Real Estate Development Co., Ltd. 天津濱海開元房地產開發有限公司	a subsidiary of Tianbao Group
Tianjin Tianjian Vehicle Inspection Service Co., Ltd. 天津天檢汽車檢測服務有限公司	a subsidiary of Tianbao Group

Names of related parties	Nature of relationship
Tianjin Tianbao Science and Technology Development Co., Ltd. 天津天保科技發展有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone International Commodity Exhibition Center Co., Ltd. 天津港保稅區國際商品展銷中心有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Import Vehicle Inspection Co., Ltd. 天津港保稅區天保進口機動車檢測有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Holdings Limited 天津天保控股有限公司	parent company
Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. 天津保稅區投資控股集團有限公司	ultimate controlling company

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

Related party balances

(i) Cash deposits in a related party

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits in Tianjin Tianbao Finance Company Ltd.	60,467	62,612	102,294

For the years ended 31 December 2015, 2016 and 2017, the annual interest rates for these savings deposits placed with Tianjin Tianbao Finance Company Ltd. are 0.35% to 3.30%, 0.35% and 0.35% respectively.

(ii) Other receivables and assets comprised the following balances due from related parties:

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due from Tianbao Group and its subsidiaries	2,184	1,376	1,588

(iii) Other payables and liabilities comprised the following balances due to related parties:

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to Tianbao Group and its subsidiaries	49,288	262,847	242,921

Related party transactions

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods to			
Subsidiaries of Tianbao Group	8,055	6,953	8,677
Purchase of goods from			
Subsidiaries of Tianbao Group	21,266	19,225	365
Services provided to			
Subsidiaries of Tianbao Group	3,774	3,203	6,635
Services provided by			
Subsidiaries of Tianbao Group	991	1,651	–
Purchase of property, plant and equipment			
Subsidiaries of Tianbao Group	–	6,868	–
Interest income			
Subsidiaries of Tianbao Group	3,151	297	1,359
Fundings transfer from			
Tianbao Group and its subsidiary	446,000	620,000	–
Fundings transfer to			
Tianbao Group and its subsidiary	446,000	620,000	–

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider immediate and ultimate controlling owner of the Group to be Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. respectively, which are incorporated in the PRC. Those entities do not produce financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of this report, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
IFRS 9, <i>Financial instruments</i>	1 January 2018
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to IFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to IAS 40, <i>Transfers of investment property</i>	1 January 2018
IFRIC 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
Annual Improvements to IFRSs 2014-2016 cycle	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019
IFRIC 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Amendments to IFRS 10 and IAS 28, <i>Sales or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's financial report for the next financial period. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

IFRS 9 is effective for the periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9. The Group currently does not have any financial assets designated at FVTPL or classified as "available-for-sale".

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances.

Based on the preliminary assessment, the Group expects that the application of the expected credit loss model will not have significant impact on its consolidated financial statements.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected and expected that IFRS 15 would not have significant impact on the consolidated financial statements:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(p). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of electricity and power is recognised upon transmission and that for the sale of goods are generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from current contracts including construction contracts.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

The Group has performed an initial assessment on these payments received in advance and does not expect that there will be a significant impact on its consolidated financial statements.

(c) *Sales with a right of return*

For the sales of electronic components, the customers are allowed to return the products with quality problem.

Currently the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return for electronic components sold. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

Amendments to IFRS 2, Share-based payment: Classification and measurement of share-based payment transactions

“Classification and Measurement of Share Based Payment Transactions”, Amendments to IFRS 2, was issued in June 2016. The amendments clarify IFRS guidance on the accounting treatment of transactions with net settlement features for withholding tax obligations, and on the treatment of vesting and non-vesting conditions in and modifications to cash settled transactions. The Group does not have any outstanding share based payment transactions therefore the Group does not believe the amendments will have any impact on its financial statements.

Amendments to IAS 40, Transfers of investment property

“Transfers of Investment Property”, Amendments to IAS 40, was issued in December 2016 and clarifies that property is transferred into or out of Investment property only when there is actual evidence of change in use and not based on management’s intentions. The Group must apply these amendments to changes in use that occur after 1 January 2018. Early adoption is permitted, but the amendments may be applied retrospectively to changes in use before their adoption only where this is possible without using hindsight. The Group does not believe that adoption of the amendments will have a material impact on its financial statements.

IFRIC 22, Foreign currency transactions and advance consideration

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” was issued in December 2016, and requires most foreign currency transactions the consideration for which is received or paid in advance, to be translated into the transacting entity’s functional currency using the exchange rate at the date(s) on which this consideration is paid or received. The interpretation contains options for application either retrospectively or prospectively to transactions after adoption. The Group does not have material foreign currency transactions and so adoption will not have a material impact on its financial statements.

Annual Improvements to IFRSs 2014-2016 cycle

“Annual Improvements to IFRS Standards” 2014-2016 Cycle was issued in December 2016. It clarifies for investments in subsidiaries held by a joint venture or associate which is an investment company as defined by IFRS 10. The Group must adopt these amendments from 1 January 2018 respectively. The clarification would not have any impact on the Group’s consolidated financial statements.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a

practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26(b), at 31 December 2015, 2016 and 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB90 thousand, RMB103 thousand and RMB658 thousand for properties and other assets respectively, the majority of which is payable within 1 year from the end of the reporting period. Some of these amounts may need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting. Based on the preliminary assessment, the adoption of IFRS 16 is not expected to have a material impact on its financial consolidated statements.

The Group will not consider the early adoption of IFRS 16 before its effective date of 1 January 2019.

IFRIC 23, Uncertainty over income tax treatments

IFRIC 23 Uncertainty over income tax treatments addresses how to reflect uncertainty in accounting for income taxes while IAS 12 Income Taxes includes requirements on recognition and measurement of tax assets and liabilities, but does not specify how to reflect uncertainty. According to the Group's preliminary assessment, the adoption of IFRIC 23 will not have a material impact on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture

"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", Amendments to IFRS 10 and IAS 28, was issued in September 2014 and requires the Group to recognize gains and losses on such sales or contributions only to the extent they relate to the interest in the Associate or Joint Venture that is held by investors other than the Group.

In December 2015, the IASB postponed mandatory application of the amendments indefinitely. The Group did not have any associates or joint ventures in which it has investments at 31 December 2017, so the Group does not believe that the amendments will have a material impact on its consolidated financial statements.

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have occurred since 31 December 2017.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiary in respect of any period subsequent to 31 December 2017.

The information sets out in this Appendix does not form part of the accountants' reports received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the shareholders of the Company as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as of 31 December 2017 or at any future date.

	Consolidated net tangible assets attributable to the shareholders of the Company as of 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	
Based on an Offer Price of HK\$1.74 per Share	243,371	20,770	264,141	1.71	2.05
Based on an Offer Price of HK\$1.90 per Share	243,371	25,744	269,115	1.75	2.09

Notes:

- (1) The consolidated net tangible assets attributable to shareholders of the Company as of 31 December 2017 is based on the consolidated net assets attributable to shareholders of the Company of RMB244,805,000 after deduction of intangible assets of RMB1,434,000 as of 31 December 2017. The consolidated net tangible assets attributable to the shareholders of the Company were extracted from the accountants' report as set out in Appendix I to this Prospectus.

- (2) The estimated net proceeds from the Share Offer are based on the Offer Prices of HK\$1.74 and HK\$1.90 per Share, respectively, after deduction of the underwriting fees and other relevant expenses payable by the Company (excluding listing expenses of approximately RMB3,273,000 that have been charged to profit or loss up to 31 December 2017), and 38,540,000 Shares expected to be issued under the Share Offer, assuming the Offer Size Adjustment Option is not exercised. The estimated net proceeds from the Share Offer are converted to RMB at an exchange rate of RMB0.8359 to HK\$1 prevailing on 31 December 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the above paragraphs and on the basis that 154,140,907 Shares were in issue assuming that the Share Offer has been completed on 31 December 2017, but do not take into account any shares which may be issued upon the exercise of the Offer Size Adjustment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8359 to HK\$ 1 prevailing on 31 December 2017. No representation is made that the RMB amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (4) The Group's selected property interest as at 28 February 2018 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The above pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB14,936,000. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB506,000 would be charged against the profit in the future periods.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF TIANJIN TIANBAO ENERGY CO., LTD.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tianjin Tianbao Energy Co., Ltd. (the "Company") and its subsidiary (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 16 April 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 31 December 2017 as if the Share Offer had taken place at 31 December 2017. As part of this process, information about the Group's financial position as at 31 December 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
16 April 2018

The following is the text of a letter and valuation certificate, prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, for the purpose of incorporation in this Prospectus, in connection with its valuation of the selected property interest held by the Group as at 28 February 2018.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

16 April 2018

The Board of Directors
Tianjin Tianbao Energy Co., Ltd.
No. 35 Haibinba Road,
Tianjin Port Free Trade Zone,
Tianjin City,
PRC

Dear Sirs,

In accordance with your instructions to value the selected property interest held by Tianjin Tianbao Energy Co., Ltd. (the “Company”) and its subsidiary (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 28 February 2018 (the “valuation date”).

The selected property interest forms part of non-property activities that has a carrying amount of 15% or more of the Group’s total assets and therefore the valuation report of this property interest is required to be included in this Prospectus.

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

Due to the nature of the buildings and structures of property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificate and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC Legal Advisers – Tian Yuan Law Firm and Commerce & Finance Law Offices, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in March 2017 by Mr. Michael Yu and Mr. Legend Zhan. Mr. Michael Yu is a member of RICS and China Certified Real Estate Appraiser who has more than 9 years' experience in the valuation of properties in the PRC, and Mr. Legend Zhan has more than 4 years' experience in the valuation of properties in the PRC and possesses academic background in subjects relating to real estate valuation.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T.W. Yiu

MRICS MHKIS RPS (GP)

Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 <i>RMB</i>												
A parcel of land, 14 industrial buildings and various structures located at No.40 Haibin No.9 Road Binhai New District Tianjin City The PRC	<p>The property comprises a parcel of land with a site area of approximately 32,119.70 sq.m., 14 buildings and various structures erected thereon which were completed in 2012.</p> <p>The buildings have a total gross floor area of approximately 20,632.40 sq.m. and the details of uses and their respective gross floor area are set out as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">No. of Item</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">12</td> <td style="text-align: right;">20,578.55</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;">2</td> <td style="text-align: right;">53.85</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">14</td> <td style="text-align: right;">20,632.40</td> </tr> </tbody> </table>	Use	No. of Item	Gross Floor Area (sq.m.)	Production	12	20,578.55	Ancillary	2	53.85	Total	14	20,632.40	As at the valuation date, the property was occupied by the company for production and ancillary purposes.	125,000,000
Use	No. of Item	Gross Floor Area (sq.m.)													
Production	12	20,578.55													
Ancillary	2	53.85													
Total	14	20,632.40													
	<p>The structures mainly include plant area roads, boundary walls and landscaped facilities.</p> <p>The land use rights of the property have been granted for a term expiring on 28 April 2065 for public facilities use or non-residential use.</p>														

Notes:

- Pursuant to a Real Estate Title Certificate – Jin (2015) Bao Shui Qu Bu Dong Chan Quan Di No. 1048926, 14 buildings of the property with a total gross floor area of approximately 20,632.40 sq.m. are owned by Tianjin Tianbao Electricity Company Limited (天津天保電力有限公司) (“Tianjin Tianbao Electricity”). The relevant land use rights of the property with a site area of approximately 32,119.70 sq.m. have been granted to Tianjin Tianbao Electricity for a term expiring on 28 April 2065 for public facilities use or non-residential use.
- Pursuant to a Notice of Change of Registration Permit issued by Market and Quality Supervision Administration Bureau of Tianjin Free Trade Experimental Zone dated 28 February 2017, Tianjin Tianbao Electricity has been approved to change the registration name into Tianjin Tianbao Energy Co., Ltd. (天津天保能源股份有限公司).

3. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- | | | |
|--|---|---|
| (a) General description of location of the property | : | The property is located at the southern side of Haibin No.9 Road and the northern side of Dongfang Avenue in Tianjin Binhai New District. The subject area of the property is well-served by public transportation. It is within 15 minutes' driving distance to Yujiapu High-speed Rail Station. The locality of the property is an industrial area with some large-scale factory complexes. |
| (b) Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) Environmental Issue | : | According to the PRC legal opinion, there is no record of administrative punishment by the Tianjin Port Free Trade Zone Environmental Protection Bureau on the production operation of Tianbao Energy due to non-compliance with relevant environmental protection laws and regulations. No environmental pollution incidents occurred yet. |
| (d) Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (e) Future plans for construction, renovation, improvement or development of the property | : | As advised by the Group, there is no plan for new major development in the next 12 months from the date of this document. |
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
- a. The Company is legally and validly in possession of the land use rights of the property and the ownership rights of the buildings mentioned in note 1, and is entitled to occupy, use, lease or otherwise dispose of the land parcel and buildings during the terms of the land use rights; and
 - b. The land use rights and building ownership rights of the property are not subject to any restrictions arising from mortgages or other rights.

1. TAXATION IN THE PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (“**EIT Law**”) promulgated on March 16, 2007 and implemented from January 1, 2008, amended on February 24, 2017, enterprises that legally established in the PRC are resident enterprises, which are subject to an enterprise income tax at a statutory enterprise income tax rate of 25% for its income arising within the PRC or overseas.

VAT

The Temporary Regulations on Value-added Tax of PRC, which were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, amended on November 10, 2008, and February 6, 2016 and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax, which were promulgated by the MOF and became effective on December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service. The applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Pursuant to Notice on Implementing the Pilot Reform for Transition from Business Tax to Value-added Tax Nationwide issued by the MOF and SAT promulgated on March 23, 2016 and effective from May 1, 2016, from May 1, 2016 onwards, the pilot reform for the transition from business tax to VAT (“**Business Tax to VAT**”) is implemented nationwide, and the energy industry is included in such pilot and is required to pay VAT instead of Business Tax. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax, unless otherwise provided in the implementation measures, the tax rate is generally 6% for tax payers who conducted taxable behaviors.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《關於簡並增值稅稅率有關政策的通知》), which was issued by the SAT and MOF on April 28, 2017, became effective on July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% VAT rate is to be canceled. Taxpayers that sell or import the following goods will be subject to VAT at the 11% rate: Agricultural products (including grains), tap water, heating, liquefied petroleum gas, natural gas, edible vegetable oil, air conditioning, hot water, coal gas, coal products for household use, food-grade salt, farm machinery, fodder, pesticides, agricultural film, fertilizer, methane gas, dimethyl ether, books, newspapers, magazines, audio-visual products and electronic.

Tax related to Dividends*Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (“**IIT Law**”) which was implemented on September 10, 1980, first revised on October 31, 1993, second revised on August 30, 1999, third revised on October 27, 2005, fourth revised on June 29, 2007, fifth revised on December 29, 2007 and sixth revised on June 30, 2011, as well as the Regulations for Implementation of The Individual Income Tax Law of the PRC (“**Regulations for Implementation of The Individual Income Tax Law**”) which was promulgated on January 28, 1994, first revised on December 19, 2005, second revised on February 18, 2008, third revised on July 19, 2011 and implemented on September 1, 2011, the individuals, who have no domiciles and do not reside in the PRC or have no domiciles but have resided in the PRC less than one year, receiving interests, dividends and bonus from a company, enterprise or other economic organizations or individuals in the PRC are subject to the IIT.

Pursuant to the Notice of the State Administration of Taxation (“**SAT**”) on Proceeds from Stock (Equity) Transfer and Dividends Acquired by Foreign-Invested Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045, hereinafter referred to as “**Notice 45**”), which was promulgated on July 21, 1993, a foreign enterprise or a foreign individual holding B shares or overseas shares, which/who receive dividends (bonus shares) from an enterprise issuing B shares or overseas shares but is in the PRC, are provisionally exempted from the EIT or IIT. However, Notice 45 was abolished on January 4, 2011 by SAT. Pursuant to Notice of SAT on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), which was promulgated on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau).

When domestic non foreign-invested enterprises, which issue stocks in Hong Kong, pay dividends and bonus, in general, it will withhold 10% of the dividends and profits as individual income tax and no applications are needed. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

Enterprise Investors

Pursuant to EIT Law and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC, a non-resident enterprise that has not established an organisation or premises in the PRC or it has established an organisation or premises but the income received has no actual connection with the organisation or premises, it shall pay a business income tax at a rate of 10% for the income arising within the PRC. According to the Notice of SAT on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which Hold H Shares (Guo Shui Han [2008] No. 897) promulgated on November 6, 2008 by SAT, where Chinese resident enterprises pay dividends of 2008 and thereafter to overseas non-resident enterprise which hold H shares, the enterprise income tax shall be withheld and remitted at the uniform rate of 10%. Reply of SAT of Imposition of Enterprise Income Tax on B-share Dividends of Non-resident Enterprises (Guo Shui Han [2009] No. 394) promulgated on July 24, 2009 by SAT further stated that, any Chinese resident enterprise that publicly offers or lists its shares (A-share, B-share and overseas Share) within or outside the territory of China shall uniformly withhold and remit 10% of the dividends distributed to non-resident enterprise shareholders as enterprise income tax for any such distributions made in and after 2008. Where any non-resident enterprise shareholder is entitled to the tax agreement treatment, the relevant provisions of the tax agreement shall prevail. According to the Arrangement between the Mainland of China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed on August 21, 2006 and by the PRC government and Hong Kong, the PRC government may impose dividend tax to dividends that a PRC company pay to Hong Kong residents. Where the beneficial owner is a company directly owning at least 25% of the capital of the company which pays the dividends, 5% of the gross amount of the dividends. In any other case, 10% of the gross amount of the dividends. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation effective on December 29, 2015 states that such provisions shall not apply to arrangements made for the primary purpose of gaining such tax benefit.

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC or reside in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer*Individual Investors*

According to the IIT Law and Regulations for Implementation of the Individual Income Tax Law, with respect to income from transfer of property, incidental income or income from other sources, individual income tax rates shall be 20 percent. Regulations for Implementation of the Individual Income Tax Law also stipulate that measures for the levy of individual income tax on income from the transfer of shares shall be separately formulated by the department of finance under the State Council and submitted to the State Council for approval before implementation. However, such measure is yet to be publicly implemented to date. Pursuant to Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders (Cai Shui Zi [1998] No. 61) promulgated on March 30, 1998 and implemented by MOF and SAT, from January 1, 1997 onwards, the income from transfer of shares of listed companies by individuals continues to provisionally exempt from individual income tax. While Notice of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) was promulgated on December 31, 2009 by MOF, SAT and China Securities Regulatory Commission, which expressly stipulates that from January 1, 2010 onwards, the income from the transfer of limited shares of listed companies by individuals is subject to individual income tax at a tax rate of 20%. However, at present, there are no laws specifying the tax rate for income from the sales of the shares of listed companies on a stock exchange overseas by a non-PRC resident individual. In practice, tax administrative authorities have not levied individual income tax on income from the transfer of shares.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an organisation or premises in the PRC or it has established an organisation or premises but the income received has no actual connection with the organisation or premises, it shall pay a withholding business income tax at a rate of 10% for the income arising within the PRC. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty effective on October 1, 1988 and amended on January 8, 2011, the entities and individuals executing and receiving the certificate specified under this regulation are subject to the stamp duty. The certificate subject to such duty includes: (1) sales, processing and contracting, contracting of construction projects, lease of properties, transportation of goods, storage and warehousing, money-lending, insurance of properties, technical contract or evidence of a contractual nature; (2) instruments of properties transfer; (3) sales ledger; (4) rights and licensing; (5) other certificates confirmed to be taxable by MOF. Taxpayers shall pay the tax amount calculated according to the nature of the taxable certificate based on the proportional tax rate or on a fixed number basis.

Estate duty

Under its current legal environment, the PRC currently does not impose any estate duty.

2. TAXATION IN HONG KONG**Taxation on Dividends**

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at a maximum rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as generating trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arisen in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% of stamp duty is payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

3. THE MANAGEMENT OF FOREIGN EXCHANGE IN THE PRC

The Management of Foreign Exchange system in the PRC is stringent and has undergone several profound changes. Regulations of the PRC on Foreign Exchange Control (“**Regulations on the Foreign Exchange**”) was promulgated by the State Council on January 29, 1996 and implemented on April 1, in the same year, and its first amendment was made on January 14, 1997 while the second amendment on August 5, 2008, being the existing major regulations on the foreign exchange and applicable to the income and expenditures of the foreign exchange or operating activities for the organisations and individuals residing in the PRC as well as the income of the foreign exchange or foreign exchange operating activities for the organisations and individuals residing abroad. The Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange was promulgated by the People’s Bank of China on June 20, 1996 and implemented on July 1, 1996 stipulates the matters such as settlement and purchase of and payment in foreign exchange as well as the opening of foreign exchange accounts and the overseas payment for the local institutions, resident individuals, organisations established in the PRC and the personnel coming to the PRC.

According to the current Regulations on the Foreign Exchange, China allows foreign exchange to be retained by the local organisations and individuals without compulsory sale and settlement, the income from whom can be transferred to the PRC or overseas according to the regulations. The PRC has realized the exchange for recurring items in RMB. For the recurring income from the foreign exchanges items of the local enterprises, they can decide to retain or sell to financial institutions operating foreign exchange settlement and sale business depending on their own requirements. For the recurring expenditure incurred for the foreign exchange items of the local enterprises, enterprises pay by its own foreign exchange with valid certificates or by purchasing foreign exchanges from the financial institution operating settlement and sale of foreign exchange depending on their own requirement. The convertibility of RMB (into foreign currency) for capital account items is not available yet in the PRC and capital account items is still under restriction. Offshore institutions and individuals who directly invest in and issue negotiable securities or derivatives products in the PRC, as well as the onshore institutions and individuals who directly invest in or issue the negotiable securities or derivatives products beyond the PRC, shall go through the registration of foreign exchange review and approval. The onshore enterprises borrowing foreign debts or guarantee externally shall go through the registration of foreign debts and external guarantee. Foreign income from Capital items’ retaining or sale to the financial institution operating foreign exchange settlement and sale business shall be approved by the foreign exchange regulatory authorities (except for that no need require for approval regulated by the State). The capital from the capital item foreign exchange and settlement shall be used in regard with the purpose approved by the related competent authorities and foreign control authorities.

According to the Decision of the State Council on Matters relating to Cancelling and Adjusting a Batch of Administrative Examination and Approval Items issued by State Council on October 23, 2014, the SAFE and its branch’s examination and approval of repatriation and settlement of overseas proceeds through overseas listing is cancelled.

In addition, According to the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing issued by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the Prospectus and other disclosure documents. Approval by the SAFE is needed to convert the funds in the domestic designated account to Renminbi. According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This appendix sets out summaries of certain aspects of the PRC judicial system and its arbitration system related to the operation and business of the Company as well as the legal regulations and securities regulations of the Company.

LAWS AND REGULATIONS OF THE PRC

(1) The PRC Legal System

According to the Constitution Law of the PRC, the Organic Law of the People's Courts of the PRC and the Organic Law of the People's Procuratorates of the PRC, the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the power to exercise legal supervision over the litigation activities of people's courts at the same level or below.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against the judgment and ruling by the people's court of the first instance to the people's court at the next higher level in accordance with the procedures provided by laws. The judgment and ruling by the intermediate people's courts, the higher people's courts and the Supreme People's Court of the second instance is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment and ruling by the people's court at a lower level, it has the authority to review the case itself or direct the lower-level people court to conduct a retrial. The Civil Procedure Law of the PRC (hereinafter referred to as the "**Civil Procedure Law**") was adopted on April 9, 1991, and was amended on October 28, 2007, August 31, 2012 and June 27, 2017, respectively.

The Civil Procedure Law sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of the civil judgment and ruling. All parties to a civil action conducted within the PRC must comply with the provisions of the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. An action involving a contractual dispute shall come under the jurisdiction of the people's court in the defendant's place of domicile or where the contract is performed. The parties to a contract may agree in the written contract to choose the people's court of the place where the defendant is domiciled, where the contract is performed, where the contract is signed, where the plaintiff is domiciled or where the subject matter of the contract is located to be the competent court, provided that the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment or ruling. For an effective award made by an arbitration tribunal and a people's court has not issued a ruling prohibiting the enforcement of such an award, if a party fails to comply with the award, the other party may apply to the people court for the compulsory enforcement of the award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. An application for enforcement shall be submitted within two years prior to the expiration of the fulfilment period required by the relevant legal instruments.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by a people's court in the PRC according to the PRC enforcement procedures if the PRC has entered into, or acceded to an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition and enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, or causing damage to its sovereignty, security and the public interests.

(2) The Company Law of the PRC (“Company Law”), the Special Provisions of the State Council Concerning the Issuing and Listing of Shares Overseas by Joint Stock Limited Company (“the Special Provisions”) and the Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing (“the Mandatory Provisions”)

On December 29, 1993, the Company Law was adopted by the standing committee and came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively. The amended Company Law came into effect on March 1, 2014.

The Special Provisions were adopted by the State Council on July 4, 1994 and took effect on August 4, 1994. The Special Provisions applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions were promulgated by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the Articles of Association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (as summarized in Appendix V). Set out below is a brief summary of the Company Law and the major provisions of the Special Regulations and the Mandatory Provisions.

General Provisions

A “joint stock limited company” (hereinafter referred to as “**a company**”) is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the assets invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or public offering. A company may be incorporated by two to 200 promoters, and at least half of the promoters have their domicile in the PRC.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for a portion of the shares to be issued, generally not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

For companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. The shares shall not be offered to other person until the shares subscribed by the promoters were paid up; for companies incorporated by way of public subscription, the registered capital is in the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. Pursuant to the Securities Law of the PRC (“**the Securities Law**”) adopted on December 29, 1998 by the standing committee and amended four times on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014 respectively, the total share capital of a company which applies for its shares to be listed shall not be less than RMB30 million.

After the issued shares have been fully paid up, a capital verification institution established by laws must be engaged to conduct capital verification and issue a report thereon. The promoters shall convene an inaugural meeting within 30 days from the date the shares were paid up and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the shares of the company. Functions and powers exercisable by the inaugural meeting include approving the Articles of Association of the company, electing members of the board of directors and the board of supervisors of the company (the “**Board of Supervisors**”)

(directors or supervisors who are representatives of the employees shall be elected democratically by representatives of the employees). The passing of any foregoing resolution of the inaugural meeting requires more than half of the votes cast by subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the Board of Directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established once the registration has been approved by the registration authority and an Enterprise Legal Person Business License has been issued.

During the course of incorporation of the company, the promoters of a company shall be liable for: (a) the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; (b) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (c) the compensation for damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company may make capital contribution in currency or in non-currency property that may be valued in currency and transferable such as physical objects, intellectual property and land use rights, non-currency property contributed as capital shall be valued and verified.

A company may issue registered or bearer shares. However, shares issued to a promoter or a legal person shall be registered shares and shall bear the name of such promoter or legal person. No separate account with a different name may be opened for such shares, nor may such shares be registered in the name of a representative.

Pursuant to the requirements of the Special Regulations and the Mandatory Provisions, shares issued to foreign investors (including investors from foreign countries, Hong Kong, Macau and Taiwan) and listed overseas are defined as overseas listed foreign invested shares, shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency, and those issued to investors within the PRC other than the aforementioned areas by a company are defined as domestic shares, shall be issued in registered form and subscribed for in RMB.

A company may offer its shares to foreign investors with approval by the securities administration department of the State Council. According to the Special Regulations, upon approval of the China Securities Regulatory Commission, a company may agree, in the underwriting agreement on issuing overseas listed foreign invested shares, to retain not more than 15% of the aggregate amount of overseas listed foreign invested shares proposed to be issued.

The share offering price may be equal to or in excess of par value, but shall not be less than par value.

Transfer of Shares

The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council of China. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by Chinese laws or by administrative regulations; the name and address of the transferee should be registered in the shareholders' registers upon transfer. No changes required in the aforesaid clause may be made to the shareholders' registers within twenty days prior to a shareholders' general meeting or five days prior to the benchmark date set by the company for the purpose of distribution of dividends. But if it is otherwise prescribed in relevant provisions of the laws with respect to the registration of change to the register of shareholders of listed companies, then such relevant provisions shall apply. The transfer of bearer shares is effective when the shareholder has delivered the stock to the transferee.

Shares held by the promoter(s) of a company shall not be transferred within one year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one year from the listing date, and shall not transfer the shares they hold in the company within six months after they leave office.

Increase in Share Capital

The proposed issue of new shares by the company must be approved by shareholders in general shareholders' meeting. The Securities Law requires the other conditions for a company to offer new shares to the public: (a) a complete and well-operated organisation; (b) capability of making profits continuously and a healthy financial status; (c) no false records or significant irregularities in its financial statements over the last three years; (d) fulfil any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer of new shares of a company requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, the company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- (a) The company shall prepare a balance sheet and an inventory of property;

- (b) The reduction of registered capital must be approved in the general shareholders' meeting;
- (c) The company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within thirty days once the resolution approving the reduction in capital being passed;
- (d) Creditors of the company may require the company to clear its debts or provide relevant guarantees; and
- (e) The company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in the PRC in accordance with the Articles of Association of the company, a company may repurchase its issued shares by way of: (a) a general offer to all of its shareholders to repurchase the same proportion; (b) on a stock exchange by way of open trading; (c) through agreement outside the stock exchange.

A company may not accept its own shares as the subject matter of a pledge.

Shareholders

The Articles of Association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the Company Law and the Mandatory Provisions, a shareholder's rights include:

- (a) the right to receive dividends and other profit distributions based on the number of shares held;
- (b) the right to attend in person or appoint a representative to attend the general shareholders' meeting and to vote in respect of the amount of shares held;
- (c) the right to inspect the Article of Association, register of shareholders, bond records of the company, minutes of the general meetings, resolutions of the Board of the Directors, resolutions of the supervisor's meetings and financial and accounting reports and propose and doubt in relation to the company's operations;
- (d) the right to transfer his/her shares in accordance with applicable laws and regulations as well as the Articles of Association of the company;
- (e) the right to obtain surplus assets of the company upon its termination or liquidation based on the number of shares held;

- (f) the right to claim against other shareholders who abuse their rights of shareholders for the damages;
- (g) If the procedure for convening the general shareholders' meeting or the meeting of the Board of Directors, or the method of voting violates laws, administrative regulations or the Articles of Association of the company, or if the contents of a resolution violate the Articles of Association of the company, a shareholder may present a petition to a court for cancellation of resolution;
- (h) other rights specified in laws and regulations and the Articles of Association of the company.

The obligations of shareholders include: abide by the Articles of Association of the company; pay the subscription monies in respect of shares subscribed for; be liable for the debt and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status and limited obligations of the company as a legal person to damage the interests of the creditors of the company; and any other obligations specified in the Articles of Association of the company.

General Shareholders' Meeting

The general shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers in accordance with the requirements of the Company Law:

- (a) to decide on the company's business plans and investment plans;
- (b) to elect and replace the Directors and Supervisors who are not representatives of the employees and to decide on matters relevant to remuneration of Directors and Supervisors;
- (c) to review and approve reports of the Board of Directors;
- (d) to review and approve reports of the Board of Supervisors or the Supervisors;
- (e) to review and approve the company's proposed annual financial budgets and final accounts;
- (f) to review and approve proposals for profit distribution and for recovery of losses of the company;
- (g) to decide on the increase or reduction of the company's registered capital;
- (h) to decide on the issue of corporate bonds;

- (i) to decide on merger, division, dissolution, liquidation or change the form of the company;
- (j) to amend the Articles of Association of the company;
- (k) other functions and powers specified in the Articles of Association of the company.

The shareholders' general meeting must be convened once a year. An extraordinary shareholders' meeting shall be held within two months after the occurrence of any of the following circumstances:

- (a) the number of Directors is less than the number provided for in the Company Law or less than two thirds of the number specified in the Articles of Association of the company;
- (b) the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- (c) as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- (d) when deemed necessary by the Board of Directors;
- (e) as suggested by the Board of Supervisors;
- (f) other circumstances required by the Articles of Association.

The general shareholders' meeting shall be convened by the Board of Directors and shall be presided over by the chairman of the Board of Directors. Where chairman of the Board of Directors is unable or fails to perform the duty, the meeting shall be presided over by vice chairman of the Board of Directors. Where vice chairman of the Board of Directors is unable or fails to perform his duties, the meeting shall be presided over by a Director jointly elected by a simple majority of the Directors.

The written notice to convene the general shareholders' meeting shall be dispatched to all the registered shareholders 45 days before the meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the meeting and the date and place of the meeting.

Shareholders intending to attend the meeting are required to send written confirmations of their attendance to the company 20 days before the meeting. There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general shareholders' meeting may be convened when replies to the notice of

that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the meeting may be held thereafter.

The Mandatory Provisions require classified shareholders' meetings to be held in the event of a variation or derogation of the classified rights of a class. Holders of domestic invested shares and holders of overseas-listed-foreign-invested shares are deemed to be different classes of shareholders for this purpose.

Pursuant to the requirements of the Company Law, a shareholder holding, or shareholders holding in aggregate, more than 3% of the shares of the company may propose interim resolution and present it to the Board of Directors in writing. According to the Special Regulations, at the annual general shareholders' meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions, which if within the functions and powers of the general shareholders' meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the general shareholders' meeting possess one vote for each share they hold. However, the company shall have no vote for any shares of the company. A shareholder may entrust a proxy to attend a general shareholders' meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. Resolutions proposed at the general shareholders' meeting shall be approved by more than half of the voting rights cast by shareholders present (including attend in person or represented by proxies) at the general meeting, except that such resolutions as amendment to the Articles of Association, the increase or reduction of registered capital or merger, division, dissolve or the change in the form of the company, shall be approved by shareholders with more than two thirds of the voting rights cast by shareholders present at the general meeting.

Directors

A company shall have a Board of Directors, which shall consist of five to nineteen members. The Board of Directors may have employee representatives democratically elected by employees through workers Conference or other forms. The term of office of the Directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. The Directors may hold consecutive terms upon re-election.

Under the Company Law, the Board of Directors exercises the following functions and powers:

- (a) to convene the general shareholders' meeting and report on its work to the general shareholders' meeting;

- (b) to implement the resolution of the general shareholders' meeting;
- (c) to decide on the company's business plans and investment plans;
- (d) to formulate the company's proposed annual financial budgets and final accounts;
- (e) to formulate the company's proposals for profit distribution and for recovery of losses;
- (f) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- (g) to prepare plans for the merger, division, dissolution or changes in the forms of the company;
- (h) to decide on the company's internal management structure;
- (i) to appoint or dismiss the company's general manager and to decide on the remuneration, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- (j) to formulate the company's basic management system;
- (k) other functions and powers as specified in the Articles of Association.

In addition, the Mandatory Provisions provide that the Board of Directors is also responsible for formulating the proposals for amendment of the Articles of Association of a company.

Meetings of the Board of Directors shall be convened at least twice a year. A notice of meeting shall be given to all Directors and Supervisors ten days before the meeting. The Board of Directors may otherwise provide for the notice time and notice period for convening extraordinary meetings.

Meetings of the Board of Directors could be held only if more than half of the Directors are present. If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney specifying the scope of the authorisation for another Director to attend the meeting on his behalf. Resolutions of the Board of Directors require the approval of more than half of all Directors.

The Directors are responsible for the resolutions of the Board. If a resolution of the Board of Directors violates the laws, administrative regulations or the company's Articles of Association or resolutions of general shareholders' meeting as a result of which the company suffer serious losses, the Directors participating in the resolution are liable to compensate the company. However, if it can be proven that a Director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such Director may be relieved of that liability.

The Board of Directors shall appoint a chairman and may appoint a vice chairman, who is elected with approval of more than half of all the Directors. The chairman of the Board of Directors shall convene and preside over the meetings of the Board of Directors and inspect the implementation of resolutions of the Board of Directors.

The office of legal representative of a company may be served by the chairman of the Board, the executive Director or the manager as stipulated in company's Articles of Association.

Supervisors

A company shall have a Board of Supervisors of no fewer than three members. The Board of Supervisors shall include representatives of the shareholders and an appropriate ratio of the representatives of the company's staff and workers, where the ratio of the staff and workers' representatives shall not be less than one-third. Directors and senior management personnel may not concurrently serve as supervisors. The term of office of a supervisor shall be three years. If re-elected upon expiration of his term of office, a supervisor may serve consecutive terms.

According to the Company Law, the Board of Supervisors shall exercise the following functions and powers:

- (a) check the company's financial affairs;
- (b) supervise the Directors and senior management in the performance of their duties, and put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the Articles of Association or resolution of the shareholders' meeting;
- (c) require the Director or senior management to make corrections if his act is detrimental to the interests of the company;
- (d) propose the convening of extraordinary shareholders' meetings, and convene and preside over the general shareholders' meetings when the Board of Directors fails to perform the duties of convening and presiding over the general shareholders' meetings;

- (e) put forward proposals at general shareholders' meetings;
- (f) institute proceeding against the Directors and senior management upon shareholders' request if a Director or senior management violates the provisions of laws, administrative regulations or the Articles of Association in the performance of company duties, thereby causing losses to the company;
- (g) other functions and powers specified in the Articles of Association of the company.

Managers and Other Senior Management

A company shall have a manager who shall be appointed or removed by the Board of Directors. The Board of Directors may decide that a member of the Board of Directors shall serve concurrently as the manager.

According to the Company Law, the manager is accountable to the Board of Directors and shall exercise the following functions and powers:

- (a) manage the production, operation and management of the company and arrange for the implementation of resolutions of the Board of Directors;
- (b) arrange for the implementation of the company's annual business plans and investment plans;
- (c) draft the plan for the establishment of the company's internal management organisation;
- (d) draft the basic management system of the company;
- (e) formulate the specific rules and regulations of the company;
- (f) recommend the appointment or dismissal of the deputy manager(s) and person(s) in charge of financial affairs of the company;
- (g) decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (h) other functions and powers delegated by the Board of Directors.

It is also specified by the Company Law that where the Articles of Association have other provisions on the functions and powers of the manager, such provisions shall prevail.

Pursuant to the Company Law, besides managers, the other senior management include deputy managers and persons in charge of financial affairs, the secretary to the Board of Directors and other personnel specified in the Articles of Association.

Qualifications and Duties of Directors, Supervisors and Senior Management

According to the Company Law, a person may not serve as a Director, Supervisor or senior management if he is:

- (a) a person with no or limited capacity for civil acts;
- (b) a person that was sentenced to criminal punishment for the crime of corruption, bribery, encroachment of property, misappropriation of property or disruption of the order of the socialist market economy, and not more than five years has elapsed since the expiration of the enforcement period; or a person that was deprived of his political rights for committing a crime, and not more than five years has elapsed since the expiration of the enforcement period;
- (c) a Director or factory director, manager of a company or enterprise liquidated upon bankruptcy that was personally responsible for the bankruptcy of the company or enterprise, and not more than three years has elapsed since the date of completion of the bankruptcy liquidation;
- (d) legal representative of a company or enterprise that had its business license revoked and had been closed down by order for violation of law, for which such representative bears individual liability, and not more than three years has elapsed since the date on which the business license of the company or enterprise was revoked;
- (e) a person with a comparatively large amount of personal debts due and unsettled.

A Director, Supervisor and senior management shall comply with the provisions of relevant laws and regulations, administrative regulations and the Articles of Association, perform their duties honestly and protect the interests of the company. The Company Law and the Mandatory Provisions provide that a director, supervisor and senior management bear duties to act honestly and diligently for the company. The fiduciary duties of the Directors, Supervisors, managers and other senior management may not cease with the termination of their office. Their confidentiality obligation in relation to the company's business secrets shall remain effective upon termination of their office.

A Director, Supervisor and senior management who violate the provisions of laws, administrative regulations or the Articles of Association in the performance of his duties shall be liable to indemnify the company for the losses caused to the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each financial year, a company shall prepare a financial and accounting report which shall be audited by an accounting firm as provided by law.

A company shall make available its financial and accounting report at the company for the inspection by the shareholders within 20 days before the convening of the annual general shareholders' meeting. Companies that issue shares to the public must publish its financial and accounting report.

When a company distributes its after-tax profits for a given year, it shall allocate 10% of profits to its statutory common reserve. A company shall no longer be required to make allocations to its statutory common reserve once the aggregate amount of such reserve exceeds 50% of its registered capital. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profits for the current year prior to making allocations to the statutory common reserve. A company may, if so resolved by the general shareholders' meeting, make allocations to the discretionary common reserve from its after-tax profits after making allocations to the statutory common reserve from the after-tax profits.

A company's after-tax profits remaining after it has made up its losses and made allocations to its common reserve shall be distributed in proportion to the shareholdings of its shareholders, unless the Articles of Association stipulate that the profits shall not be distributed in proportion to the shareholdings.

A company shall enter under its capital common reserve the premium over the nominal value of the shares of the company on issue, and such other income as the finance department of the State Council requires to be entered under the capital common reserve.

A company's common reserves shall be used for making up losses, expanding the production and business operation or increasing its capital by means of conversion, but the capital common reserve shall not be used for making up the company's losses. Where the funds from the statutory common reserve are converted to registered capital, the remaining funds in such reserve shall not be less than 25% of the company's registered capital after such conversion.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent accounting firm to audit the company's annual report and review and check other financial reports. The accounting firm is to be employed for a term commencing from the close of an annual general shareholders' meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the accounting firm, it is required to give prior notice to the accounting firm and the accounting firm is entitled to make representations before the shareholders in general shareholders' meeting. The appointment, removal or non re-appointment of the accounting firm shall be decided by the shareholders in general shareholders' meeting and shall be filed with the China Securities Regulatory Commission for record.

Distribution of Profits

According to the Company Law, a company shall not allocate its profits before the loss is compensated and the provision on the statutory pension is made. The Special Regulations and the Mandatory Provisions provide that the dividends or other amounts to be paid to holders of overseas listed foreign invested shares by a company shall be calculated and declared in RMB and paid in foreign currency. The payment of foreign currency to shareholders shall be made through a receiving agent.

Dissolution and Liquidation

Under the Company Law, a company shall be dissolved in any of the following events:

- (a) when the term of operation set down in a company's Articles of Association has expired or events of dissolution specified in the company's Articles of Association have occurred;
- (b) the shareholders in a general shareholders' meeting have resolved to dissolve a company;
- (c) a company is dissolved by reason of its merger or demerger;
- (d) a company is subject to the revocation of business license, a closure order or dismissal in accordance with laws;
- (e) in the event that a company encounters substantial difficulties in its operation and management and its continual existence shall cause a significant loss to the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the voting rights of all shareholders of a company present a petition to the court for dissolution of the company.

Where a company is to be dissolved in the circumstances described in (a), (b), (d) and (e) above, a liquidation committee must be formed within 15 days from the date of dissolution. Such liquidation committee shall be composed of Directors or persons decided upon by the general shareholders' meeting. If no liquidation committee is established within the time limit, the company's creditors may request the court to designate relevant persons to form a liquidation committee.

The liquidation committee shall notify creditors within 10 days after the date of its establishment and issue a public notice in the newspapers within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days after the date of receipt of notification, or within 45 days after the date of public notice for those who did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- (a) thoroughly examine the company's properties and prepare a balance sheet and an inventory of properties, respectively;
- (b) notify creditors by notice or public notices;
- (c) dispose of and liquidate relevant outstanding business of the company;
- (d) pay outstanding taxes and taxes arising in the course of liquidation;
- (e) clear the claims and debts;
- (f) dispose of the surplus properties of the company after its debts have been paid off;
and
- (g) participate in civil lawsuits on behalf of the company.

If the liquidation committee, having thoroughly examined the company's properties and prepared a balance sheet and an inventory of properties, becomes aware that the company's properties is insufficient to pay its debts, it shall apply to the court for a declaration of bankruptcy of the company. After selling the company's property, preparing the balance sheets and inventory of property, the liquidation committee shall formulate a liquidation plan and submit the same to the general shareholders' meeting or the court for confirmation. After being applied towards the payment of the liquidation expenses, and the wages, social insurance premiums and statutory compensation of staff and workers, outstanding taxes and the settlement of the debts of the company, the properties of a company shall be distributed in proportion to the shareholding of its shareholders.

Upon completion of liquidation, the liquidation committee shall compile a liquidation report and submit the same to the general shareholders' meeting or the court for confirmation, and to relevant administration bureau for industry and commerce for applying for cancellation of the company's registration. A public notice of its termination shall be issued.

Overseas Listing

A company may issue shares to overseas investors after obtaining approval from the securities regulatory authority of the State Council and its shares may be listed overseas.

Loss of H Share Certificates

The Special Regulations and the Mandatory Provisions provide that in the case of loss of share certificates by the shareholders of overseas listed foreign invested shares, an application for the issue of replacement certificates may be handled in accordance with the law or rules of the securities exchanges or other relevant regulations of the place where the original copy of the register of shareholders of overseas listed foreign invested shares is kept.

Suspension and Termination of Listing

The Securities Law provides that where a company is in one of the following circumstances, the stock exchange shall decide to suspend the listing and trading of its shares:

- (a) there is a change in the total share capital, equity distribution or etc. of the company and the listing conditions are no longer fulfilled;
- (b) the company fails to disclose its financial status as required, or there are falsehoods in the financial and accounting reports that may mislead investors;
- (c) the company has committed a major breach of the law;
- (d) the company has suffered continuous losses for the most recent three years; or
- (e) other circumstances stipulated by the listing rules of the relevant stock exchange. In the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange as described in (a) above, or the company has refused to rectify the situation in the case described in (b) above, or the company fails to become profitable in the next subsequent year in the case described in (d) above, or the company is dissolved or declared bankrupt, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company that is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(3) The Securities Law and Other Relevant Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of Securities. In October 1992, the State Council established the Securities Committee and the China Securities Regulatory Commission (“CSRC”). The Securities Committee was the competent authority in charge of unified macro administration of national securities market; its major responsibilities include coordinating the drafting of draft securities laws and regulations,

researching into and formulating guidelines, policies and rules on securities market, formulating the development plans of securities market and offering plans and advice, directing, coordinating, supervising and inspecting all securities-related work and administering the CSRC. The CSRC was the regulatory and implementing body of the Securities Committee and responsible for the drafting of administration rules of the securities market, supervising securities companies, regulating the offering and trading of marketable securities, regulating public offering of shares by PRC companies in the PRC and overseas. In 1998, as the securities commission was dismissed, its duties are taken by the CSRC.

The Securities Law comprehensively regulates activities in the PRC securities market. This law involves, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to conduct the overseas offering of securities directly or indirectly and list its securities outside the PRC.

On December 20, 2012, the CSRC has promulgated the Regulatory Guidelines for the Application Documents and Examination Procedures for Overseas Share Issuance and Listing by Joint Stock Companies which sets out the provisions on the application documents, application and examination procedures for overseas share issuance and listing by companies.

(4) Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (hereinafter referred to as “**the Arbitration Law**”) was passed by the Standing Committee on August 31, 1994, became effective on September 1, 1995 and revised on September 1, 2017. It is applicable to contract disputes and other property interest disputes between equal citizens, legal person and other organisations where the parties have entered into a written agreement to refer the matter to arbitral award. Where the parties entered into an arbitration agreement, the court will refuse to handle the proceedings appealed by a party unless the arbitration agreement is null and void. Under the Civil Procedure Law and the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an arbitral award, the other party to the award may apply to the court for enforcement in accordance with relevant provisions of the Civil Procedure Law. A people's court may refuse to enforce an arbitral award if a party can testify that there is procedural or membership irregularity provided by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award against a party who, or whose property, is not within the PRC, may apply directly to a foreign court with jurisdiction. Similarly, an arbitral award made by a foreign arbitration body to be recognised and enforced by the PRC courts shall be applied by a party to the intermediate courts of the place where the enforcee is domiciled or the property is located, and the PRC courts shall deal with in accordance with any international treaty or the principles of reciprocity concluded or acceded to by the PRC.

On December 2, 1986, the PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as the “**New York Convention**”) which became effective in PRC since April 22, 1987. This Convention provides that all arbitral awards made in a member country of the Convention shall be recognised and enforced by other member countries of the Convention with exception of certain circumstances the member country can refuse to enforce. It was declared by the Standing Committee simultaneously with the accession of the PRC that (a) the PRC will only recognise and enforce foreign arbitral awards on the principle of equality; and (b) the PRC will only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations. On June 18, 1999, the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitration Awards between the Mainland and Hong Kong for mutual enforcement of arbitral awards was entered into between the Supreme People’s Court of PRC and Hong Kong and became effective on February 1, 2000. Under this arrangement, award made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong.

(5) Judicial Judgment and its Enforcement

Under the Arrangement of the Supreme People’s Court between the Courts of the Mainland and Hong Kong on Mutual Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdiction as Agreed to by the Parties Concerned issued by the Supreme People’s court on July 3, 2008 and became effective on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between mainland court and Hong Kong court in civil and commercial case with written jurisdiction agreement, the parties concerned shall apply to mainland people’s court or Hong Kong court for recognition and enforcement based on this arrangement. “Choice of Court Agreements in Written” in this arrangement refers to a written agreement defining the exclusive jurisdiction of either the mainland people’s court or Hong Kong SAR in order to revolve dispute with particular legal relation occurred or likely to occur by the parties concerned since effective date of this arrangement. Accordingly, the parties concerned may apply to the courts in mainland or Hong Kong to recognise and enforce the final judgment made by the courts in Hong Kong or the Mainland that meet certain conditions under this arrangement.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences Between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(1) *Corporate Existence*

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company has no minimum capital requirement except for the special provisions of any other laws, administrative regulations and decisions of the State Council.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

(2) *Share Capital*

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital other than registered capital. For joint stock limited companies incorporated by promotion, the registered capital is the total share capital subscribed by all promoters that registered at the registration authority. Where a joint stock limited company is incorporated by public subscription, the registered capital is the total paid-up capital that registered at the registration authority. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the Securities Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(3) Restrictions on Shareholding and Transfer of Shares

Under PRC law, the domestic shares (“**domestic shares**”) in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the domestic investors and qualified foreign institutional investors of the PRC. The overseas listed foreign shares (“**foreign shares**”) issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified domestic institutions.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company’s public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company’s issue of shares and the 12 month lock-up on our Controlling Shareholders’ disposal of shares as described in the section entitled “Underwriting” in this Prospectus.

(4) Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(5) Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting; (ii) with the consent in writing of the holders representing at least three-fourths of the total voting rights of holders of the issued shares in the class in question; (iii) by agreement of all the members of a Hong Kong company; or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of foreign shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and foreign shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as at the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by the CSRC, the shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(6) *Directors*

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

(7) *Board of Supervisors*

Under the PRC Company Law, the directors and senior management of a joint stock limited company is subject to the supervision and inspection of a Board of Supervisors but there is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(8) *Derivative Action by Minority Shareholders*

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of such company and thus infringes the shareholder's interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favour of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(9) *Protection of Minorities*

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management such that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding 10% or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual interests of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(10) Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting, or, not less than 15 days before a shareholders' interim general meeting. In the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual meeting is 14 days; and the notice period for an annual general meeting is 21 days.

(11) Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(12) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders with the right to vote present at a shareholders' general meeting.

(13) Financial Disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its financial reports and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public offering under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(14) Information on Directors and Shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(15) Receiving Agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(16) Corporate Reorganisation

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673, Division 2 of Part 13 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

(17) Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(18) Mandatory Deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(19) Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

(20) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(21) Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(22) Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

(1) Compliance Adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the Company's two authorised representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the Company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company.

It must act as the Company's principal channel of communication with the Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

(2) *Accountants' Report*

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises in the case of a PRC issuer that has adopted China Accounting Standards for Business Enterprises for the preparation of its annual financial statements.

(3) *Process Agent*

The Company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(4) *Public Shareholdings*

If at any time there are existing issued securities of a PRC issuer other than foreign shares (“**foreign shares**”) which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the Company has an expected market capitalization at the time of listing of not less than HK\$50,000,000.

The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK\$10,000,000,000.

(5) *Independent Non-executive Directors and Supervisors*

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(6) *Restrictions on purchase and subscription of its own shares*

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance

with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(7) *Mandatory Provisions*

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the Company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI.

(8) *Redeemable Shares*

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(9) *Pre-emptive Rights*

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's Articles of Association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the Company and its shareholders in such subsidiary. No such approval will be required, but only to the extent that, the existing shareholders of the Company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as at the date of the passing of the relevant special resolution or of such shares that are part of the Company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Council, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(10) Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The Remuneration Committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

(11) Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the Listing Rules, the Mandatory Provisions and the PRC Company Law.

(12) Documents for Inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by shareholders at reasonable charges the following:

- (a) a complete duplicate register of shareholders;
- (b) a report showing the state of the issued share capital of the Company;
- (c) the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- (d) special resolutions of the Company;
- (e) reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);

- (f) a copy of the latest annual return led with the State Administration for Industry and Commerce or other competent PRC authority; and
- (g) for shareholders only, copies of minutes of meetings of shareholders.

(13) Receiving Agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(14) Statements in H Share Certificates

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- (a) agrees with the Company and each shareholder of the Company, and the company agrees with each of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- (b) agrees with the Company, each shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- (c) agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- (d) authorises the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

(15) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(16) Contract between the Company and its Directors, Officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- (a) an undertaking by the Director or officer to the Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- (b) an undertaking by the Director or officer to the Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- (c) an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such disputes or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- (d) if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- (e) PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- (f) the award of the arbitral body is final and shall be binding on the parties thereto;
- (g) the Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms; and
- (h) disputes over who is a shareholder and over the share registrar do not have to be resolved through arbitration.

(17) Subsequent Listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(18) English Translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(19) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association, PRC Company Law and other applicable laws shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party), or any of its witnesses, or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on March 24, 2017, which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the appendix headed “Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” to this Prospectus, the full document of the Articles of Association in Chinese is available for examination.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the Shareholders’ general meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or our subsidiaries

In any case that the Board of Directors intends to dispose assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of our Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted at the Shareholders’ meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of Shareholders at the Shareholders’ general meeting.

The above disposal refers to the transfer of rights and interests in certain assets, but does not include the provision of guarantees with fixed assets.

The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

(3) Indemnification or compensation for loss of office

As provided in the written contract entered into between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the approval of the Shareholders at the general Shareholders’ meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

- i. An offer made by any person made to all the Shareholders; or
- ii. An offer is made by any person such that the offeror will become the controlling shareholder of our Company. The definition of controlling shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

(4) Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors or senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the above personnel with loans or loan guarantees. In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

- i. The loan provider unknowingly provides loans to personnel related to the Directors, Supervisors or senior management of our Company or its parent company; or
- ii. The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith. The following circumstances are exempted from the above clauses:
 - i. Our Company provides our subsidiaries with loans or loan guarantees;
 - ii. Our Company provides any of the Directors, Supervisors or senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing his duties owed to our Company; and
 - iii. In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management and other related personnel with loans or loan guarantees, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

For the purpose of the above provisions, "guarantee" includes the acts of the guarantor bearing the liabilities or providing properties to ensure that the obligor performs the obligations.

(5) Provide financial aid for acquiring the shares or shares of any of our subsidiaries

Pursuant to the Articles of Association:

Our Company or our subsidiaries (including our affiliated enterprises) shall not provide any financial assistance at any time or in any manner to personnel that acquires or plans to acquire our shares. Such personnel include any who undertake obligations, directly or indirectly, from acquiring the shares; and

Our Company or any of our subsidiaries (including our affiliated enterprises) shall not provide personnel mentioned in the preceding paragraph with financial aid at any time or in any manner, to mitigate or exempt the obligations of the above personnel.

“Assuming obligations” includes obligator undertaking obligations by signing agreements or making arrangements (no matter whether the agreements or arrangements are enforceable on demand or bearing the obligations by itself or jointly with any other person) or changing its financial status in any other manner.

For the purpose of the above provisions, “Financial aid” includes, but is not limited to:

- i. Gifts;
- ii. Guarantees (including acts of the guarantor assuming liabilities or providing properties to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of our Company), release or waiver of rights;
- iii. Provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/contracts as well as the assignment of the rights in the loans/contracts; and
- iv. Financial aid provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

The following transactions are not prohibited:

- i. Related financial aid provided by our Company which is in good faith in our interest and the main purpose of the financial aid is not to acquire our shares or is an incidental part of a master plan of our Company;
- ii. The lawful distribution of our properties by way of dividend;
- iii. Distribution of dividends in the form of shares;
- iv. Reducing the registered capital, redeeming the shares or adjusting the equity structure pursuant to the Articles of Association;

- v. Our Company granting loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, such financial aid is paid from the profit available for distribution; and
- vi. Our Company providing the employee stock ownership plan with fund, provided that such loans shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, such financial aid is paid from the profit available for distribution.

(6) Disclosure of matters relating to the contract rights of our Company and voting on the contracts

When any of the Directors, Supervisors and senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors and senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions, arrangements or suggestions are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his associates have a material interest, the Director shall not vote and shall not be included in the quorum. Unless the Directors, Supervisors and senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting in which they are not included in the quorum nor participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors and senior management violating their obligations. Where related personnel of the Directors, Supervisors and senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors and senior management shall be deemed to have interests.

Prior to our Company's first considering the relevant contracts, transactions or arrangements, if the Directors, Supervisors and senior management have notified the Board of Directors in writing and stated that with regard to the content of such notice, they have interest in certain contracts, transactions and arrangements thereafter. And within the scope specified by such notice, the relevant Directors, Supervisors and senior management have made disclosures which are in accordance with this Article of Association.

(7) Remuneration

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholders' meeting, including:

- i. Remuneration as the Directors, Supervisors or senior management of our Company;
- ii. Remuneration as the Directors, Supervisors or senior management of our subsidiaries;
- iii. Remuneration for providing other services for management of our Company and our subsidiaries; and
- iv. Compensation received by the Directors or Supervisors as a result of loss of position or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided for in the above contracts.

(8) Resignation, Appointment and Dismissal

None of the following persons shall serve as our Director, Supervisor or senior management:

- i. Anyone who has no civil capacity or has limited civil capacity;
- ii. Anyone who has been imposed penalty for the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;
- iii. Anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;
- iv. Anyone who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;
- v. Anyone who has a relatively large sum of debt, which was not paid at maturity;
- vi. Anyone who is investigated by the judicial agencies for violation of criminal law and whose case is pending;

- vii. Persons who are subject to the competent authority of securities of the State Council's punishment which prohibited them from entering into the securities market for a period which has not yet expired;
- viii. Anyone who may not serve as a head of the company pursuant to the provisions of the laws and administrative regulations, or regulations of the competent authorities;
- ix. Anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;
- x. Anyone who is not a natural person; or
- xi. Other circumstances which are applicable pursuant to the provisions of the laws and administrative regulations, regulations of the securities regulators or stock exchanges where our Company's shares are listed.

The validity of the acts of the Directors or senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

The Board of Directors consists of nine Directors, three of which are independent non-executive Directors. The Board of Directors has one chairman. The Shareholders' meeting can decide whether a vice chairman of the Board shall be elected and the way of election via ordinary resolution. Directors are elected at the general Shareholders' meeting. The Directors need not hold any of our shares. It shall be at least 7 days in advance for issuance of written notice to our Company regarding nomination of Director candidate and regarding the candidate's acceptance of such nomination.

The chairman and vice chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors. Provided that it is in compliance with relevant laws, regulations and rules as well as the Listing Rules, the general Shareholders' meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The chairman, vice chairman of the Board and other Directors serve three-year terms. Upon expiration of the term, the Director may be re-elected. Director can be the general manager or other senior management personnel at the same time. However, the number of the Directors who are also general manager or other senior management personnel and the Director who represents employees shall not be more than half of the total number of Directors. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

(9) Power to borrow money

The Articles of Association does not have any special provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the board of directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the Shareholders' general meeting.

(10) Responsibilities

The Directors, Supervisors and senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in legal and administrative regulations:

- i. Require related Directors, Supervisors or senior management to compensate our Company for losses sustained as a result of their neglect of duty;
- ii. Cancel any contract or transaction entered into between our Company and related Directors, Supervisors or senior management as well as any contract or transaction entered into between our Company and third person when the third person knew or should have known that the Directors, Supervisors or senior management acting on behalf of our Company violated their obligations owed to our Company;
- iii. Require the relevant Directors, Supervisors or senior management to turn over the proceeds obtained from the violation of their obligations;
- iv. Recover funds collected by the relevant Directors, Supervisors or senior management that should have been collected for our Company, including but not limited to commissions;
- v. Require the relevant Directors, Supervisors or senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;
- vi. Require the Directors, Supervisors or senior management to return to the Company properties obtained from violation of their obligations through legal procedure and verdicts.

When performing their responsibilities, the Directors, Supervisors and senior management of the Company must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, but is not limited to, performing the following obligations:

- i. Sincerely taking the best interests of our Company as the starting point of any action;
- ii. Exercising one's rights within but not exceeding the scope of authority;
- iii. Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless permitted by laws and administrative regulations or with the informed consent given in a general meeting;
- iv. Treating Shareholders of the same class equally and Shareholders of different classes fairly;
- v. Entering into contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or otherwise by the approval of the general Shareholders' meeting with its full knowledge;
- vi. Seeking private gain using the properties of our Company in any manner is not allowed, unless agreed by the general Shareholders' meeting with its full knowledge;
- vii. Using one's position to take bribes or other illegal gains is not allowed, nor is any form of embezzlement of our property, including, but not limited to, opportunities beneficial to our Company;
- viii. Accepting commissions associated with transactions of our Company is not allowed unless agreed by the general Shareholders' meeting with its full knowledge;
- ix. Compliance with the Articles of Association, discharging duties in a faithful manner, safeguarding the interests of our Company rather than seeking private gain by taking advantage of one's position and authority in our Company;
- x. Unless agreed at the general Shareholders' meeting with its full knowledge, take advantage of position, take business opportunity which should have belonged to our Company for themselves or others, conduct business that is similar with our company by themselves or cooperating with others is not allowed, or competing with our Company in any manner is not allowed, either;
- xi. Misappropriation of our funds is not allowed, nor is depositing the assets or funds of our Company in an account opened in one's own name or other names;

- xii. Not to, in violation of the provisions of this Articles of Association, lend our Company's funds to any other person or provide security for our Company's shareholders or other persons with properties of our Company, without the consent of the general meeting or Board of Directors;
- xiii. Not to harm the interests of our Company through use of his/her connected relationship;
- xiv. Disclosure of confidential information relating to our Company obtained during employment without the consent of the general Shareholders' meeting with its full knowledge; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by (1) the provisions of the law; (2) for the public interest; (3) the interest of the Directors, Supervisors or senior management; and
- xv. Not to violate other acts of fiduciary obligations to our Company.

The relevant personnel shall return the income obtained from violation of the above provisions to our Company and shall bear the liability of compensation if our Company suffers damage.

The Directors, Supervisors and senior management may not direct the following personnel or institutions ("related personnel") to do acts that the Directors, Supervisors and senior management is prohibited from doing:

- i. Spouses or minor children of the Directors, Supervisors and senior management;
- ii. Trustors of the Directors, Supervisors and senior management or the persons mentioned in (i);
- iii. Partners of the Directors, Supervisors and senior management or persons mentioned in (i) and (ii);
- iv. Our Company under de facto control by the Directors, Supervisors and senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in (i), (ii) and (iii); and
- v. Directors, Supervisors or senior management of the controlled companies mentioned in (iv).

The good faith obligation owed by the Directors, Supervisors and senior management may not necessarily terminate with the expiration of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the expiration of their terms, until

such secrets become publicly available. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Except as otherwise provided in the Articles of Association, liabilities of Directors, Supervisors and senior management arising from the violation of specific duties may be released by informed general Shareholders' meeting.

Apart from the obligations set forth in related laws, administrative regulations or the Listing Rules where the shares of the Company are listed, the Directors, Supervisors or senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

- i. They shall not cause our Company to operate beyond the scope of business indicated on our business license;
- ii. They shall sincerely take the best interests of our Company as the starting point of any action;
- iii. They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company; and
- iv. They shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to distribute and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors and senior management of the Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

Where Directors and senior management violate laws, regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders holding 1% or more shares separately or jointly for consecutive over 180 days may submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

Where the Board of Supervisors or if the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or where the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the people's court for the interest of our Company.

Where any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent people's court pursuant to the provisions of the preceding two paragraphs.

Where a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent people's court.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

We may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association. Where the amendments to the Articles of Association passed by the general meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3 RIGHTS CHANGES OF CURRENT SHARES OR CLASSIFIED SHARES

Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened Shareholders' meeting before it can be implemented.

Where the change or abolishment of the right of a classified Shareholder is due to the change of laws, administrative regulations or the Listing Rules where the shares are listed, as well as decisions made by domestic and foreign regulatory authorities according to the law, the approval of the general Shareholders' meeting in the form of a special resolution or the approval of the affected classified Shareholders at a separately convened Shareholders' meeting is not needed.

The rights of a classified Shareholder shall be viewed as changed or abolished under the following circumstances:

- i. Increase or reduce the number of the classified shares, or increase or reduce the number of classified shares with equal or more voting rights, distribution rights, other privileges than this type of classified shares;
- ii. Convert all or part of the classified shares into other types or convert another type of shares, partly or wholly, into this type of classified shares or grant such conversion right;
- iii. Cancel or reduce the right of the classified shares to obtain dividends generated or cumulative dividends;

- iv. Reduce or cancel the right of the classified shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;
- v. Increase or cancel or reduce the right of the classified shares to convert share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;
- vi. Cancel or reduce the right of the classified shares to receive funds payable of our Company in specified currencies;
- vii. Create new classified shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified shares;
- viii. Impose restrictions on the transfer or ownership of the classified shares or increase such restrictions;
- ix. Issue subscription or conversion rights for this or other classified shares;
- x. Increase the rights and privileges of other types of shares;
- xi. The restructuring plan of our Company may constitute different types of Shareholders to assume responsibilities disproportionately in restructuring; and
- xii. Amend or abolish clauses stipulated in our Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the Shareholders' meeting, in the event of matters described above from (ii) through (viii), (xi) to (xii), they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

Shareholders that have interests at stake include:

- i. In the event that the Company makes an offer to all the Shareholders at the same ratio according to this Articles of Association or purchase their own shares through public transaction in the Stock Exchange, Shareholders that have interests at stake refer to controlling shareholders as defined in this Articles of Association;
- ii. Where our Company purchase its own shares through reaching an agreement outside the Stock Exchange and in accordance with the Articles of Association, Shareholders that have interests at stake shall mean the Shareholders who are relevant to such agreement;

- iii. In our Company's re-organisation plan, Shareholders that have interests at stake shall mean Shareholder who bear liability at a rate that is lower than other Shareholders in the same class or who hold different interests with other Shareholders in the same class.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of shareholding with voting rights attending the classified Shareholders' meeting.

When convening a classified Shareholders' meeting, 45 days before the meeting is convened, our Company shall send a written notice to inform all registered holders of the classified shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of shares with voting power represented by Shareholders planning to attend the meeting accounts for more than one half of the total number of said classified shares with voting power at the meeting, our Company may convene a classified Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement and our Company may convene a classified Shareholders' meeting once the announcement is delivered. Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules prevails. The notice of the classified Shareholders' meeting needs only to be sent to the Shareholders who have the right to vote at the meeting.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to classified Shareholders' meeting.

Apart from the holders of other classified shares, the holders of Domestic Shares and the holders of overseas listed foreign shares are considered as different classified Shareholders.

The special procedures for voting by the classified Shareholders shall not apply under the following circumstances:

- i. Upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign shares once every 12 months, and the number of those domestic shares and overseas listed foreign shares to be issued shall not account for more than 20% of each of its outstanding shares;

- ii. The plan to issue Domestic Shares and overseas listed foreign shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council; and
- iii. Upon the approval by the securities regulatory authorities of the State Council, the Domestic Shares and foreign shares under unlisted transactions are converted to overseas listed foreign shares which are listed and traded overseas.

4 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the Shareholders' meeting are categorised as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by a simple majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

5 VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary Shareholders have the right to attend or appoint a proxy to attend and vote at the general Shareholders' meeting. When voting at the general Shareholders' meeting, the Shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

General meeting adopt vote by hands or open ballot. When voting at a general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favour with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, the chairman of the meeting is entitled to one additional vote.

6 RULES ON GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meetings are divided into annual general Shareholders' meetings and extraordinary general meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

7 ACCOUNTING AND AUDITS**(1) Financial and accounting policies**

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations, as well as PRC accounting standards developed by the competent department in charge of finance under the State Council.

The Board of Directors shall submit the financial reports to Shareholders, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual general Shareholders' meetings.

Apart from the PRC accounting standards and regulations, the financial statements of our Company shall also conform to international accounting standards or the accounting standards of overseas areas where the shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the two accounting standards, such difference must be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower, shall prevail.

Our Company shall make its financial reports available at the Company for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain the financial report.

Our Company shall send the aforesaid reports to each of the holders of overseas listed foreign shares by postage-paid mail or by the manner (including publication on the Company's website or website of the Stock Exchange where the Company's shares are listed or distribution by electronic means) as allowed in laws and regulation of the region where our Company lists shares and the Listing Rules at least 21 days before the annual general Shareholders' meeting is convened (in any event no more than four months from the end of the relevant financial year) and the recipient's address shall be the address as registered in the register of Shareholders.

The interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with PRC accounting standards, regulations as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

Our Company must publish the financial reports twice in each accounting year. Interim financial reports shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the end of each accounting year.

Our Company shall not keep any accounting books other than those specified by law.

(2) Appointment and Dismissal of Accountants

Our Company shall appoint an independent accounting firm that meets appropriate requirements of the PRC to be responsible for auditing its annual financial report and reviewing its other financial reports.

The first accounting firm of our Company can be appointed by the founding meeting before the first annual general Shareholders' meeting and the term of the appointment will expire at the close of the first annual general Shareholders' meeting. In event that the founding meeting does not exercise such power, the Board of Directors shall take it.

The term of the accounting firm appointed by our Company shall start at the close of such annual general Shareholders' meeting of the Company and continue until the close of the next annual general Shareholders' meeting.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of general Shareholders' meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may take the vacant.

Except the circumstances as above said, our Company shall appoint an accounting firm by the decision of the Shareholders' meeting. The Board of Directors shall not appoint accounting firm before decisions made at Shareholders' meeting. The Shareholders may replace the accounting firm through an ordinary resolution at the general Shareholders' meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm. With respect to the compensation rights against the Company by the relevant accounting firm due to dismissal shall not be affected thereof.

Remuneration of the accounting firm or the manner in which the remuneration is determined shall be decided on by the Shareholders at the general Shareholders' meeting.

The remuneration of such accounting firm which is hired by the Board of Directors shall be decided by the Board of Directors.

Our Company shall send a notice to the accounting firm in advance notifying it of the matters relating to the dismissal or contract termination, and the accounting firm shall be entitled to make a statement to the general Shareholders' meeting.

In the event that the accounting firm requests to resign, it shall declare to the general Shareholders' meeting whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address or on the date specified in the notice, whichever is later. The notice shall include the following statements:

- i. Its resignation does not include any statement that should be disclosed to the shareholders or creditors of our Company; or
- ii. Any statement that should be disclosed.

Within 14 days of receipt of the notice mentioned above, our Company shall send the copy of the notice to related competent authorities. If the notice includes statements mentioned in (ii) of the preceding paragraph, our Company shall retain a copy thereof at the Company for perusal by the Shareholders and send a copy of the above-mentioned statements to every shareholder of overseas listed foreign shares in accordance with the addresses registered on the register of shareholders by postage-prepaid mail or subject to applicable laws, regulations and listing rules, post such information at our Company website or a site specified by the Stock Exchange of the place in which our Company's shares are listed.

In the event that the resignation notice of the accounting firm includes any statement that should be disclosed to the Company's shareholders or creditors, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to hear its explanations regarding the resignation.

8 NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meeting is the authorised organ of our Company that can perform duties and exercise powers in accordance with the law.

Apart from special circumstances such as where our Company is in crisis, without the approval of a special resolution of the general Shareholders' meeting, our Company shall not enter into a contract with any person other than the Directors, Supervisors and senior management that would make a person responsible for the management of all or part of the main business of our Company.

General Shareholders' meetings include annual general Shareholders' meeting and extraordinary general meeting. Under any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months:

- i. The number of Directors is less than the number specified in our Company Law or less than two thirds of the number required in the Articles of Association;
- ii. The uncovered losses of our Company reach one-third of its total paid-in share capital;

- iii. The Shareholders holding over 10% shares of the Company separately or jointly request to convene an extraordinary general meeting in writing;
- iv. The Board of Directors considers it necessary or the Board of Supervisors proposes convening an extraordinary general meeting; or
- v. Any other circumstances stipulated in laws, administrative regulations, regulations of the competent authorities, the Articles of Association and the listing rules of stock exchange of the place in which our Company's shares are listed.

More than two independent non-executive Directors and the Board of Supervisors may make a proposal to the Board of Directors about convening an extraordinary general meeting. The Board of Directors shall issue a written feedback about whether it agrees with such proposal or not within 10 days after receiving such proposal in accordance with laws, administrative regulations and the Articles of Association. In the event that the Board of Director agree to convene an extraordinary general meeting, the notice of convening extraordinary general meeting shall be issued within 5 days after the Board of Directors made a resolution. With regard to the proposal of convening a general meeting made by the independent non-executive Director, the Board of Directors shall explain the reasons and announce if rejection was made. With regard to the proposal of convening an extraordinary general meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be view as the Board of Directors is unable to or fails to perform its meeting duty of convening the general meeting and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request the to convene an extraordinary general meeting or classified Shareholders' meeting in accordance with the following procedures:

- i. Signing a written requirement or several copies with the same format to request the Board of Directors an extraordinary general meeting or classified Shareholders' meeting and to illustrate the subject of the meetings. The Board of Directors shall issue a written feedback about whether it agrees with such proposal or not within 10 days after receiving such proposal in accordance with laws, administrative regulations and the Articles of Association. The aforesaid number of shareholdings is calculated as at the date of the submission of the written requirement by the Shareholders;
- ii. In the event that the Board of Directors agrees to convene an extraordinary general meeting or classified Shareholders' meeting, the notice of convening a meeting shall be issued within 5 days after the Board of Directors made a relevant resolution. Any revision made to the origin request shall get the approval of the relevant Shareholders;

- iii. If the Board of Directors made a rejection towards convening an extraordinary general meeting or classified Shareholders' meeting or does not respond within 10 days after it receiving the proposal, Shareholders who separately or jointly hold 10% or more of the shares of the Company may request the Board of Supervisors in written to convene a meeting;
- iv. In the event that the Board of Supervisors agrees to convene an extraordinary general meeting or classified Shareholders' meeting, the notice of convening extraordinary general meeting shall be issued within 5 days after the Board of Supervisors made a relevant resolution. Any revision made to the origin request shall get the approval of the relevant Shareholders;
- v. If the Board of Supervisors fails to issue a meeting notice in the required period, it is deemed that the Board of Supervisors will not convene nor preside over the general Shareholders' meeting and the Shareholders holding 10% or more shares separately or jointly for consecutive 90 days or more may convene and preside over the meeting by themselves. The number of shareholdings by the convening Shareholder before the date of the publication of meeting resolutions shall not be less than 10%. The convening Shareholder shall submit relevant proofs materials to securities administrative authorities of region where our Company registers and the Stock Exchange at the same time with the issuance of notice of the Shareholders' meeting and notice of general Shareholders' meeting.

In the event that the general shareholders' meeting is convened, the Board of Directors, the Board of Supervisors and shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal.

When convening a general shareholders' meeting, our Company shall send a written notice to inform all registered shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened. Shareholders planning to attend shall send to our Company a written reply of the meeting 20 days before the meeting is held.

Our Company shall calculate the number of shares with voting power represented by the shareholders planning to attend the general shareholders' meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of shares with voting power represented by the shareholders attending the meeting reaches more than one half of our total number of shares with voting power, our Company may convene the general shareholders' meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement and then approved by announcement before the general shareholders' meeting may be convened. The extraordinary general meeting shall not decide on issues which are not listed in the notice.

The notice of the general shareholders' meeting shall include the following contents:

- i. Specified time, venue and date of the meeting;
- ii. Matters and proposals to be deliberated at the meeting;
- iii. Provision to the shareholders of the materials and explanations necessary for the shareholders to make sound decisions about the matters to be deliberated. This principle includes, but is not limited to, the provision of the detailed terms and contract(s), if any, of the proposed transaction(s) and proper explanations about related causes and effects when our Company proposes mergers, redemption of shares, restructuring of stock capital or other restructuring;
- iv. In the event that any of the Directors, Supervisors, managers or other senior management has material interests at stake in matters to be deliberated, the nature and extent of the interests at stake shall be disclosed. If the matters to be deliberated affect any Director, Supervisor, managers or other senior management as a shareholder in a manner different from how they affect other shareholders of the same type, the difference shall be explained;
- v. Inclusion of the full text of any special resolution to be proposed for adoption at the meeting;
- vi. Documented with clear text: shareholders who are entitled to attend and vote are entitled to appoint one or more entrusted representative to attend and vote at the meeting and that such may not necessarily be the Company's shareholders;
- vii. Record date for shareholders who are entitled to attend the meeting;
- viii. Name and telephone number of the standing contact person;
- ix. Specified delivery time and place of the power of attorney for proxy voting of the meeting.

The notice of the general shareholders' meeting shall be sent in person or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the general shareholders' meeting), whereas recipient's address shall be according to the address registered with the register of shareholders or subject to applicable laws, regulations and listing rules, post such information at our Company website or a site specified by the stock exchange of the place in which our Company's shares are listed. For holders of Domestic Shares, the notice of our general shareholders' meeting may be given in the form of an announcement.

This announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council within a period of 45 to 50 days before the meeting is convened. Once the announcement is made, all holders of Domestic Shares shall be deemed to have received the notice of our general shareholders' meeting. In the event that the notice of the meeting is not sent to persons entitled to receive it due to accident oversight, or such persons fail to receive notice of the meeting, the meeting and resolutions made at the meeting shall not be thereby void.

The general shareholders' meeting shall not be postponed or cancelled and the proposals listed in the notice shall not be cancelled without just cause after the notice of general shareholders' meeting was made. If any circumstance where delay or cancellation occur, convener shall make publication and explain the reasons at least 2 working days before the original convening day.

The resolution of the general shareholders' meeting includes ordinary resolution and special resolution. The following matters shall be approved by the general shareholders' meeting through ordinary resolutions:

- i. Work report of the Board of Directors and the Board of Supervisors;
- ii. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;
- iii. Appointment or dismissal of the members of the Board of Directors and members of the Board of Supervisors as Supervisors who are not assumed by staff representatives;
- iv. Remuneration and payment methods of the members of the Board of Directors and the Board of Supervisors;
- v. Annual budget and final account report, balance sheet, income statement or other financial statements;
- vi. Annual report of our Company; and
- vii. Other matters in addition to those approved by special resolution stipulated in the laws, administrative regulations, listing rules of the stock exchange where the shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the general shareholders' meeting:

- i. Our Company's capital stock increases or decreases and issues of any type of shares, warrants and other similar securities;

- ii. Issues our Company's bond;
- iii. Division, merger, dissolution and liquidation of our Company and the change of form of our Company;
- iv. Amendment of the Articles of Association;
- v. Substantial assets acquired or disposed of or guarantee granted for an amount exceeding 30% of the latest audited total assets of our Company within one year;
- vi. Share equity incentive plan;
- vii. Other matters as required by the laws, administrative regulations, listing rules of the stock exchange where the shares are listed and the Articles of Association, and as approved by ordinary resolution of the general shareholders' meeting which are believed could materially affect our Company and need to be approved by special resolution.

Pursuant to the applicable laws, administrative regulations, listing rules of the stock exchange where the shares are listed, with regard to individual resolution, if any shareholder shall be abstained from voting or restricted to vote for or against the resolution only, any voting violation conducted by the shareholder (or its representative) shall not be credited to the vote.

In the event that our Company's shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the shareholders meeting or meeting of the Board of Directors is in violation of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was made.

9 SHARE TRANSFERS

The shares of our Company holding by the promoters thereof shall not be transferred within one year of the date of establishment of our Company. The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The directors, supervisors, and senior management personnel of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the shares of our Company. The shares that they held in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their shares of our Company within six months of their departure.

Where a director, supervisor or senior manager of our Company, or a shareholder who holds 5% or more of the shares of our Company sells the shares of our Company within six months of purchasing such shares, or repurchases the shares within six months of selling such shares, the gains therefrom shall belong to our Company, and the Board of Directors of our Company shall recover such gains.

Where the Board of Directors of our Company fails to take action in accordance with the provisions of the preceding paragraph, the shareholders shall have the right to demand it to act within 30 days. Where the Board of directors of our Company fails to take action within the said time limit, the shareholders shall have the right to initiate, in their own name, a lawsuit directly in a people's court for the benefit of our Company.

Where the Board of Directors of our Company fails to take action in accordance with the above paragraph, the directors who are accountable thereto shall be held jointly and severally liable pursuant to law.

With regard to the H Shares that capital of which has been full-paid, transfer without any limitation is allowed in accordance with the Articles of Association. However, unless meeting the following conditions, the Board of Directors may refuse to recognise any transfer document without giving any reason:

- i. Document that related to any share ownership or transfer documents that may affect the ownership of the shares shall be registered and shall pay to our Company corresponding fees (calculated per item of transfer document) or a higher fee required by the Board of Director, but such payment shall not exceed the maximum fee provided by the Stock Exchange of Hong Kong in its Listing Rules from time to time;
- ii. The transfer documents only involve H Shares listed in Hong Kong;
- iii. The stamp duty chargeable on the transfer documents has been paid;
- iv. The relevant share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the shares has been submitted;
- v. If the shares are to be transferred to joint holders, the number of the joint holders shall not exceed four; and
- vi. Our Company does not have any lien on the relevant shares.

Respective parts of shareholder register's revision or rectification shall be subject to the laws of region where respective parts the revised or rectified shareholder register is stored. No change may be made to the information in the register of shareholders as a result of the share transfer within 30 days before the general shareholders' meeting is convened or within five days prior to the benchmark date on which our Company has decided to distribute dividends.

10 RIGHTS OF OUR COMPANY TO BUY BACK OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may submit to relevant competent authorities for approval to buy back our outstanding issued shares according to legal procedures with the approval of procedures stipulated in the Articles of Association:

- i. Cancellation of the shares to reduce our Company's share capital;
- ii. Merger with other companies which hold our shares;
- iii. Granting shares to the staff of the Company as incentives;
- iv. Requesting the Company to buy back its shares from shareholders who vote against any resolutions adopted at the general shareholders' meeting concerning the merger and division of the Company; or
- v. Other circumstances as permitted by the laws, administrative regulations.

In the event our Company buys back the shares for reasons stated in (i), (ii), (iii) of the preceding paragraph, our Company shall seek approval by the general shareholders' meeting in accordance with the provisions of the Articles of Association. After the buy-back of shares by the Company, the shares shall be canceled within 10 days from the date of buy-back if they belong to (i) of the preceding paragraph; the shares shall be transferred or canceled in six months if they belong to (ii) and (iv) of the preceding paragraph. The shares bought back by our Company for the reasons stated in (iii) of the preceding paragraph shall not exceed 5% of the total issued shares of our Company. Capital used for the acquisition shall be expensed from the profit after tax of the Company and the shares acquired shall be transferred to employees within one year.

After approved by the State relevant competent authorities, Our Company may buy back shares in any of the following ways:

- i. Making a comprehensive buyback offer in the same proportion to all shareholders;
- ii. Buying back shares through public trading on the securities exchange;
- iii. Buying back shares by an agreement outside a stock exchange;
- iv. In other ways approved by the relevant regulatory authorities.

Where our Company buys back the shares by an agreement outside a stock exchange, it shall obtain prior approval at the general shareholders' meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general shareholders' meeting, our Company may cancel or amend the contract signed in the aforesaid manner or waive any of its rights in the contract.

The contract that buys back the shares includes, but is not limited to, an agreement that consents to undertake the obligation to buy back the shares and obtain the rights to buy them back.

Our Company shall not transfer any contract that buys back the shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the buyback of issued shares:

- i. Where our Company buys back shares at book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares to buy back the old shares;
- ii. Where our Company buys back the shares at a premium to the book value, the portion equivalent to book value shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares, while the portion higher than book value shall be dealt with in the following manner:
 - (1) Where the shares bought back were issued at book value, the funds shall be deducted from the book balance of our distributable revenue;
 - (2) Where the shares bought back were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable revenue and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares. However, the amount deducted from the proceeds obtained from the issue of new shares shall not exceed the total premium amount obtained when the shares bought back were issued or the amount in our premium account (or capital reserve account) when the old shares are bought back (including the premium amount of the issue of new shares).
- iii. The funds paid by our Company for the following purposes shall be expensed from our distributable earnings:
 - (1) To obtain the right to buy back the shares;
 - (2) To modify contract to buy back the shares;
 - (3) To release obligation of our Company under the share buyback contract.
- iv. After the total book value of the cancelled shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the book value portion of the shares bought back shall be credited to our premium account (or capital reserve account).

11 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in these Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

12 DIVIDEND AND OTHER DISTRIBUTION METHODS

Our Company may distribute dividends by way of cash or shares or such other manner permitted by laws, administrative regulations, departmental rules and regulations and the regulatory rules of the locality where the listing is made (or adopt both ways simultaneously).

A shareholder is entitled to receive interest with regard to payment of the shares which was paid before reminder notice. However, advance payment of the shares is not subject to any further dividend thereof.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas listed foreign shares.

Receiving agents shall receive dividends and other payable funds that are distributed with respect to our overseas listed foreign shares for relevant shareholders. Receiving agents appointed by Our Company shall on behalf of shareholders of shares listed in Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the shareholders' meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the shareholders' meeting.

13 SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at our general shareholders' meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorisation of the shareholder, the proxy may exercise the following rights:

- i. Speak for the shareholder at the general shareholders' meeting;
- ii. Demand a poll individually or with others;
- iii. Except otherwise provided by the applicable listing rules or other securities laws and regulations, exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorised in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by its Director or a duly authorised agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorised by the appointor by means of power of attorney or other instrument of authorisation, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting.

A legal person shareholder should attend the meeting by its legal representatives or Board of Directors, persons authorised by other decision-making authorities.

Any power of attorney form sent by the Directors to the shareholder for appointing a shareholder proxy shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the shareholder does not provide specific instructions.

The votes of the shareholder proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the previous death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

14 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities.

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities under the State and the overseas securities regulatory authorities, our Company may keep the original register of the shareholders of the overseas listed foreign shares overseas and entrust an overseas entity to manage it. The original register of the shareholders of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the holders of the overseas listed foreign shares at our residential address. The overseas entrusted agency shall at all times maintain consistency between the original and copy of the register of the holders of the overseas listed foreign shares. In case of inconsistency between the original and copy of the register of the holders of the overseas listed foreign shares, the original shall prevail.

Our Company must keep a complete register of shareholders. The register of Shareholders shall include the following:

- i. Register of shareholders kept at our residential address other than those specified in (ii) and (iii);
- ii. Register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and
- iii. Register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the shareholders' register shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not be registered elsewhere in the register of shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of shareholders shall be made in accordance with the laws in the place where such part of the register of shareholders is maintained.

No change of the register of shareholders as a result of share transfer shall be made within 30 days before the general shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the general shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors or the convenor of the general shareholders' meeting shall fix a date as the equity registration date, upon expiration of which the shareholders whose names register on the register of shareholders shall be the shareholders entitled to relevant equity.

Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

The ordinary shareholders are entitled to obtain the following information, including but not limited to:

- i. The Articles of Association after paying the cost;
- ii. The right to inspect and copy the following after paying a reasonable fee:
 - (1) All parts of the register of shareholders;
 - (2) Personal data of the Directors, Supervisors and senior management;

- (3) Status of the issued share capital of our Company;
- (4) Report on the total book value, quantity, maximum and minimum prices of each class of own shares repurchased by our Company since the previous accounting year and all expenses paid by our Company for this purpose;
- (5) Bond counterfoil of our Company, minutes of the general shareholders' meeting, special resolutions, resolutions of the Board of Directors' meeting, resolutions of the Board of Supervisors' meeting, financial accounting report;
- (6) The Company's latest audited financial statements, and reports of the Board of Directors, the auditors and the Board of Supervisors; and
- (7) Copy of the latest annual inspection report submitted to the competent administration for industry and commerce or other competent authorities for filing (if applicable).

Whenever a shareholder proposes to inspect the relevant information as described above or requests materials, he or she shall provide our Company with written documents certifying the type and shareholding of the Company's shares held. Our Company shall provide the relevant information and materials in accordance with the requirements of the shareholder after verifying his or her identity and may charge a reasonable fee for providing such copies of the materials.

15 QUORUM OF GENERAL SHAREHOLDERS' MEETINGS

In the event that the number of shares with voting power represented by the shareholders planning to attend the meeting reaches more than one half of the Company's total number of shares with voting power, our Company may convene the general shareholders' meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement. Our Company may convene a general shareholders' meeting once the announcement is delivered.

In the event that the number of shares with voting power represented by the shareholders at such meeting planning to attend reaches more than one half of our total number of classified shares with voting power at such meeting, our Company may convene the classified shareholders' meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement. Our Company may convene a classified shareholders' meeting once the announcement is delivered.

16 RESTRICTIONS ON RIGHTS OF OUR CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations, or the listing rules of the stock exchange on which our shares are listed, our Controlling Shareholders shall not make any decision that is detrimental to the interest of all or part of the shareholders on the following issues by exercising his or her shareholder voting rights:

- i. Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;
- ii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company; and
- iii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive other shareholders of their personal rights and interests, including, but not limited to, any distribution or voting right, but excluding the restructuring of the Company approved at the general shareholders' meeting pursuant to the Articles of Association.

17 PROCEDURES FOR COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

- i. Cause of dissolution stipulated in the Articles of Association occur;
- ii. The general shareholders' meeting adopts a resolution to dissolve our Company;
- iii. Our Company needs to be dissolved for the purpose of merger or division;
- iv. Our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;
- v. The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law;
- vi. Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

Where our Company is dissolved due to the provisions set forth in (i), (ii), (v) and (vi) above, the liquidation team shall be established within 15 days from the liquidation date to commence dissolution and the personnel of the liquidation team shall be consist of the persons determined by the Directors or the general shareholders' meeting. In the event the liquidation team is not established to conduct liquidation during such period, the creditors can request the people's court to appoint relevant personnel to establish the liquidation team for liquidation. In the event that our Company is dissolved in accordance with the provisions set forth in (iv) above, the people's court shall organise the shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

After the resolution to liquidate our Company is adopted by the general shareholders' meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general shareholders' meeting, the liquidation team shall at least once a year report at the general shareholders' meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general shareholders' meeting upon completion of liquidation.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspaper recognised the stock exchange where our Company listed within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

The liquidation team shall exercise the following powers during the liquidation period:

- i. Take stock of our Company's assets and prepare a balance sheet and a list of assets respectively;
- ii. Notify or publish an announcement to creditors;
- iii. Deal with and liquidate any pending business associated with our Company;
- iv. Pay off all outstanding taxes and taxes incurred during the procedures of liquidation;

- v. Settle claims and debts;
- vi. Dispose of the remaining assets of our Company after paying up all the debts; and
- vii. Represent our Company in any civil litigation proceedings.

After taking stock of the property of our Company and preparing the balance sheet and list of properties, the liquidation team shall draw up a liquidation scheme and submit it to the shareholders' meeting or the people's court for recognition.

Regarding the remaining property after paying off the liquidation expenses, the salaries, social insurance premiums and the statutory compensations of the staff members, the due and payable taxes and the debts of our Company respectively, our Company shall distribute in proportion to the shares held by each shareholder.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

Upon liquidation for the purpose of company dissolution, in the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared bankrupt by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure statement and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general shareholders' meeting or the people's court for recognition. Within 30 days of the date of confirmation by the shareholders' meeting or people's court, the liquidation team shall submit the above-mentioned documents to our Company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

**18 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE
SHAREHOLDERS****(1) General Provisions**

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other limited liability companies or joint stock limited company, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution.

The Articles of Association regulate our Company's organisation and conduct guidance and is binding on our Company, the shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, shareholders may sue shareholders; shareholders may sue the Directors, Supervisors and senior management; shareholders may sue our Company, and our Company may sue shareholders.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

(2) Share and Transfer

Our Company may increase stock capital by the following means:

- i. Issuing new shares to unspecified investors;
- ii. Placing new shares with existing shareholders;
- iii. Giving new shares to existing shareholders;
- iv. Converting the reserve funds into share capital;
- v. Other means approved by the laws, administrative regulations, regulations of the authorities.

Upon approval to increase our Company's capital via an issue of new shares according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws, administrative regulations of the State and supervision rules of the region where our share listed.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, other related regulations and the Articles of Association.

If our Company decreases our registered capital, we must prepare a balance sheet and a list of properties.

Our company shall notify creditors, publish an announcement, repay the debts or provide the corresponding guaranty when required by the creditors in accordance with Company Law of the PRC when undertaking reduction of the registered capital.

After our Company's reduction in capital, our registered capital may not be less than the statutory minimum amount.

Upon approval by the competent securities department of the State Council, our Company may issue shares to domestic and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

Upon approval by the competent securities department of the State Council, the not listed domestic shares of the Company can be listed and traded on an overseas stock exchange and can be converted into foreign shares which are listed overseas. After such domestic shares have been converted into foreign shares which are listed overseas, they can be listed and traded on an overseas stock exchange, in compliance with the regulatory procedures, provisions and requirements of overseas securities market.

(3) Shareholders

The shareholders of the Company are persons lawfully holding the Company's shares and whose names (titles) are already listed in the register of shareholders. Shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our ordinary shareholders are as follows:

- i. To receive distribution of dividends and other forms of benefits according to the number of shares held;
- ii. To legally require, convene, preside over, participate in or appoint a shareholder proxy to participate in and exercise corresponding voting rights at the Shareholders' meeting;
- iii. To supervise and manage business and operational activities of the Company, provide suggestions or submit queries;

- iv. To transfer, grant and pledge the Company's shares held according to the provisions of the laws, administrative regulations, listing rule of the stock exchange where our stocks are listed and the Articles of Association;
- v. To obtain relevant information according to the provisions of the Articles of Association;
- vi. To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- vii. To ask our Company to acquire the shares from Shareholders voting against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of the Company; and
- viii. Other rights conferred by laws, administrative regulations, department rules or the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has not disclosed his interests to our Company.

The share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which the Company's shares are listed requires our other senior management to sign the share certificates, they shall also be signed by other such personnel. The share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the share certificates is subject to the authorisation of the Board of Directors. The signature of legal representative of the Company or other related senior management may also be printed. Under conditions of paperless issuance and trading, the provisions of securities administrative authorities of the region where the Company's shares listed shall apply.

If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares.

In the event holder of Domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law.

In the event a holder of overseas listed foreign shares applies to our Company for a reissue after losing the share certificates, the matter may dealt with pursuant to the laws, regulations and rules of the stock exchange where the original register of holders of the overseas listed foreign shares is kept, or other related provisions.

If a H shareholder loses share certificates and applies to the Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

- i. The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;
- ii. Before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;
- iii. If our Company decides to issue new share certificates to the applicant, we shall publish an announcement in newspapers designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;
- iv. Before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;
- v. In the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new share certificates may be reissued according to the application made by the applicant;
- vi. When re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;
- vii. All expenses incurred by our Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(4) Shareholders Failing to be Contacted

In compliance with the provisions of related laws and regulations of the PRC and rules of Stock Exchange, our Company may exercise expropriate right to unclaimed dividend. However, our Company can only exercise such right after the expiration of the applicable corresponding valid period which started after the distribution of dividend was declared.

Our Company may terminate sending dividend coupons by mail to any holder of the overseas listed foreign shares. However, the said termination can only be made after the holder fails to withdraw from the dividend coupons for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, Our Company disposed the stock held by overseas listed foreign shareholders whom we fail to contact at first time in accordance with appropriate manner as considered by the Board of Directors:

- i. Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;
- ii. Upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of the Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

(5) The Board of Directors

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

- i. To convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;
- ii. Implement the resolutions of the general Shareholders' meeting;
- iii. Determine the business and investment plans of the Company;
- iv. Devise the annual financial budget and closing account plans of the Company;
- v. Devise the earnings distribution and loss offset plans of the Company;
- vi. Formulate the plans for increasing or decreasing the Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;
- vii. Formulate plans for corporate merger, separation of the Company, changing the form and dissolution of our Company;

- viii. Formulate plans for major acquisitions of the Company, the acquisition of shares of our Company;
- ix. Determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management and connected transaction within the scope authorised by the general Shareholders' meeting;
- x. Decide on the setup of our Company's internal management organisation;
- xi. Decide on the establishment of special committees under the Board of Directors and appoint or dismiss the chairmen (convener) of the special committees under the Board of Directors;
- xii. Appoint or dismiss the general manager of our Company, the secretary of the Board of Directors and the Secretary of the Company; based on the nomination of the general manager, appoint or dismiss senior management of the Company such as vice manager, the chief financial officer, and determine their remuneration;
- xiii. Set the basic management systems of the Company;
- xiv. Make the modification plan to the Articles of Association;
- xv. Decide on the equity incentive scheme;
- xvi. Manage the disclosure of company information;
- xvii. Propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;
- xviii. Attend to the work report of the Company's general manager and review the work of the general manager;
- xix. Review and decide on external guarantees of the Company excluding those shall be approved by the general Shareholders' meeting pursuant to the Articles of Association;
- xx. Review and supervise our Company's policies and rules with regard to compliance with laws and supervising regulations;
- xxi. Review and supervise the training and continuous expertise development of Directors, Supervisors and senior management;
- xxii. Review company's compliance with the enterprise management rules stipulated in the listing rules and the disclosure of enterprise management rules;

- xxiii. Decide on other major matters and administrative affairs other than resolutions as specified in the laws, administrative regulations, regulations of the competent authorities and the Articles of Association to be decided by the Company's general Shareholders' meeting and sign other important agreements;
- xxiv. Other powers and duties authorised by the laws, administrative regulations, regulations of the authorities, listing rules of the place where the shares of our Company are listed and the Articles of Association as well as the general Shareholders' meeting.

The aforesaid matters that can be exercised by the Board of Directors, or other transactions or arrangements, if according to the listing rules of the stock exchange where the shares of our Company are listed, shall be considered by the general Shareholders' meeting, and submitted to the general Shareholders' meeting for consideration.

The above resolutions adopted by the Board of Directors, except those in (vi), (vii) and (xiv) must be approved by more than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors. Regular meetings of the Board of Directors shall be convened at least four times a year and be called by the chairman of the Board of Directors.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including proxies) before the Board of Directors meeting can be convened.

The meeting of the Board of Directors shall require the attendance of the Directors in person. Where the Directors are with good reason unable to attend the meeting, they may in writing entrust other Directors to do so. The written power of attorney shall indicate the name of proxy, entrusted matters, scope of authorisation and validity, and shall be signed by or marked with the seal of principal. Directors who attend the meeting of the proxies shall exercise their rights as Director within the scope of authorisation. Where the Directors fail to attend the meeting of the Board of Directors and further fail to entrust representatives to do so on their behalf, it shall be deemed that they have waived their voting rights at such meeting.

Where the Directors fail to attend in person for two consecutive times and further fail to entrust other Directors to attend the meeting, they shall be deemed incapable of performing their duties and the Board of Directors shall propose a general Shareholders' meeting to replace such Directors. Each Director has one vote. When the number of affirmative votes equals to the number of dissenting votes, the chairman of the Board of Directors is entitled to one additional vote.

(6) Independent Non-executive Director

At least one-third of member of the Board of Directors of the Company shall be the independent non-executive Directors and the amount shall not be less than three. At least one independent non-executive Director shall have applicable professional qualification or are equipped with applicable accounting or relevant financial management expertise. At least one independent non-executive Director usually resides in Hong Kong.

(7) Secretary of the Board of Directors

Our Company shall have one secretary of the Board of Directors. The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

(8) Secretary of the Company

Our Company shall have a secretary of the Company to make sure that the Directors achieve good communication and have complied with the policies and procedures of the Board of Directors. The Board of Directors is responsible for selection, appoint or dismissal of the Secretary of the Company and shall approval the relevant decision through meetings of the Board of Directors rather than through written resolution.

The secretary of the Company shall be the one with academic or professional qualification or related experience that in view of the Stock Exchange, can make it qualified as the secretary of the Company. Our Company can select the secretary of the Company from employees who are familiar with the daily business of the Company or hire a service agency as the secretary of the Company.

(9) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors and includes one chairman. The chairman of the Board of Supervisors shall be elected and dismissed by more than a two-thirds vote of the members of the Board of Supervisors.

The Board of Supervisors shall consist of Shareholder's representatives, Supervisors and employee's representatives. Supervisors which account for no less than one-third of the Board of Supervisors of our Company. The Supervisors assumed by the employee representatives shall be elected and dismissed democratically by the employees.

Meetings of the Board of Supervisors shall be attended by more than half of the Supervisors before it may be convened. Resolutions of the Board of Supervisors shall require approval from two-third of all the Supervisors. The Supervisors serve three-year terms.

The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Directors and senior management shall not also serve as Supervisors.

The Board of Supervisors is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

- i. Examine the financial standing of our Company;
- ii. Supervise the Company's duties performing of Directors and senior management so as to ensure that said Directors and senior management shall not act in violation of any laws, administrative regulations or the Articles of Association of the Company when performing their duties, and put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;
- iii. Require the Directors and senior management to take corrective measures when their actions are detrimental to the Company's interests;
- iv. Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practising auditors;
- v. Propose to convene an extraordinary general meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general Shareholders' meeting, to convene and preside over the general Shareholders' meeting;
- vi. Submit proposals at the general Shareholders' meetings;
- vii. Propose to convene extraordinary meetings of the Board of Directors;
- viii. Represent our Company in negotiating with or in bringing actions against the Directors and senior management in accordance with Company Law;
- ix. Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses shall be borne by our Company;
- x. Other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(10) General manager

Our Company has one general manager, appointed or dismissed by the Board of Directors.

The general manager of the Company is responsible to the Board of Directors and exercises the following powers:

- i. Be in charge of the producing and operational management of our Company and report to the Board of Directors on work;
- ii. To organise the enforcement of resolutions of the Board of Directors;
- iii. Organise the implementation of the annual operation plans and investment schemes decided by the Board of Directors;
- iv. Formulate the structure scheme of the internal management agency of our Company;
- v. Formulate the structure scheme of the branch of our Company;
- vi. Formulate the fundamental management system of our Company;
- vii. Formulate the detailed rules of our Company;
- viii. Propose the appointment or dismissal of the Company's vice general manager, financial officer to the Board of Directors;
- ix. Appoint or dismiss other management personnel except those who shall be appointed or dismissed by the Board of Directors;
- x. Other responsibilities authorised by the Articles of Association and the Board of Directors.

(11) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve of the Company.

When the total amount of the statutory reserve exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If the Company's statutory reserve is insufficient to offset our losses during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After our Company has made up for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the Shareholders, unless otherwise specified by the Articles of Association.

If the general Shareholders' meeting or Directors violates the above provisions and profits are distributed to the Shareholders before the Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company.

The shares held by our Company itself shall not be subject to profit distribution.

The Company's reserves must be used only for offsetting losses of the Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of the Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

(12) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

- i. Whenever there occur any dispute or claim between shareholders of the overseas listed foreign Shares and our Company, shareholders of the overseas listed foreign Shares and our Company's Directors, Supervisors, general manager or other senior management, or shareholders of the overseas listed foreign Shares and shareholders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a Director, a Supervisor, general manager or other senior management.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

- ii. A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the applicants.

If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

- iii. The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws and administrative regulations;
- iv. The award of an arbitration body shall be final and binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**A. Incorporation**

We were established under the PRC law as a joint stock limited liability company by Tianbao Holdings and Tianbao Investment as Promoters with an initial registered capital of RMB115,600,907 on February 28, 2017. We established a place of business in Hong Kong at 18/F Tesbury Centre, No. 28 Queen's Road East, Wan Chai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 3, 2017. Mr. Wong Yat Tung of 18/F Tesbury Centre, No. 28 Queen's Road East, Wan Chai has been appointed as our Company's agent for the acceptance of service of process in Hong Kong.

As our Company was established in the PRC, our corporate structure and the Articles of Association are subject to the relevant PRC laws and regulations. A summary of the Articles of Association and the relevant PRC laws and regulatory provisions are set out in Appendices VI and V to this Prospectus, respectively.

B. Changes in the registered capital of our Company

At the date of incorporation of our Company as a joint stock limited liability company, our initial registered share capital was RMB115,600,907 divided into 115,600,907 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up and were held by our Promoters.

Immediately upon completion of the Share Offer, assuming the Offer Size Adjustment Option is not exercised, our registered share capital will be increased to RMB154,140,907, made up of 115,600,907 Domestic Shares and 38,540,000 H Shares fully paid up or credited as fully paid up, representing approximately 75.00% and 25.00% of the registered share capital, respectively.

Immediately upon completion of the Share Offer, assuming the Offer Size Adjustment Option is exercised in full, our registered share capital will be increased to RMB159,921,907, made up of 115,600,907 Domestic Shares and 44,321,000 H Shares fully paid up or credited as fully paid up, representing approximately 72.29% and 27.71% of the registered share capital, respectively.

Save as disclosed in this Appendix, there has been no alteration in the share capital of our Company since its establishment.

C. Shareholders' meeting held on March 24, 2017 and annual general meeting of Shareholders held on April 4, 2018

On March 24, 2017, the Shareholders of the Company passed, among other things, the following resolutions:

- (a) the issue by the Company of the H Shares of nominal value of RMB1.00 each up to 25% of the total issued share capital after the issuing of H Shares and subsequent listing of such H Shares on the Stock Exchange;
- (b) the granting of the Offer Size Adjustment Option in respect of no more than 15% of the number of H Shares issued as above-mentioned;
- (c) subject to the completion of the Share Offer, the Articles of Association have been approved and adopted (which shall only become effective from the Listing Date) and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the PRC government; and
- (d) approving the Board to handle all matters relating to, among other things, the issue of the H Shares and the listing of H Shares on the Stock Exchange.

In the annual general meeting held on April 4, 2018, the Shareholders of the Company passed, among other things, the following resolutions:

1. amendment of the Articles or Associations;
2. subject to the completion of the Share Offer, the Board has been granted a general mandate to allot and issue H Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to take all necessary actions, provided that, the number of H Shares to be issued shall not exceed 20% of the number of our H Shares in issue as at the Listing Date; and
3. the remuneration of executive Directors and independent non-executive Directors.

2. REORGANIZATION

In preparation for the Share Offer, we underwent the Reorganization, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this Prospectus. As advised by our PRC Legal Advisers, the Reorganization has obtained relevant approval documents from the PRC government and completed corresponding procedures in business registration. These approval documents include:

- (a) On February 14, 2017, Free Trade Zone Administrative Committee issued approvals with consent to the conversion of Tianjin Tianbao Electricity into a joint stock limited company;

- (b) On February 24, 2017, SASAC Tianjin issued an approval document approving the Company's state-owned shares management plan;
- (c) On February 24, 2017, SASAC Tianjin issued an approval document approving the establishment of the Company;
- (d) On January 19, 2017, the Promoters convened an inaugural meeting of our Company, at which, among other things, the establishment of our Company and the adoption of our initial Articles of Association were approved; and
- (e) On February 28, 2017, a new business license was issued by the Market and Quality Regulatory Bureau of Tianjin Pilot Free Trade Zone (天津市自由貿易試驗區市場和質量監督管理局), whereupon we were formally established as a joint stock limited company.

3. FURTHER INFORMATION ON OUR SUBSIDIARIES

A. Principal subsidiary

Our principal subsidiary (for the purpose of the Listing Rules) as of December 31, 2017 is set out under the financial statements in the Accountants' Report as included in Appendix I to this Prospectus.

B. Changes in the share capital of our subsidiary

There has been no alteration in the share capital of our subsidiary within the two years preceding the date of this Prospectus.

4. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within the two years immediately preceding the date of this Prospectus which are or may be material:



- (a) the Public Offer Underwriting Agreement;
- (b) the Non-competition Deed;
- (c) the deed of indemnity dated April 4, 2018, entered into between our Company and the Controlling Shareholders, pursuant to which the Controlling Shareholders agreed to give certain indemnities in our Group's favour, details of which are set out in the sub-section headed "7. Other Information – B. Indemnities" in this Appendix;

- (d) the cornerstone investment agreement dated March 29, 2018 entered into between the Company, Tsinlien Group Company Limited and Orient Securities (Hong Kong) Limited, details of which are included in the section headed “Cornerstone Investor” of this Prospectus;
- (e) the Repayment Agreement;
- (f) the ownership transfer agreement entered into between Tianbao Thermal and Tianjin Tianbao Electricity dated July 15, 2016, pursuant to which, among others, Tianbao Thermal agreed to transfer five pieces of equipment assets of Haigang Thermal Plant to Tianjin Tianbao Electricity at a consideration of RMB6,858,900; and
- (g) the supplemental agreement entered into among Tianbao Thermal, Tianbao Investment, Tianbao Holdings and Tianjin Tianbao Electricity on July 26, 2016, in relation to the equity transfer agreements entered into between (i) Tianbao Thermal and Tianbao Holdings; and (ii) Tianbao Thermal and Tianbao Investment, respectively. Pursuant to the supplemental agreement, the parties to the agreement agreed that, among others, Tianjin Tianbao Electricity shall pay the distributable profits in the amount of RMB1,088,934 to Tianbao Investment and RMB9,335,466 to Tianbao Holdings, respectively. For details of the equity transfer agreements, please refer to the section headed “History, Reorganization and Corporate Structure – III. 2015 – present”.








B. Our intellectual property rights

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material in relation to our business:

<u>No.</u>	<u>Trademark</u>	<u>Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Duration</u>	<u>Class</u>
1.		Our Company	PRC	12093838	July 14, 2014 to July 13, 2024	39
2.	TBDL	Our Company	PRC	12093837	July 14, 2014 to July 13, 2024	39
3.		Our Company	PRC	12093836	July 14, 2014 to July 13, 2024	39

We have been licensed by Tianbao Holdings to use the following trademarks in the PRC and Hong Kong, which are material in relation to our Group's business:

No.	Trademark	Owner	Place of Registration	Registration Number	Duration	Class
1.		Tianbao Holdings	PRC	6361560	October 29, 2010 to March 26, 2020	37
2.		Tianbao Holdings	PRC	6361631	October 29, 2010 to September 12, 2020	39
3.		Tianbao Holdings	PRC	6361647	October 29, 2010 to September 19, 2020	39
4.		Tianbao Holdings	PRC	6361648	October 29, 2010 to September 19, 2020	39
5.		Tianbao Holdings	Hong Kong	303976651	November 28, 2016 to November 27, 2026	16, 35, 36, 39, 40, 41
6.		Tianbao Holdings	Hong Kong	303976660	November 28, 2016 to November 27, 2026	16, 35, 36, 39, 40, 41
7.		Tianbao Holdings	Hong Kong	303976679	November 28, 2016 to November 27, 2026	16, 40, 41

Patents

As at the Latest Practicable Date, the following are patents that our subsidiaries have been granted in the PRC and which we consider to be or may be material to our business:

No.	Patent Name	Patentees	Class of Patents	Patent No.	Application Date	Grant Date
1.	A disassembly and assembly device for electrical equipment signal indicator lamp (一種電氣設備信號指示燈泡拆裝器)	Our Company	Utility Model	ZL201420797584.5	December 16, 2014	May 20, 2015

No.	Patent Name	Patentees	Class of Patents	Patent No.	Application	
					Date	Grant Date
2.	An electriferous dust removal device of wall feed-through sleeve (一種穿牆套管帶電除塵裝置)	Our Company	Utility Model	ZL201420794915.X	December 16, 2014	May 20, 2015
3.	A reinforcing structure of oil valve plastic sealing cover (一種油閥塑料密封蓋加固結構)	Our Company	Utility Model	ZL201420800939.1	December 16, 2014	May 20, 2015
4.	A solar power supply device (一種太陽能供電設備)	Our Company	Utility Model	ZL201420797581.1	December 16, 2014	May 20, 2015
5.	A fixing device for signal line of electric mosaic simulation screen (電力馬賽克模擬屏信號線固定裝置)	Our Company	Utility Model	ZL201420800440.0	December 16, 2014	May 20, 2015
6.	A power generation workshop instrument rack (一種發電車間儀表架)	Our Company	Utility Model	ZL201420795233.0	December 16, 2014	April 15, 2015
7.	An outdoor temporary electricity consumption metering management switch box (戶外臨時用電計量管理開關箱)	Our Company	Utility Model	ZL201420797606.8	December 16, 2014	April 15, 2015
8.	Diode heat-dissipation device in vacuum contactor control loop (真空接觸器控制回路中二極管散熱裝置)	Our Company	Utility Model	ZL201420800195.3	December 16, 2014	April 15, 2015
9.	A motor bearing dismantling tool (一種電機軸承拆卸工具)	Our Company	Utility Model	ZL201420796027.1	December 16, 2014	April 15, 2015

No.	Patent Name	Patentees	Class of Patents	Patent No.	Application	
					Date	Grant Date
10.	A wiring connection protection device for transformer incoming and outgoing line (一種變壓器進出線接線連接防護裝置)	Our Company	Utility Model	ZL201420797585.X	December 16, 2014	April 15, 2015
11.	10 kV stabilizing control circuitry switch cabinet (10 kV 開關櫃防跳控制回路)	Our Company	Utility Model	ZL201420797739.5	December 16, 2014	April 15, 2015
12.	Clock system with IRIG-B time setting function (具有 IRIG-B 對時功能的時鐘系統)	Our Company	Utility Model	ZL201420797559.7	December 16, 2014	April 15, 2015
13.	A high-voltage bushing lead structure of transformer of 35 kV (一種35kV變壓器高壓套管引線結構)	Our Company	Utility Model	ZL201420800436.4	December 16, 2014	April 15, 2015
14.	Simple opening devices for valve of ZS1-type switch cabinet (ZSI 型開關櫃活門簡易開啟裝置)	Our Company	Utility Model	ZL201420800371.3	December 16, 2014	April 15, 2015
15.	A 10 kV ring main unit cable chamber moisture proof device (一種10kV環網櫃電纜室防潮裝置)	Our Company	Utility Model	ZL201420796026.7	December 16, 2014	April 15, 2015
16.	Electric charge arrearrage sound-light alarm reset system (電費欠費聲光報警復位系統)	Our Company	Utility Model	ZL201420797607.2	December 16, 2014	April 15, 2015

No.	Patent Name	Patentees	Class of Patents	Patent No.	Application Date	Grant Date
17.	An automatic voltage regulation system for silicon chain (一種用於硅鏈的自動調壓系統)	Our Company	Utility Model	ZL201621127035.2	October 17, 2016	May 17, 2017
18.	A feeder device power decentralized control system (一種給煤機設備電源分散控制系統)	Our Company	Utility Model	ZL201621129200.8	October 17, 2016	May 17, 2017
19.	A temperature and pressure reducer with isolating construction (一種具有分離結構的減溫減壓器)	Our Company	Utility Model	ZL201621126995.7	October 17, 2016	May 17, 2017
20.	A non-removal wiring device for exciter (一種用於勵磁機的免拆接線裝置)	Our Company	Utility Model	ZL201621127271.4	October 17, 2016	May 17, 2017

Under the PRC law, a granted invention has a validity period of 20 years from the date of its application and a granted utility model has a validity period of 10 years from the date of its application.

Computer software copyrights

As at the Latest Practicable Date, we have registered the following copyrights, which we consider to be or may be material to our business:

<u>No.</u>	<u>Owner</u>	<u>Name of Software</u>	<u>Registered Number</u>	<u>Registration Date</u>
1.	Our Company	Tianbao Electricity Company business expansion management system (天保電力業擴管理系統)	2013SR000742	October 15, 2012
2.	Our Company	Tianbao Electricity Company calculation facility management system (天保電力計量設備管理系統)	2013SR000737	October 15, 2012
3.	Our Company	Tianbao Electricity Company check and charge on electricity fee management system (天保電力電費抄核收管理系統)	2013SR000741	October 15, 2012
4.	Our Company	Tianbao Electricity Company internal coordination platform system (天保電力內部協作平臺系統)	2013SR035825	January 15, 2013
5.	Our Company	Tianbao Electricity Company production information management system (天保電力生產管理信息系統)	2012SR114644	December 6, 2009
6.	Our Company	Tianjin Tianbao Electricity worksheet system (天津天保電力有限公司工作票系統)	2013SR032403	September 20, 2009

Domain names

As at the Latest Practicable Date, we have registered the following domain names:

<u>No.</u>	<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiration Date</u>
1.	tjtbny.com	April 19, 2017	April 19, 2019

5. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS**A. Particulars of Directors' and Supervisors' Contracts**

Each of the executive Directors and non-executive Directors (except for Mr. Yu Yang), entered into a service contract with our Company on April 10, 2017. Mr. Yu Yang, a non-executive Director entered into a service contract with our Company on November 22, 2017. The principal particulars of these service agreements are (a) for a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained and (b) are subject to termination in accordance with their respective terms. The appointments are subject to the provisions of retirement and rotation of Directors under the Listing Rules.

Each of the independent non-executive Directors entered into a service contract with our Company on April 4, 2018. The principal particulars of these service agreements are (a) for a term of three years commencing from the date of the agreement and (b) are subject to termination in accordance with their respective terms. The appointments are subject to the provisions of retirement and rotation of Directors under the Listing Rules.

Each of the Supervisors entered into a contract with our Company on April 10, 2017 for a term of three years from March 24, 2017. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of the Articles of Association and resolution of disputes by means of litigation.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

The aggregate amounts of compensation (including fees, salaries, pension-defined contribution plans, housing allowances and other allowances, benefits in kind and discretionary bonuses) which were paid to the Directors and Supervisors during the three years ended December 31, 2015, 2016 and 2017 were approximately RMB1.73 million, RMB1.19 million and RMB2.12 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by us to the Directors and Supervisors in respect of the three years ended December 31, 2015, 2016 and 2017.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director during the current financial year.

Under the existing arrangements currently in force, the aggregate remuneration payable and benefits in kind granted to the Directors and the Supervisors for the year ending December 31, 2018 are estimated to be approximately RMB1.70 million and RMB1.99 million, respectively.

Each of the Directors and the Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his/her duties.

6. DISCLOSURE OF INTERESTS

A. Disclosure of Interests

(a) Disclosure of the Directors' and Supervisors' interests in the registered capital of associated corporations of our Company

Immediately following completion of the Share Offer and assuming the Offer Size Adjustment Option is not exercised, none of our Directors, Supervisors and chief executive of our Company has any interest and/or short position in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares

Save as disclosed in the section headed "Substantial Shareholders" in this Prospectus, our Directors, Supervisors or chief executive are not aware of any other person, not being a Director, Supervisor, or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company which, once our H Shares are listed, would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

B. Disclaimers

- (a) None of the Directors or Supervisors or experts referred to under the paragraph headed “Consents of experts” below is interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to, our Company, or are proposed to be acquired or disposed of by or leased to our Company.
- (b) Saved in connection with the Public Offer Underwriting Agreement and the Placing Underwriting Agreement none of the Directors or Supervisors or experts referred to under the paragraph headed “Consents of experts” below is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business taken as a whole.
- (c) Save in connection with the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, none of the parties in the aforesaid paragraph:
 - i. is interested legally or beneficially in any of our Shares or any shares in any of our subsidiary; or
 - ii. has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.
- (d) None of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange.
- (e) As at the Latest Practicable Date, none of the Directors, Supervisors, their respective associates, or any of the Shareholders (who to the knowledge of the Directors owns more than 5% of our issued share capital), had any interest in any of our top five suppliers and top five clients in respect of each of our business segments.
- (f) None of the Directors, Supervisors and chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Stock Exchange.

- (g) No amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to the promoter nor is any such amount, securities or benefit intended to be paid, allotted or give. None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business.
- (h) None of the Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended December 31, 2015, 2016 and 2017 as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

7. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC law is likely to fall upon any member of our Group.

B. Indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into a deed of indemnity (the “**Deed of Indemnity**”) with our Company in favour of us (being the contract referred to in paragraph (c) of the sub-section headed “4. Further Information about our Business – A. Summary of our Material Contracts” to provide the following indemnities:

Pursuant to the Deed of Indemnity, the Indemnifiers shall indemnify the Company (for itself and as trustee for each of the other members of the Group) against, among other things, (a) any depletion in or diminution of the value of assets of any member of the Group as a direct or indirect consequence of, and in respect of any amount which any member of the Group may become liable to pay, resulting from, among other things, any taxation falling on any member of the Group resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to have been earned, accrued or received) on or before the Listing Date; and (b) all claims, actions, liabilities and penalties suffered or incurred by any member of the Group in connection with all non-compliance matters disclosed in this Prospectus.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among other things, (a) full provision or allowance has been made for such taxation in the audited accounts of our Group for each of the three years ended December 31, 2017; and (b) the taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date.

C. Litigation

Save as disclosed in the section headed “Business – Regulatory Compliance and Legal Proceedings” in this Prospectus, as at the Latest Practicable Date, we are not involved in any material litigation, arbitration, administrative proceedings or claims of material importance. So far as the Directors are aware, no such material litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

D. The Sole Sponsor

The Sole Sponsor, namely, Orient Capital (Hong Kong) Limited, has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

We agreed to pay a total amount of HK\$8 million to the Sole Sponsor for its role as the sponsor to our Company in the Listing.

E. Compliance Adviser

We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

F. Preliminary Expenses

Our estimated preliminary expenses in relation to the conversion of our Company from a limited liability company into a joint stock limited liability company were approximately RMB0.75 million and have been paid by us.

G. Promoters

The Promoters of our Company are Tianbao Holdings and Tianbao Investment. Within the two years immediately preceding the date of this Prospectus, no cash, security or benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the Promoters named above in connection with the Share Offer or the related transactions described in this Prospectus.

H. Qualification of Experts

The following are the qualifications of the experts which have given their opinion or advice which are contained in, or referred to in, this Prospectus:

Name	Qualification
Orient Capital (Hong Kong) Limited	Licensed to conduct Type 6 of the regulated activities as defined under the SFO
Tian Yuan Law Firm	PRC Legal Advisers
Commerce & Finance Law Offices	PRC Legal Advisers
KPMG	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Ipsos Limited	Industry consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

I. Consents of Experts

Each of the Sole Sponsor, KPMG as our reporting accountants, Jones Lang LaSalle Corporate Appraisal and Advisory Limited as our independent property valuer, Tian Yuan Law Firm and Commerce & Finance Law Offices as our PRC Legal Advisers, Ipsos Limited and Frost & Sullivan as our industry consultants, has given and has not withdrawn its respective written consent to the issue of this Prospectus with the inclusion of any of its certificates, letters, opinions or reports (as the case may be) and the references to its name included herein in the form and context in which it is included.

J. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effect on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Appendix IV – Taxation and Foreign Exchange” to this Prospectus.

K. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2017.

L. Binding effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

M. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this Prospectus as mentioned in the section headed “Connected Transactions” in this Prospectus and in note 27 of the “Accountants’ Report” in Appendix I to this Prospectus.

N. Miscellaneous

Save as disclosed in this Prospectus:

- (a) Within the two years immediately preceding the date of this Prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) No share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) No member of our Group has issued or agreed to issue any founder or management or deferred shares;
- (d) No member of our Group has issued or agreed to issue any debentures;
- (e) The Company has no outstanding convertible debt securities or debentures;
- (f) Within two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any of the shares or loan capital of the Company or any of our subsidiaries;
- (g) There is no arrangement under which future dividends are waived or agreed to be waived;

- (h) There has been no interruption in our business which may have or have had a material adverse effect on the financial position in the 12 months immediately preceding the date of this Prospectus;
- (i) No part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought; and
- (j) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

O. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This Prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this Prospectus and the Chinese translation, the English language version of this Prospectus shall prevail.

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (i) a copy of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (ii) the written consents referred to in the section headed “Statutory and General Information – 7. Other Information – I. Consents of experts” in Appendix VII to this Prospectus; and
- (iii) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – 4. Further Information about our Business – A. Summary of our material contracts” in Appendix VII to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (1) the Articles of Association;
- (2) the accountants’ report of the Company prepared by KPMG, the text of which is set out in Appendix I to this Prospectus;
- (3) the audited consolidated financial statements of our Group for the three years ended December 31, 2015, 2016 and 2017;
- (4) the report in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;
- (5) the letters and valuation certificate relating to the Group’s selected property interest prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this Prospectus;
- (6) the PRC legal opinions issued by our PRC Legal Advisers in respect of, among other things, general matters and property interests of our Group;
- (7) the material contracts referred to in the section headed “Statutory and General Information – 4. Further Information about our Business – A. Summary of our material contracts” in Appendix VII to this Prospectus;

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (8) the written consents referred to in the section headed “Statutory and General Information – 7. Other Information – I. Consents of Experts” in Appendix VII to this Prospectus;

- (9) the service contracts referred to in the section headed “Statutory and General Information – 5. Further Information about our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VII to this Prospectus; and

- (10) the PRC Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.

Tianjin Tianbao Energy Co., Ltd.*
天津天保能源股份有限公司