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

* For identification purposes only

INTERIM REPORT

2019

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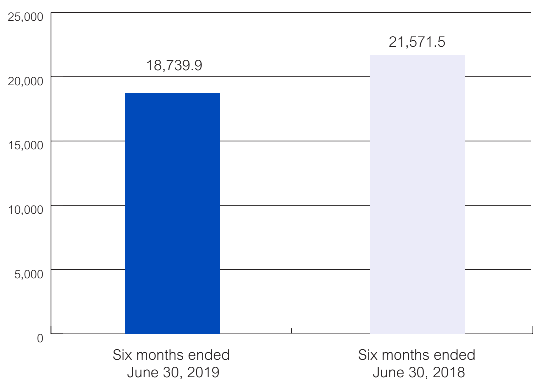
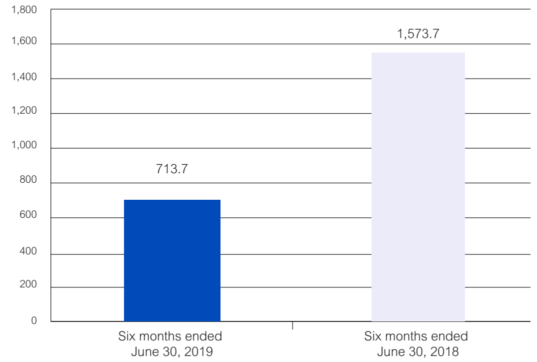
Financial Highlights

The Board of Directors of Tianjin Tianbao Energy Co., Ltd. announces the unaudited operating results for the six months ended June 30, 2019 and a comparison with the unaudited operating results for the corresponding period of last year. For the six months ended June 30, 2019, the Company and its subsidiary recorded a consolidated operating income of RMB187.399 million, which had decreased by 13.13% as compared with the corresponding period of last year. The profit for the period attributable to Shareholders of the Company was RMB7.137 million, representing a decrease of 54.65% as compared with the corresponding period of last year. The earnings per Share were RMB0.04, representing a decrease of 66.67% as compared with the corresponding period of last year.

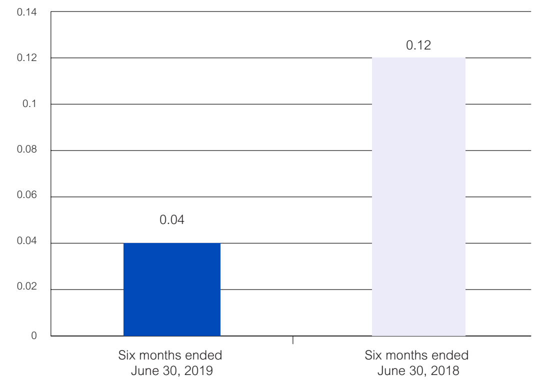
Operating income (RMB10,000)



Profit for the period attributable to Shareholders of the Company (RMB10,000)



Earnings per Share (RMB)



	Six months ended June 30, 2019 RMB'000 (Unaudited)	Six months ended June 30, 2018 *(Note)* RMB'000 (Unaudited)
Revenue	**187,399**	215,715
Profit before tax	**9,519**	20,996
Income tax	**(2,382)**	(5,259)
Profit for the period	**7,137**	15,737
Attributable to:		
Equity shareholders of the Company	**7,137**	15,737
Profit for the period	**7,137**	15,737
Earnings per Share		
Basic (RMB)	**0.04**	0.12
Diluted (RMB)	**0.04**	0.12

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 *(Note)* RMB'000 (Audited)
Total non-current assets	**358,502**	369,755
Total current assets	**173,499**	181,436
Total assets	**532,001**	551,191
Total current liabilities	**56,793**	72,211
Total non-current liabilities	**176,430**	174,545
Total liabilities	**233,223**	246,756
Net assets	**298,778**	304,435
Total equity attributable to ordinary Shareholders of the Company	**298,778**	304,435
Total equity	**298,778**	304,435

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2 of the interim financial report.

Corporate Information

REGISTERED NAME

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

DIRECTORS

EXECUTIVE DIRECTORS

Mr. GAO Hongxin (高洪新) *(Chairman of the Board)*
Mr. XING Cheng (邢城) *(General manager)*
Mr. PENG Chong (彭沖)
Ms. FANG Wei (房瑋) *(resigned on February 28, 2019)*

NON-EXECUTIVE DIRECTORS

Mr. YU Yang (于暘)
Mr. WU Tao (武韜)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Tsz Bun (劉子斌)
Mr. HAN Xiaoping (韓曉平)
Ms. YANG Ying (楊瑩)

AUDIT COMMITTEE

Mr. LAU Tsz Bun (劉子斌) *(Chairperson)*
Ms. YANG Ying (楊瑩)
Mr. WU Tao (武韜)

REMUNERATION COMMITTEE

Mr. LAU Tsz Bun (劉子斌) *(Chairperson)*
Ms. YANG Ying (楊瑩)
Mr. PENG Chong (彭沖)

NOMINATION COMMITTEE

Mr. GAO Hongxin (高洪新) *(Chairperson)*
Ms. YANG Ying (楊瑩)
Mr. HAN Xiaoping (韓曉平)

BOARD OF SUPERVISORS

Ms. XUE Xiaofang (薛曉芳) *(Chairperson)*
Mr. SHAO Guoyong (邵國永)
Mr. YANG Kui (楊逵)

COMPANY SECRETARIES

Mr. LAU Kwok Yin (劉國賢)
Ms. FANG Wei (房瑋) *(resigned on February 28, 2019)*

AUTHORIZED REPRESENTATIVES

Mr. PENG Chong (彭沖) *(appointed on February 28, 2019)*
No.35 Haibinba Road
Tianjin Port Free Trade Zone
Tianjin City
PRC

Mr. LAU Kwok Yin (劉國賢)
40th Floor, Sunlight Tower
No.248 Queen's Road East
Wanchai, Hong Kong

Ms. FANG Wei (房瑋) *(resigned on February 28, 2019)*

REGISTERED OFFICE AND HEAD OFFICE

No.35 Haibinba Road
Tianjin Port Free Trade Zone
Tianjin City
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No.248 Queen's Road East
Wanchai, Hong Kong

* For identification purpose only

Corporate Information

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

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
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HONG KONG LEGAL ADVISER

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The Landmark
15 Queen's Road Central
Central, Hong Kong

PRC LEGAL ADVISER

King & Wood Mallesons
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Chaoyang District, Beijing, PRC

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited
Shops 2701 and 06-08, 27/F
Wing On House
71 Des Voeux Road Central
Central, Hong Kong

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

STOCK CODE

1671

COMPANY'S WEBSITE

www.tjtbny.com

INVESTOR ENQUIRIES

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Facsimile: +86 22-66276388
Email: tianbaonengyuan@tjtbny.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

SUMMARY OF BUSINESS REVIEW FOR THE FIRST HALF OF 2019

In the first half of 2019, the operation of Company remained stable, amid increased external pressure from the market. The selling price for electricity was lowered as required by relevant government policies, the demand of users in the area for steam and power decreased and the price of thermal coal continued to fluctuate at a high level. In the face of adverse economic situation, the Company basically reached various operation targets. The Company continued to advance the reformation of electric power system, assisting enterprises in the district to complete the approval process and registration, and qualified users have started to participate in market trading. The Company actively promoted the photovoltaic power generation project and focused on preparing for the construction of the principal parts of the project. The Company launched a comprehensive performance appraisal to enhance the Company's management level. The Company actively communicated with companies in the same industry having the intention of merger and acquisition to increase the Company's project opportunities.

HIGHLIGHTS OF MAJOR INITIATIVES OF THE COMPANY IN THE FIRST HALF OF 2019

1. Continue advancing the reformation of electric power system

Under the background of our country's more in-depth new round of electric power system reform, the Company actively promoted the electricity sales business. In the first half of the year, the Company carried out multiple rounds of communication with Tianjin Industry and Information Technology Bureau (天津市工業和信息化局) and Tianjin Power Exchange Center Co., Ltd. (天津電力交易中心有限公司) on matters related to power marketization. In the approval process of the seventh batch of power trading users organized by Tianjin Industry and Information Technology Bureau, the Company completed the power trading market registration on behalf of qualified users. The Company has completed the confirmation of transaction price and trading platform with the power plant and participated in the trading as an electricity sales company on behalf of the enterprise users in the district. Qualified users have started to participate in market trading in June 2019. The Company has taken a big step forward in the electricity sales market.

2. Actively promoting the photovoltaic power generation project

In order to promote the expansion of the Company's new energy business, the Company launched the photovoltaic power generation project this year. In the first half of the year, the Company completed the approval process for the increase of the registered capital of its wholly-owned subsidiary Tianjin Baorun in order to make it the principal entity responsible for the photovoltaic project. The Company plans to use the roof of buildings and factories of the Company and other companies in the Tianjin Port Free Trade Zone (Seaport) to install monocrystalline silicon component photovoltaic power generation equipment for power generation. The feasibility study and preliminary design of the project as well as load testing of the roofs to be built have been completed, and a load report has been issued. The project has already been filed with and approved by the Tianjin Port Free Trade Zone Approval Bureau. The Company is currently inviting public tenders. The construction of the principal parts of the project will commence in the second half of the year.

3. Fuel purchase cost control

In the first half of 2019, coal prices generally remained at a high level, representing fluctuation at high price level with a trend of gradual decrease. China's coal market policy adheres to its focus on guaranteed supply and stable price. The Company fully analyzed the market, adopted measures such as expanding supplier scope, strengthening supplier research and market comparison, and implemented the Company's procurement policy, so as to fully control fuel procurement costs.

4. Launching a comprehensive performance appraisal

In the first half of the year, the Company officially launched its comprehensive performance management work, deployed an all-rounded performance appraisal system, and hired a human resources company, thereby embarking on the overall design of a performance appraisal system. The establishment of the performance appraisal organization, the assessment and interview of the leading and mid-level management personnel, and the compilation of the job descriptions have already been completed.

5. Actively looking for opportunities for growth

Relying on the advantages of the listing platform, the Company actively sought quality projects in the industry and development opportunities for merger and acquisition. The Company has communicated with excellent energy and power companies in the industry and laid the foundation for further cooperation. The Company values opportunities to increase its scale through mergers and acquisitions in the industry to stimulate the Company's competitive potential.

OPERATING RESULTS AND ANALYSIS

According to the Company's statistics, in the first half of 2019, sales of steam amounted to 367,800 tons, representing a decrease of 12.24% from 419,100 tons over the corresponding period of last year, mainly due to the customers' decreased demand for steam; sales of electricity amounted to 117.005 million kilowatt-hours, representing a decrease of 9.10% from 128.722 million kilowatt-hours over the corresponding period of last year, mainly due to the decrease in the customers' business volume in the district which led to the decrease in electricity used; and on-grid power generation amounted to 27.127 million kilowatt-hours, representing a decrease of 14.14% from 31.596 million kilowatt-hours over the corresponding period of last year, mainly due to the decrease in steam production of the Company in the first half of 2019 which in turn led to lower power generation, and the fact that the Company reserved more power generated for its own use had led to a decrease in on-grid power generation supplied to customers of the Group.

1. Operating income

In the first half of 2019, the consolidated operating income recorded by the Company and its subsidiary decreased by 13.13% from RMB215.715 million for the first half of 2018 to RMB187.399 million for the first half of 2019.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment decreased by 12.70% from RMB100.518 million for the first half of 2018 to RMB87.748 million for the first half of 2019, mainly due to the decrease in electricity fee income as a result of (i) the reduction in the selling price for electricity within Tianjin by the Group during the first half of 2019 in compliance with the policies issued by the relevant PRC government authority; and (ii) the slight decrease in business volume of our consumers for the first half of 2019 as compared with the corresponding period of 2018. The production of our major customers reduced and led to decrease in the Group's metered electricity fee income.

Power generation and supply segment

The income from our power generation and supply segment decreased by 9.68% from RMB96.072 million for the first half of 2018 to RMB86.775 million for the first half of 2019, mainly due to the decrease in our consumers' demand for steam.

Other segments

The income from other segments decreased by 32.67% from RMB19.125 million for the first half of 2018 to RMB12.876 million for the first half of 2019, mainly due to the reduction in sales of electrical switches under market influences.

2. Other net income

In the first half of 2019, the Group recorded other net income of RMB1.689 million, representing a decrease of 64.21% as compared with the corresponding period of last year of RMB4.719 million, which was primarily due to the decrease in government grants.

3. Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment decreased by 8.91% from RMB91.648 million for the first half of 2018 to RMB83.486 million for the first half of 2019.

Power generation and supply segment

The costs of our power generation and supply segment decreased by 5.60% from RMB76.846 million for the first half of 2018 to RMB72.542 million for the first half of 2019 due to the decrease in fuel consumption and costs as a result of the decrease in our consumers' demand for steam.

Other segments

The costs of other segments decreased by 93.54% from RMB17.486 million for the first half of 2018 to RMB1.130 million for the first half of 2019, which was mainly due to the decrease in costs of sales as a result of the reduction in sales of electrical switches under market influences.

4. Segment gross profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment decreased by 46.58% from RMB10.014 million for the first half of 2018 to RMB5.349 million for the first half of 2019.

Power generation and supply segment

The gross profit from our power generation and supply segment decreased by 27.30% from RMB18.083 million for the first half of 2018 to RMB13.146 million for the first half of 2019.

Other segments

The gross profit from other segments decreased by 3.79% from RMB1.638 million for the first half of 2018 to RMB1.576 million for the first half of 2019.

5. Earnings before interest, taxes, depreciation and amortisation

Earnings before interest, taxes, depreciation and amortisation decreased by 21.23% from RMB41.588 million in the first half of 2018 to RMB32.758 million in the first half of 2019.

6. Finance costs

In the first half of 2019, the Company and its subsidiary recorded finance costs of RMB3.491 million, representing a decrease of 32.41% as compared with the corresponding period of last year of RMB5.165 million, which was primarily due to the repayment by the Company to certain Shareholders in connection with the share capital reduction last year, and a portion of the amount due to such Shareholders with respect to the remaining capital reduction amount came due by the end of last year, thereby reducing the interest expenses in the first half of the year.

7. Fuel costs

In the first half of 2019, the Company and its subsidiary recorded fuel costs of RMB40.107 million, representing a decrease of 13.24% as compared with the corresponding period of last year of RMB46.225 million, which was primarily due to the decrease in the fuel consumption.

8. Profit before tax

The profit before tax decreased by 54.66% from RMB20.996 million for the first half of 2018 to RMB9.519 million for the first half of 2019.

9. Income tax expenses

In the first half of 2019, the Group recorded income tax expenses of RMB2.382 million, representing a decrease of 54.71% as compared with the corresponding period of last year of RMB5.259 million, which was primarily due to the decrease in profit.

10. Profit for the period

Profit for the period decreased by 54.65% from RMB15.737 million for the first half of 2018 to RMB7.137 million for the first half of 2019.

FINANCIAL POSITION

1. Assets and liabilities

Total assets decreased by 3.48% from RMB551.191 million as at the end of 2018 to RMB532.001 million as at the end of June 2019. Total liabilities decreased by 5.48% from RMB246.756 million as at the end of 2018 to RMB233.223 million as at the end of June 2019. Total equity attributable to ordinary Shareholders of the Company decreased by 1.86% from RMB304.435 million as at the end of 2018 to RMB298.778 million as at the end of June 2019.

As of the end of June 2019, our current assets amounted to RMB173.499 million, representing a decrease of 4.37% from RMB181.436 million as at the end of 2018, of which cash and cash equivalents amounted to RMB140.957 million (end of 2018: RMB140.400 million), trade and bill receivables amounted to RMB26.000 million (end of 2018: RMB34.575 million), which was mainly receivables of steam revenue. Our current liabilities amounted to RMB56.793 million (end of 2018: RMB72.211 million), of which trade and other payables amounted to RMB22.619 million (end of 2018: RMB42.925 million); and non-current liabilities amounted to RMB176.430 million (end of 2018: RMB174.545 million).

2. Cash and cash equivalents

As at the end of June 2019, the Group recorded cash and cash equivalents of RMB140.957 million, representing an increase of 0.40% as compared with the end of last year of RMB140.400 million. Taking into account the capital needs of the Company's daily operating activities and the higher expected capital expenditures, the Company adopted a conservative cash management strategy.

3. Gearing ratio

The gearing ratio is calculated as the balance of liabilities as at the end of the period divided by the balance of Shareholders' equity as at the end of the period.

As at the end of June 2019, the Group recorded a gearing ratio of 0.78, representing a slight decrease as compared with the end of last year of 0.81, which was due to reduced liabilities as a result of the repayment to the Shareholders in connection with the share capital reduction last year.

Adjusted net debt-to-capital ratio

Adjusted net debt-to-capital ratio is calculated as adjusted net debt divided by adjusted capital. Adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

As at the end of June 2019, adjusted net debt-to-capital ratio of the Group was 9.2%, while adjusted net debt-to-capital ratio at the end of 2018 was 3.7%, the increase was due to the accrued dividends payable this year.

HUMAN RESOURCES AND TRAINING

As of June 30, 2019, we had 72 employees. The following table sets forth the number of employees for each of our areas of operations as of June 30, 2019.

Function	Number of Employees	Percentage of Total
Management, administration and finance	19	26.39%
Marketing	11	15.28%
Procurement	4	5.55%
Engineering and technology	38	52.78%
Total	72	100.00%

As of June 30, 2019, we incurred staff costs (including salaries, benefits and allowances) of RMB12.125 million.

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

The Group places significant emphasis on staff training and development. The Group invests 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 the management and various department heads of the Group or conducted by external trainers. The Group wants to ensure that our staff remain equipped with the necessary skills to stay professional in their respective areas of work as this in turn helps to maintain the Group's competitiveness.

As of June 30, 2019, the Group organized seven safety production training programs led by directors of the safety production division and heads of various departments for all employees, achieved the performance pledge of "six zeros and six goals" of safety production.

The Directors believe that we maintain a good working relationship with our personnel. Our employees are unionized in accordance with local labor laws.

OTHER SIGNIFICANT EVENTS

1. Capital raising

The Company completed the initial public offering and was listed on the Main Board of the Stock Exchange on April 27, 2018. The actual net proceeds from the initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the initial public offering, amounted to approximately HK$41.18 million.

2. Capital expenditure and capital commitment

In the first half of 2019, capital expenditure of the Group was RMB1,097 million, which was mainly used for (i) expenses of procurement of machinery and equipment amounting to RMB0.281 million; (ii) upgrade expenses of no. 1 and 2 power transformation stations in Tianjin Port Free Trade Zone amounting to RMB0.164 million; and (iii) renovation expenses of Tianjin Port Free Trade Zone (Seaport) underground thermal pipes amounting to RMB0.652 million.

As at June 30, 2019, the provision of capital commitment of the Group amounted to RMB15.019 million, all of which is expected to be used for project-related expenses in relation to the photovoltaic power generation project that the Group plans to develop in the following year.

As at June 30, 2019, save as disclosed in this Interim Report, the Group did not have other confirmed plan to make major investments or purchase capital assets or to make relevant financing in the coming year.

3. Liquidity and financial resources

As at June 30, 2019, the Group had no bank borrowings or other borrowings. There were no financial instruments entered into by the Group for hedging purpose. In addition, the Group had no investments in foreign currency.

4. Material acquisitions and disposals

As of June 30, 2019, the Group did not have material acquisitions and disposals.

5. Significant investments

As of June 30, 2019, the Group did not have significant investments.

6. Contingent liabilities

As at June 30, 2019, the Group did not have contingent liabilities.

7. Bank borrowings of the Group

As at June 30, 2019, the Group did not have bank borrowings.

8. Other debts of the Group

Except for the amount of RMB168.384 million due to certain Shareholders of the Company, the Group did not have other interest-bearing debts.

9. Mortgages on Group's assets

As of June 30, 2019, the Group did not have any mortgage.

10. Capital structure

The H Shares of the Company were listed on the Main Board of the Stock Exchange on April 27, 2018. The capital structure of the Company consists of Domestic Shares and H Shares.

11. Share option scheme

As of June 30, 2019, the Company had not implemented any share option scheme.

12. Foreign exchange and exchange rate risk

The Group mainly operates in China. Other than bank deposits denominated in foreign currencies (including bank deposits in Hong Kong dollars and US dollars), the Group is not exposed to material foreign exchange rate risk. The Directors expect that fluctuation in the exchange rate of RMB will not have a material adverse effect on the operation of the Group. Accordingly, the Group did not enter into any hedging arrangement for reducing the risk of fluctuation in exchange rates during the Reporting Period.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2019

1. Fully promoting the optimization of shareholding structure

In the second half of the year, the Company will fully promote the optimization of the shareholding structure and improve the corporate governance under the background of a deepening reform of state-owned enterprises.

2. Vigorously promoting the process of merger and acquisition projects

After in-depth exchanges with many high-quality companies in the same industry, the Company has formed rich project opportunities and has commenced initial discussion with relevant parties for cooperation. In the second half of the year, the Company will look for opportunities to drive substantial progress in merger and acquisition projects among its existing project opportunities from the perspectives of scale advantage, synergy and human resources, under the condition that the target company's financial condition is true and its main business is complementary to the Company's businesses, in order to enhance the Company's performance, improve the efficiency of asset utilization, and create long-term returns for Shareholders.

3. The commencement of construction of photovoltaic power generation project

The Group plans to carry out the photovoltaic power generation project-related works, and expects to officially commence the construction works in the third quarter of 2019 and complete the photovoltaic power generation project commissioning and grid-connected power generation works in the fourth quarter of 2019. The Group expects to officially commence power generation on January 1, 2020. The completion of photovoltaic power generation project will help the Company to broaden its profit channels, break through the bottleneck of traditional energy business, and enhance the Company's performance.

4. Further deepening the technical transformation and upgrading

In the face of increasing pressure from the current economic situation, the Company continued to discover the potential for innovation, and set up a research team for discovering the potential for innovation. The research team is currently conducting two research projects: firstly, it plans to carry out technical reformation of the concentrated water reverse osmosis system in the chemistry water plant, increasing the water recovery efficiency from 50% to 75%, effectively improving the water resource utilization rate; secondly, it plans to upgrade the boiler feed water pump, and the driving mode will be transformed from electric mode to electric steam hybrid system, which is mainly driven by steam, and when the steam quantity is insufficient, it will be supplemented by electric power to maximize the potential utilization of energy. The implementation of the above technical transformations will reduce the Company's production costs while meeting production needs, thereby increasing the Company's profits.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high standard of corporate governance. The Board believes that high standard of corporate governance is essential for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has applied the principles set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Directors consider that the Company has complied with all code provisions as set out in the Corporate Governance Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors, Supervisors and relevant employees of the Company. Upon making specific enquiries to all of the Directors, Supervisors and relevant employees of the Company, all Directors, Supervisors and relevant employees confirmed that during the Reporting Period, each of the Directors, Supervisors, and relevant employees has strictly complied with the required standards set out in the Model Code. The Company is not aware of any incident of non-compliance with the Model Code committed by any Directors, Supervisors or relevant employees during the Reporting Period.

CHARGES ON THE GROUP'S ASSETS

During the Reporting Period, there were no charges on the Group's assets.

LOAN ARRANGEMENTS GRANTED BY THE COMPANY TO ENTITIES

During the Reporting Period, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders of the Company did not pledge any of their Shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations during the Reporting Period.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company has no affiliated companies and the Company did not provide any financial assistance nor guarantee to its affiliated companies during the Reporting Period, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific responsibility of its Controlling Shareholders nor breach the terms of any loan agreements during the same Reporting Period.

AUDIT COMMITTEE

The audit committee comprises three non-executive Directors, namely Mr. Lau Tsz Bun (chairperson), Ms. Yang Ying and Mr. Wu Tao, with the majority being independent non-executive Directors (including one independent non-executive Director with accounting expertise). None of the members of the audit committee is a former partner of the Company's existing auditor. The primary responsibilities of the audit committee are to review and supervise the Group's financial reporting process, risk management and internal control system. The terms of reference of the audit committee are available on the Stock Exchange's website and the Company's website.

The audit committee of the Company has reviewed the Group's 2019 interim results announcement, this Interim Report and the unaudited financial statements for the six months ended June 30, 2019 prepared in accordance with the IFRS.

SHARE CAPITAL

As at June 30, 2019, the total share capital of the Company was 159,920,907 Shares, divided into 115,600,907 Domestic Shares and 44,320,000 H Shares, with a nominal value of RMB1.00 each. After the listing of the Shares on the Main Board of the Stock Exchange, the Company did not issue any new Shares in exchange for cash.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, no Director, Supervisor or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at June 30, 2019, to the knowledge of the Directors, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of Shares/ underlying Shares held (Share) *(Note 2)*	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
Tianbao Holdings *(Note 1)*	Domestic Shares	Beneficial owner	109,606,538 (L)	94.81	68.54
TFIHC *(Note 1)*	Domestic Shares	Interest of a controlled corporation	115,600,907 (L)	100.00	72.29
Yuan Andy Yunnan	H Shares	Beneficial owner	5,344,000 (L)	12.06	3.34

Notes:

1. Tianbao Holdings is interested in 109,606,538 Domestic Shares, and Tianbao Investment is interested in 5,994,369 Domestic Shares. 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 by virtue of the SFO.

2. The letter "L" denotes the relevant person's long position in such Shares.

NON-COMPETITION DEED FROM THE CONTROLLING SHAREHOLDERS

The Company entered into a non-competition deed with the Company's Controlling Shareholders, Tianbao Holdings and TFIHC, 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 the 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 that is in competition with, or is likely to be in competition with, the business carried on by any member of the Group from time to time during the period when the non-competition deed remains valid and effective and will grant the Company options for new business opportunities and acquisitions, as well as pre-emptive rights and the right to acquire the Konggang Thermal Plant Business. The independent non-executive Directors of the Company are solely responsible for reviewing, considering and deciding whether to exercise the options for acquisitions and pre-emptive rights and are responsible for reviewing, considering and deciding whether to exercise the right to acquire the Konggang Thermal Plant Business.

During the Reporting Period, the Company's independent non-executive Directors have reviewed the implementation of the non-competition deed and confirmed that the Controlling Shareholders have fully observed the non-competition deed without any case of violation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or redeemable securities during the six months ended June 30, 2019.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material legal proceedings or arbitrations in which the Company was a defendant. So far as the Directors are aware, no material legal proceedings or claims in which the Company might become a defendant are pending or threatened against the Company.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this Interim Report and the Prospectus, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2019.

CHANGE IN DIRECTORS' AND SUPERVISORS' INFORMATION

Mr. Han Xiaoping, an independent non-executive Director of the Company, became an independent non-executive director of GCL Energy Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002015) in June 2019.

Mr. Yang Kui, a Supervisor of the Company, has become the office manager from the head of materials management department of the Company in May 2019.

Save as disclosed above, as of June 30, 2019, there is no change in the information of Directors and Supervisors of the Company.

CHANGE OF JOINT COMPANY SECRETARY

On February 28, 2019, Ms. Fang Wei resigned as an executive Director, secretary to the Board and joint company secretary of the Company. On the same day, Mr. Lau Kwok Yin became the sole company secretary of the Company.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company was successfully listed on the Main Board of the Stock Exchange on April 27, 2018. A total of 44.32 million H Shares with a nominal value of RMB1.00 each were issued at the price of HK$1.90 per Share through private placing and Hong Kong public offering, accounting for 27.71% of the total issued share capital after the offering, representing a financing scale of approximately HK$84.208 million. The net proceeds from the public offering, after deducting the underwriting commission and other estimated expenses in connection with the public offering, amounted to approximately HK$41.18 million (the "**IPO Proceeds**").

The Company will utilize the IPO Proceeds for the purposes which are consistent with those set out in the Prospectus. The net proceeds from the public offering amounted to HK$41.18 million, among which, HK$25.62 million is expected to be used for the upgrade of technology and equipment. Since the date of obtaining the IPO Proceeds and up to June 30, 2019, HK$19.74 million has been utilized, including HK$5.43 million used for upgrading No. 1 and No. 2 power transformation stations and HK$14.31 million used for upgrading the dust removal system. In accordance with to the Prospectus, net proceeds of HK$15.56 million will be used to establish an electricity sales company.

In the first half of 2019, the Company actively promoted its electricity sales business. At present, according to the relevant policies, the market for electricity sales business in Tianjin has a threshold for entry, and the business scale of electricity sales marketization is small. As arranged in accordance with the Notice of Tianjin Industry and Information Technology Bureau on Arrangement of Direct Power Transaction in 2019 (《市工業和信息化局關於做好天津市2019年電力直接交易工作的通知》), all of the transaction quotas for marketization of power for the year have already been allocated. The environment for setting up an independent electricity sales company are still underdeveloped. Subsequently, the Company will gradually expand its electricity sales business with reference to the openness and business scale of the electricity sales market in 2020, as well as the Company's business development plan. The Company expects to utilize the corresponding proceeds according to the progress of project from the second half of 2019 to 2020.

The unutilized IPO Proceeds have been deposited into short-term demand deposits in a bank account maintained by the Group.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, in accordance with the Company Law of the PRC and other regulatory provisions and relevant requirements as well as changes in economic environment, the Company amended its Articles of Association on June 10, 2019 with reference to practice of other listed companies and based on the actual condition as well as operation and development needs of the Company. Details of such amendments are set out in the circular of the Company dated April 23, 2019. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIRECTORS' REPORTING RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the six months ended June 30, 2019 to give a true and fair view of the production and operation condition of the Group and the business performance and cash flow of the Company.

The management of the Company has provided the Board with the necessary explanations and data to facilitate the review and approval of the Company's financial statements by the Board. The Company provided all members of the Board with monthly updates on the Company's financial position.

The Directors are not aware of any material uncertainties relating to events or conditions that may significantly affect the Company's ability to operate on a going concern.

SUBSEQUENT EVENTS

There is no subsequent event as at the Latest Practicable Date.

KPMG

TO THE BOARD OF DIRECTORS OF TIANJIN TIANBAO ENERGY CO., LTD.

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 48 which comprises the consolidated statement of financial position of Tianjin Tianbao Energy Co., Ltd. (the "**Company**") as of 30 June 2019 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

28 August 2019

Unaudited Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	*3*	**187,399**	215,715
Cost of sales		**(167,328)**	(185,980)
Gross profit		**20,071**	29,735
Other net income	*4*	**1,689**	4,719
Administrative expenses		**(9,047)**	(8,750)
Profit from operations		**12,713**	25,704
Interest income		**297**	457
Finance costs	*5(a)*	**(3,491)**	(5,165)
Profit before taxation	*5*	**9,519**	20,996
Income tax	*6*	**(2,382)**	(5,259)
Profit for the period		**7,137**	15,737
Attributable to:			
Equity shareholders of the Company		**7,137**	15,737
Profit for the period		**7,137**	15,737
Earnings per share	*7*		
Basic (RMB)		**0.04**	0.12
Diluted (RMB)		**0.04**	0.12

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 24 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 14.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Profit for the period	**7,137**	15,737
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**7,137**	15,737
Attributable to:		
Equity shareholders of the Company	**7,137**	15,737
Total comprehensive income for the period	**7,137**	15,737

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 24 to 48 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2019 – unaudited (Expressed in RMB)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	8	**341,568**	352,504
Lease prepayment		**15,153**	15,320
Intangible assets		**1,781**	1,931
		358,502	369,755
Current assets			
Inventories		**4,071**	5,181
Contract assets		**82**	304
Trade and bill receivables	9	**26,000**	34,575
Other receivables and assets	10	**2,389**	976
Cash and cash equivalents	11	**140,957**	140,400
		173,499	181,436
Current liabilities			
Trade and other payables	12	**22,619**	42,925
Contract liabilities (current portion)		**19,791**	25,305
Salary and welfare payables		**1,161**	2,129
Lease liabilities (current portion)	2(d)	**424**	–
Current taxation		**–**	1,852
Dividends payable		**12,798**	–
		56,793	72,211
Net current assets		**116,706**	109,225
Total assets less current liabilities		**475,208**	478,980

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Deferred income		**11,004**	11,431
Contract liabilities (non-current portion)		**7,168**	7,411
Deferred tax liabilities		**3,035**	3,990
Other non-current liabilities	*13*	**155,174**	151,713
Lease liabilities (non-current portion)	*2(d)*	**49**	–
		176,430	174,545
NET ASSETS		**298,778**	304,435
CAPITAL AND RESERVES			
Share capital	*14(a)*	**159,921**	159,921
Reserves		**138,857**	144,514
TOTAL EQUITY		**298,778**	304,435

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 24 to 48 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

		Attributable to equity shareholders of the Company				
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018		115,601	90,174	8,181	30,849	244,805
Changes in equity for the six months ended 30 June 2018:						
Profit for the period		–	–	–	15,737	15,737
Total comprehensive income		–	–	–	15,737	15,737
Issuance of shares upon public offering, net of issuing expenses	*14(a)*	44,320	(11,037)	–	–	33,283
Balance at 30 June 2018 and 1 July 2018		159,921	79,137	8,181	46,586	293,825
Changes in equity for the six months ended 31 December 2018:						
Profit for the period		–	–	–	10,610	10,610
Total comprehensive income		–	–	–	10,610	10,610
Appropriation to reserves	*14(c)*	–	–	2,542	(2,542)	–
Balance at 31 December 2018 and 1 January 2019 (Note)		**159,921**	**79,137**	**10,723**	**54,654**	**304,435**
Changes in equity for the six months ended 30 June 2019:						
Profit for the period		**–**	**–**	**–**	**7,137**	**7,137**
Total comprehensive income		**–**	**–**	**–**	**7,137**	**7,137**
Dividends approved in respect of the previous year	*14(f)*	**–**	**–**	**–**	**(12,794)**	**(12,794)**
Balance at 30 June 2019		**159,921**	**79,137**	**10,723**	**48,997**	**298,778**

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 24 to 48 form part of this interim financial report.

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash generated from operations		**14,951**	49,253
Tax paid		**(5,996)**	(7,284)
Net cash generated from operating activities		**8,955**	41,969
Investing activities			
Payment for the purchase of property, plant and equipment		**(8,170)**	(8,647)
Net cash used in investing activities		**(8,170)**	(8,647)
Financing activities			
Proceeds from issuance of shares under the public offering		**–**	67,593
Payment to shareholder for capital reduction		**–**	(12,490)
Payment for listing expenses		**–**	(2,584)
Capital element of lease rentals paid		**(335)**	–
Interest element of lease rentals paid		**(14)**	–
Net cash (used in)/generated from financing activities		**(349)**	52,519
Net increase in cash and cash equivalents		**436**	85,841
Cash and cash equivalents at 1 January		**140,400**	116,071
Effect of foreign exchanges rates changes		**121**	–
Cash and cash equivalents at 30 June	*11*	**140,957**	201,912

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 24 to 48 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Tianjin Tianbao Energy Co., Ltd. and its subsidiary (together, the "**Group**") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's consolidated financial statements for the year ended 31 December 2018 but is derived from those financial statements. Further information relating to these financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The comparative amounts of the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement in respect of the six months ended 30 June 2018 and the related explanatory notes disclosed in the consolidated interim financial statements have not been audited.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) ***Changes in the accounting policies*** (Continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 16(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.35%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) *Transitional impact* (Continued)

The following table reconciles the operating lease commitments as disclosed in note 16(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	**677**
Less: commitments relating to leases exempt from capitalisation:	
– leases of low-value assets	**(70)**
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	**224**
	831
Less: total future interest expenses	**(22)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	**809**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) ***Transitional impact*** *(Continued)*

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	**Capitalisation of operating lease contracts RMB'000**	**Carrying amount at 1 January 2019 RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	352,504	**809**	**353,313**
Total non-current assets	369,755	**809**	**370,564**
Lease liabilities (current)	–	**(711)**	**(711)**
Current liabilities	72,211	**(711)**	**71,500**
Net current assets	109,225	**98**	**109,323**
Total assets less current liabilities	478,980	**98**	**479,078**
Lease liabilities (non-current)	–	**(98)**	**(98)**
Total non-current liabilities	174,545	**(98)**	**174,447**
Net assets	304,435	**–**	**304,435**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB'000	**At 1 January 2019 RMB'000**
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**468**	**809**

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**424**	**432**	711	731
After 1 year but within 2 years	**49**	**50**	98	100
	49	**50**	98	100
	473		809	
Less: total future interest expenses		**(9)**		(22)
Present value of lease liabilities		**473**		809

(e) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	12,713	340	349	12,704	25,704
Finance costs	(3,491)	13	–	(3,478)	(5,165)
Profit before taxation	9,519	353	349	9,523	20,996
Profit for the period	7,137	353	349	7,141	15,737
Reportable segment profit (adjusted EBITDA) for the six months ended 30 June 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
– Electricity dispatch and sale	8,331	–	–	8,331	12,951
– Power generation and supply	22,818	–	–	22,818	26,963
– Others	1,609	–	287	1,322	1,674
– Total	32,758	–	287	32,471	41,588

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	14,951	(349)	14,602	49,253
Net cash generated from operating activities	8,955	(349)	8,606	41,969
Capital element of lease rentals paid	(335)	335	–	–
Interest element of lease rentals paid	(14)	14	–	–
Net cash (used in)/generated from financing activities	(349)	349	–	52,519

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 identified 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) and relevant service fee.

- 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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Electricity dispatch and sale	**87,748**	100,518
– Power generation and supply	**86,775**	96,072
– Others	**12,876**	19,125
	187,399	215,715

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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 period is set out below.

For the six months ended 30 June	Electricity dispatch and sale		Power generation and supply		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	**87,748**	100,518	**86,775**	96,072	**10,363**	15,567	**184,886**	212,157
Over time	**–**	–	**–**	–	**2,513**	3,558	**2,513**	3,558
Revenue from external customers	**87,748**	100,518	**86,775**	96,072	**12,876**	19,125	**187,399**	215,715
Inter-segment revenue	**1,087**	1,143	**–**	–	**–**	–	**1,087**	1,143
Reportable segment revenue	**88,835**	101,661	**86,775**	96,072	**12,876**	19,125	**188,486**	216,858
Reportable segment profit (adjusted EBITDA)	**8,331**	12,951	**22,818**	26,963	**1,609**	1,674	**32,758**	41,588
Depreciation and amortisation for the period	**2,982**	2,937	**9,672**	8,880	**33**	36	**12,687**	11,853
As at 30 June/31 December								
Reportable segment assets	**59,310**	57,581	**315,086**	333,862	**13,860**	17,960	**388,256**	409,403
Reportable segment liabilities	**25,512**	32,002	**20,511**	30,339	**13,475**	24,822	**59,498**	87,163

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation".

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**188,486**	216,858
Elimination of inter-segment revenue	**(1,087)**	(1,143)
Consolidated revenue	**187,399**	215,715

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Profit		
Reportable segment profit derived from Group's external customers	**32,758**	41,588
Other net income	**1,689**	4,719
Interest income	**297**	457
Finance costs	**(3,491)**	(5,165)
Depreciation and amortisation	**(13,166)**	(11,989)
Unallocated head office and corporate expenses	**(8,568)**	(8,614)
Consolidated profit before taxation	**9,519**	20,996

	At 30 June	At 31 December
	2019	2018
	RMB'000	RMB'000
Assets		
Reportable segment assets	**388,256**	409,403
Unallocated head office and corporate assets	**143,745**	141,788
Consolidated total assets	**532,001**	551,191

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment profit or loss *(Continued)*

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Liabilities		
Reportable segment liabilities	**59,498**	87,163
Unallocated head office and corporate liabilities	**173,725**	159,593
Consolidated total liabilities	**233,223**	246,756

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 OTHER NET INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants	**1,158**	4,513
Others	**531**	206
	1,689	4,719

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
(a) Finance costs		
Interest on lease liabilities	**13**	–
Interest expense on payments due to shareholders	**3,461**	5,145
Other interest expense	**17**	20
	3,491	5,165
(b) Staff costs		
Contributions to defined contribution retirement plan	**1,699**	1,306
Salaries, wages and other benefits	**10,426**	8,224
	12,125	9,530
(c) Other items		
Amortisation		
– land lease premium	**166**	166
– intangible assets	**154**	139
	320	305
Depreciation	**12,846**	11,684
Operating lease charges	**–**	280
Purchase of electricity	**75,384**	84,872
Fuel	**40,107**	46,225
Outsourcing operation	**9,594**	8,457

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6 INCOME TAX

(a) Taxation in the consolidated statements of profit or loss represents:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for the period	**3,337**	6,637
Deferred taxation		
Reversal of temporary differences	**(955)**	(1,378)
	2,382	5,259

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before taxation	**9,519**	20,996
Notional tax on profit before taxation *(Note (i))*	**2,380**	5,249
Tax effect of non-deductible expenses	**2**	10
Actual tax expenses	**2,382**	5,259

(i) The Group was subject to the statutory income tax rate of 25% for the six months ended 30 June 2018 and 2019.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2019 of RMB7,137,000 (six months ended 30 June 2018: RMB15,737,000) and the weighted average of 159,921,000 ordinary shares (six months ended 30 June 2018: 131,359,129) in issue. There was no difference between basic and diluted earnings per share as there were no potential dilutive shares during the period.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of plant, machinery and construction in progress with a cost of RMB1,097,000 (six months ended 30 June 2018: RMB8,505,000). There is no disposal of property, plant and equipment during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

9 TRADE AND BILL RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Accounts receivable	**22,176**	32,975
Bills receivable	**3,824**	1,600
	26,000	34,575

(a) Ageing analysis

Included in trade receivables were debtors with the following ageing analysis as at 31 December 2018 and 30 June 2019:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**24,336**	31,976
4 to 6 months	**1,544**	2,394
7 to 9 months	**40**	71
Over 12 months	**80**	134
	26,000	34,575

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:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Neither past due nor impaired	**24,336**	31,976
Less than 1 month past due	**243**	2,394
1 to 3 months past due	**1,301**	–
4 to 12 months past due	**120**	205
	1,664	2,599
	26,000	34,575

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

10 OTHER RECEIVABLES AND ASSETS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepaid Income Tax	1,070	–
Deposits with third parties	1,007	846
Advance to suppliers	312	130
	2,389	976

11 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank	140,957	140,400

12 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payable to third parties	15,823	36,547
Deposit received	2,066	1,045
Payables for value added tax and other taxes	1,097	539
Payables for purchase of property, plant and equipment	2,706	4,087
Others	927	707
	22,619	42,925

All of the trade and other payables of the Group are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	19,327	40,821
4 to 6 months	1,337	675
7 to 12 months	547	789
Over 12 months	1,408	640
	22,619	42,925

13 OTHER NON-CURRENT LIABILITIES

In October 2016, the Company reduced its equity by RMB240,874,000 and recorded the capital to be returned as non-current payables to Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Company Limited (the "**Shareholders**") of RMB228,384,000 and RMB12,490,000, respectively.

According to the supplementary agreement between the Company and the Shareholders 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 Shareholders 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 Shareholders for the year ended 31 December 2016.

As of 30 June 2019, the total undiscounted payable to the Shareholders was RMB168,384,000 (2018: RMB168,384,000), and the corresponding present value of the payments was RMB155,174,000 (2018: RMB151,713,000).

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Ordinary shares, issued and fully paid		
115,600,907 domestic stated-owned ordinary shares of RMB1.00 each	**115,601**	115,601
44,320,000 H shares of RMB1.00 each	**44,320**	44,320
	159,921	159,921

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Capital reserve

The capital reserve comprises the capital premium, contributions from shareholders, the impacts of capital injections and capital reductions.

In April 2018, the Company issued an aggregation of 44,320,000 H shares with a par value of RMB1.00, at a price of HKD1.90 per H share. The difference between the total amount of the par value of shares issued and the amount of the proceeds received from the IPO with the amount of RMB23,273,000 were credited to the Company's capital reserve.

The listing expenses directly attributable to this IPO with the amount of RMB34,310,000 were deducted from capital reserve.

(c) 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 share capital after being used to increase share capital.

(d) 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.

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; and

(iii) Allocations to the discretionary common reserve if approved by the 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.

14 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) 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 shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder 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 and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 3.7% to 4.0% on 1 January 2019 when compared to its position as at 31 December 2018.

14 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management *(Continued)*

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	**30 June 2019 RMB'000**	**1 January 2019 *(Note)* RMB'000**	31 December 2018 *(Note)* RMB'000
Current liabilities:				
Lease liabilities		**424**	**711**	–
Non-current liabilities:				
Lease liabilities		**49**	**98**	–
Other non-current liabilities		**155,174**	**151,713**	151,713
Total debt				
Add: Proposed dividends	*14(f)*	**12,794**	**–**	–
Less: Cash and cash equivalents	*11*	**(140,957)**	**(140,400)**	(140,400)
Adjusted net debt		**27,484**	**12,122**	11,313
Total equity		**298,778**	**304,435**	304,435
Adjusted net debt-to-capital ratio		**9.2%**	**4.0%**	3.7%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2.

(f) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.08 per share	**12,794**	–

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2019 and 31 December 2018, the carrying amounts of trade and bill receivables, other receivables and assets, trade and other payables were not materially different from their fair values.

16 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**–**	–
Authorised but not contracted for	**15,019**	5,748
	15,019	5,748

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000	Others RMB'000
Within 1 year	66	557
After 1 year but within 5 years	–	54
	66	611

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

17 MATERIAL RELATED PARTY 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 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 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 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
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 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.

17 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party balances

(i) Other receivables and assets comprised the following balances due from related parties:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Due from Tianbao Group and its subsidiaries	**162**	378

(ii) Other payables and liabilities comprised the following balances due to related parties:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Due to Tianjin Tianbao Holdings Limited	**168,384**	168,384
Advance received from Tianbao Group's subsidiaries	**289**	2,772
	168,673	171,156

As of 30 June 2019, the balance including the undiscounted payments value to the Shareholders for capital reduction of RMB168,384,000 (RMB168,384,000 as of 31 December 2018).

(b) Related party transactions

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sales of goods to		
Subsidiaries of Tianbao Group	**4,911**	4,305
Purchase of goods from		
Subsidiaries of Tianbao Group	**142**	125
Services provided to		
Subsidiaries of Tianbao Group	**527**	1,234
Interest income		
Subsidiaries of Tianbao Group	**–**	279
Payment for refund of capital		
Tianbao Group	**–**	12,490

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have occurred since 30 June 2019.

19 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

Definitions

"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"Company", "our Company", "we" or "us"	Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in this report refers to Tianbao Holdings and TFIHC
"Director(s)"	director(s) of the Company
"Domestic Shares"	the ordinary shares issued in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"Group" or "our Group"	the Company and its subsidiary
"H Shares"	the overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, and International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"Interim Report"	the Group's interim report for the six months ended June 30, 2019
"Konggang Thermal Plant"	the power plant located in Tianjin Airport Economic Zone which is currently held by Tianbao Holdings, the Controlling Shareholder of the Company, which operates energy production and supply business
"Latest Practicable Date"	September 9, 2019, being the latest practicable date prior to the printing of this Interim Report for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies
"PRC" or "China"	the People's Republic of China

"Prospectus"	the prospectus of the Company dated on April 16, 2018
"Reporting Period"	from January 1, 2019 to June 30, 2019, being the financial reporting period of this Interim Report
"RMB" or "Renminbi"	the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified 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 Domestic Shares and H Shares
"Shareholders"	holder(s) of the Share(s), including the holders of H Shares and Domestic Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisors of the Company
"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 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, one of our Controlling Shareholders
"Tianbao Holdings"	Tianjin Tianbao Holdings Limited (天津天保控股有限公司), a limited liability company established in the PRC on January 28, 1999 and a wholly-owned subsidiary of TFIHC, one of our Controlling Shareholders
"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, one of our Shareholders
"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

* *for identification purpose only*