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

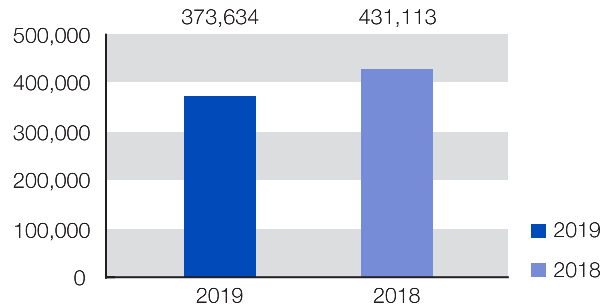
* For identification purposes only

Annual Report 2019

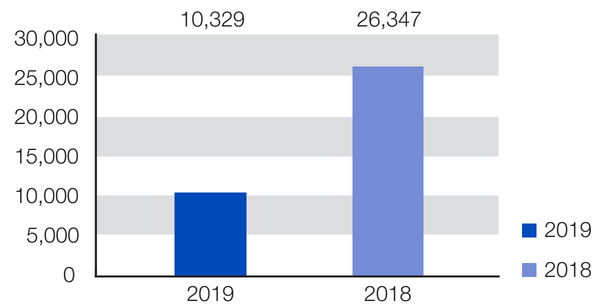
Contents

Financial Highlights

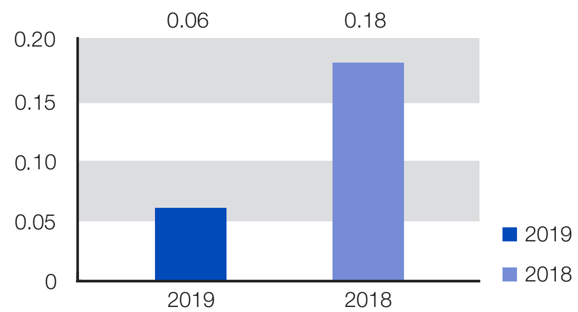
The Board of Directors announces the audited operating results for the year ended December 31, 2019 and a comparison with the audited operating results for the corresponding period of the previous year. For the year ended December 31, 2019, the Group recorded a consolidated operating revenue of RMB373.634 million, representing a decrease of 13.3% as compared with RMB431.113 million for the corresponding period of the previous year. The profit attributable to equity shareholders of the Company was RMB10.329 million, representing a decrease of 60.8% as compared with RMB26.347 million for the corresponding period of the previous year. The earnings per Share was RMB0.06, representing a decrease of 66.7% as compared with RMB0.18 for the corresponding period of the previous year.



Operating revenue (RMB'000)



Profit for the year attributable to shareholders of the Company (RMB'000)



Earnings per Share (RMB)

Financial Summary

	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000	Year ended December 31, 2016 RMB'000	Year ended December 31, 2015 RMB'000
Revenue	**373,634**	431,113	452,467	432,886	478,604
Profit from operations	**20,094**	44,120	50,305	72,400	70,391
Profit before tax	**14,076**	35,152	40,369	72,428	73,561
Income tax	**(3,747)**	(8,805)	(10,097)	(18,110)	(18,518)
Profit for the year	**10,329**	26,347	30,272	54,318	55,043
Attributable to:					
Equity Shareholders of the Company	**10,329**	26,347	30,272	54,318	55,043
Profit for the year	**10,329**	26,347	30,272	54,318	55,043
Earning per Share					
Basic (RMB)	**0.06**	0.18	0.26	0.47	0.48
Diluted (RMB)	**0.06**	0.18	0.26	0.47	0.48

	At December 31, 2019 RMB'000	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000	At December 31, 2016 RMB'000	At December 31, 2015 RMB'000
Total assets	**540,250**	551,191	555,203	525,936	520,966
Non-current assets	**361,818**	369,755	368,668	385,820	395,701
Current assets	**178,432**	181,436	186,535	140,116	125,265
Total liabilities	**238,280**	246,756	310,398	311,403	126,780
Current liabilities	**138,000**	72,211	143,997	89,778	117,430
Non-current liabilities	**100,280**	174,545	166,401	221,625	9,350
Net assets	**301,970**	304,435	244,805	214,533	394,186
Capital and Reserves					
Share capital	**159,921**	159,921	115,601	87,003	219,003
Reserves	**142,049**	144,514	129,204	127,530	175,183
Total equity	**301,970**	304,435	244,805	214,533	394,186

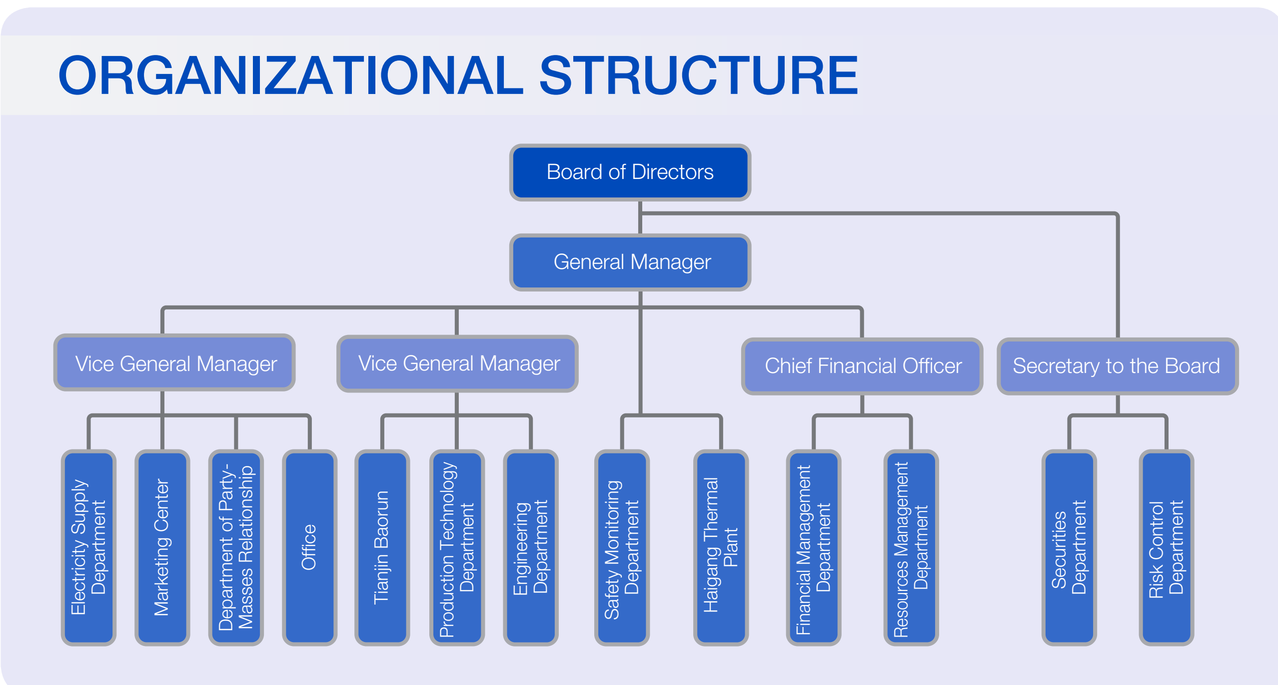
Corporate Profile

The Company was formerly known as Tianbao Electricity Company of Tianjin Port Free Trade Zone* (天津港保稅區天保電力公司) and Tianjin Tianbao Electricity Company Limited* (天津天保電力有限公司), whose establishment was approved by Tianjin Port Free Trade Zone Administrative Committee in 1992. It is now mainly responsible for the power supply and service guarantee of electricity and heating for Seaport Free Trade Zone. The Company has a wholly-owned subsidiary, Tianjin Baorun, which is mainly responsible for the operation and maintenance of electricity transformation and distribution equipment and lines, and the agency sales of electrical switches and other products. On April 27, 2018, the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange, becoming the first state-owned power operator in Tianjin engaging in co-generation of steam, electricity, heating and cooling listed on the Main Board of the Hong Kong Stock Exchange.

After approximately 27 years of development, the Company has formed a diversified industrial structure with the supply of electricity, steam, heating and other power as the mainstay, supplemented by value-added services such as engineering construction, electricity commission maintenance and sales of electrical equipment. Unlike conventional power generation methods, the Company is committed to the "Green + Environmental Protection" concept, and focuses on green production and ultra-low emissions. The coal-fired co-generation technology adopted can realize the synergies of generating steam, electricity, heating and cooling simultaneously, and can achieve a thermal efficiency rate that is much higher than the industry average with fuel cost that is much lower than the industry average consumption value. By strictly controlling fuel quality and improving production technology, the average emission levels of sulfur dioxide, nitrogen oxides and flue gas are also lower than the ultra-low emission standards stipulated by laws and regulations. At the same time, the Company has been actively seizing the opportunities derived from national strategies and energy industry reform for many years. It has been selected as the first batch of incremental electricity distribution business reform pilot projects in the country and has become the first electricity sales enterprise in the Northern China region with operational rights of an electricity distribution network, thus achieved rapid growth in scale and efficiency.

The Company will take full advantages of the Hong Kong capital platform, continuously enhance its core competitiveness and value creativity, fully promote institutional and mechanical changes and management innovation, enhance design and research and development capabilities, improve operational efficiency and production capacity, strengthen market value management and increase shareholder returns, in order to reward the society and investors with better results of operations.

The organizational structure of the Company is as follows:



Chairman's Statement

Dear Shareholders,

2019 marks the 70th anniversary of the founding of New China, and is also a crucial year for building a comprehensive well-off society and achieving the first of its century-goal. In the 19th Congress Report, it was proposed to expand the clean energy industry and promote the revolution in energy production and consumption, so as to build a clean, low-carbon, safe and efficient energy ecosystem.

In recent years, national transformation towards clean energy has made significant progress, the energy structure is switching from coal as a leading resources to diversified energy sources and the centrepoint of energy development is shifting from traditional energy to new energy. The Company, on the backbone of new development, took full advantage of new requirements for the development of new energy in a new era to actively promote the development of new energy based on the current energy supply business so as to lay a solid foundation for our sustainable development.

The Company adhered to the spirit of working hard in unity, being pioneering and enterprising, changing mindsets and innovating boldly, and continuously enhanced the Company's vitality, and influence and risk resistance capacity by strengthening organization building, focusing on marketing, ensuring safe production and expanding market share, so as to achieve value preservation and appreciation of state-owned asset.

As 2020 is a year of linking the past achievements and future development in the Company's strategic development, the Company will take full advantage of its capital operation advantages as a listed company on the Stock Exchange to expand its existing business scale, promote growth of revenue and profit, improve service management and enhance the Company's brand image. We will perfect incentive mechanism and deepen the Company's reforms as well as to improve the corresponding system and process system and improve operational efficiency and the risk prevention and control capability. The Company will work together and overcome difficulties, so as to achieve a sustainable, sound and steady development for the Company.

ZHOU Shanzhong
Chairman of the Board
Tianjin, the PRC

March 26, 2020

General Manager's Statement

Dear Shareholders,

In 2019, in the face of complex and severe economic and political environments at home and abroad, China's economy showed its resilience and potential in resisting economic downward pressure and maintained a situation of overall stability and steady progress with its economic growth within a reasonable range. Under this macro-economic environment, China implemented counter-cyclic adjustments together with structural reform, controlled the intensity of counter-cyclic adjustments in a steady manner, adhered to making continuous efforts in deepening the supply-side structural reform, attached great importance to economic quality and sustainability, and implemented macro-control in terms of economic growth rate. The national economy has changed from "speed" to "quality" and entered into a continuous and stable economic development status.

Currently, China's clean energy industry continues to expand and the process of using clean and low-carbon energy is accelerating. Under the growth of China's total amount of energy, the state now prioritizes supply-side reform and actively promotes the revolution in consumption, supply, technology and system. It continues to optimize inventory and takes efficient exploration and utilization of coal after cleansing as the stand point and priority of energy transformation development, and keeps the amount of growth, so as to accelerate the increase of the market share of hydroenergy, wind energy, solar energy, biomass energy and other renewable energy, and optimize the layout of energy production.

The Company actively responds to the adverse economic environment and policy pressures, focuses on the development strategies, and actively participates in the electricity market transactions in assisting seven users in Tianjin Port Free Trade Zone to complete registration with the electricity trading center. We take advantage of information technology to establish production and management network covering every managerial position and operational position in the Haigang Thermal Plant and realize standardized, trackable and paperless production site management. We carry out construction of photovoltaic power generation project and merger and acquisitions of high-quality projects. We also carry out full circulation of H Shares and promote the reforms in depth. During the year, sales of electricity amounted to 241.747 million kilowatt-hours, sales of steam amounted to 0.697 million tons, on-grid power generation amounted to 48.184 million kilowatt-hours, power generation amounted to 65.141 million kilowatt-hours, operating income amounted to RMB373.634 million, and total profits amounted to RMB14.076 million.

The Company will continue to deepen reforms in a new year and stimulate development through reform. We deepen enterprise reforms in all aspects to increase the internal vitality of development. We also improve the industrial management and give full play to synergy. We enhance innovative capability and make a breakthrough in tapping the potential of energy conservation and consumption reduction to the full. We always adhere to cost as priority so as to improve competitiveness. We also accelerate the implementation of user projects, provide extended value-added services and explore the potential benefits of customers, as well as to be committed to maximize the interests of all shareholders, achieve value preservation and appreciation of state-owned asset and create a sustainable and lucrative return on investment for investors.

XING Cheng
General Manager
Tianjin, the PRC

March 26, 2020

1. INDUSTRY REVIEW

In 2019, the world economy continued to grow moderately, with obvious differentiation of growth, inflation and monetary policy in major economies. Interregional conflicts continued and the Sino-US trade consultations encountered a number of twists and turns but finally arrived at an agreement. China further promoted supply-side structural reforms for the economy, attached great importance to economic quality and sustainability and implemented macro-control measures in relation to economic growth rate. The national economy has changed from “speed” to “quality” and entered into a continuous and stable economic development status. In 2019, the GDP of China reached approximately RMB99,086.5 billion, representing a year-on-year increase of 6.1%.

In 2019, China’s energy industry eliminated backward production capacity, promoted structural reduction of coal production capacity in depth and orderly developed high quality advanced capacity. It actively advanced grid parity of wind power and photovoltaic power without subsidies and commercial operation of the first nuclear power heating project, continued to promote the improvement for coal-fired power ultra-low emission and energy saving, and orderly advanced the planning and construction of coal-fired power projects as required. As of the Latest Practicable Date, the installed capacity of water, wind, light and nuclear and other non-fossil fuels has reached 0.799 billion kilowatts.

In 2019, the electricity consumption of the society amounted to 7,225.5 billion kilowatt-hours, representing a year-on-year increase of 4.5%. The electricity consumption of the primary industry amounted to 78.0 billion kilowatt-hours, representing a year-on-year increase of 4.5%; that of the secondary industry amounted to 4,936.2 billion kilowatt-hours, representing a year-on-year growth of 3.1%; that of the tertiary industry amounted to 1,186.3 billion kilowatt-hours, representing a year-on-year increase of 9.5%, and that of urban and rural residents amounted to 1,025.0 billion kilowatt-hours, representing a year-on-year increase of 5.7%, by the type of industries. The accumulated average utilization hours of generating equipment in power stations with generation power of 6,000 kilowatts and above amounted to 3,825 hours, representing a year-on-year decrease of 54 hours, of which the average utilization hours of hydroelectric equipment was 3,726 hours, representing a year-on-year increase of 119 hours; the average utilization hours of thermal power equipment was 4,293 hours, representing a year-on-year decrease of 85 hours. The national power production capacity (formally going into production) increased by 101.73 million kilowatts, of which the production capacity of hydroelectric equipment was 4.17 million kilowatts and the production capacity of thermal power equipment was 40.92 million kilowatts.

In 2019, the consumption and utilization of the clean energy continued to improve. The sound and sophisticated consumption guarantee mechanism and monitoring and pre-alarming platform gave further guidance to enterprises and local rational investments, and made the energy storage and load shifting facilities, flexible transformation in thermal power and the planning and construction of key transmission channels more scientific. With the release of Results of 2019 National Government Subsidy Tender for PV Power Generation Projects, the competitive resource allocation method has been implemented substantially. New energy are growing and overcoming the major difficulties and will enter a new era.

During the Reporting Period, the Company gave all efforts to focus on “Energy conservation and consumption reduction, increasing revenue and reducing expenditure, lowering costs”, accelerated adjustment and optimization and continued to explore the potential of energy conservation and consumption reduction, so as to reduce cost and enhance the efficiency, improve economic performance and adapt to new market conditions.

2. BUSINESS REVIEW FOR THE YEAR OF 2019

(1) Advance 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 sale. During the year, the Company provided seven users from Tianjin Port Free Trade Zone in its business areas with assistance in their registration with power exchange centers. The power generation traded and cleared amounted to 62,774 kilowatt-hours. Our electricity sales business recorded a revenue of RMB890,000. The costs saved for our users amounted to RMB4.78 million. Next, the Company will push forward the registration application with Beijing Power Exchange Center and Northern Hebei Power Exchange Center so as to participate in the power trading of the Beijing-Tianjin-Tangshan Power Grid and truly take a substantial step forward in the electricity sale market.

(2) Complete the construction of photovoltaic power generation project

To speed up the adjustment of the Company's energy structure, explore new business models and respond to the call of our country to develop a green, low-carbon and circular economy, the Company set up a pilot photovoltaic power generation project with a designed installation capacity of 3 Megawatt and total investment of RMB13.86 million in the site areas of five enterprises and companies in Tianjin Port Free Trade Zone. The construction work of this project has completed and the grid-generation has already begun since the end of 2019. The average annual power output of this project after its completion is expected to be approximately 3.13 million kilowatt-hours or a return rate of 9.25%, representing a standard coal saving of 1,032.9 tons per annum as compared with the same quantity of thermal power generation, which means an approximate reduction of sulphur dioxide emission of 20.3 tons and nitrogen oxide emission of 47 tons, which will provide good social benefits.

(3) Actively look 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 mergers and acquisitions. The Company has communicated with excellent energy and power companies in the industry, conducted multiple researches and demonstrations on the reserve projects, and keeps a close track of the further development of the projects. The Company values opportunities to increase its scale through mergers and acquisitions in the industry to stimulate the Company's competitive potential.

(4) Advance the application for "full circulation" of H Shares

In order to further optimize our governance structure, raise free float-adjusted market capitalization and enhance market impact and share liquidity, the Company has begun to prepare for "full circulation" of H Shares since 2019. After the CSRC, the Shenzhen Stock Exchange, and the China Securities Depository and Clearing Corporation Limited successively issued guidance documents regarding the "full circulation" of H shares at the end of 2019, the Company responded quickly and filed its application documents with the CSRC on January 8, 2020. As at the Latest Practicable Date, the Company's application for "full circulation" of H Shares has been officially accepted by the CSRC. Please refer to the announcements of the Company dated January 8, 2020 and January 16, 2020 for details.

(5) Technical transformation and environmental protection

The Company attached importance to environmental protection and social responsibility in its production and operation. Through equipment transformation and function enhancement, the Company's technical team established an energy management system, by which it analyzes the uncontrollable and controllable factors that affect the main energy usage process, so as to optimize and maximize the energy usage efficiency at the technical level. At the same time, the Company strengthened its efforts in supervision and management as well as inputs in environmental protection so as to improve its emergency response capabilities with respect to environmental protection; and further improved its stable emission reduction plans and emission assessment indicators, which ensured that our environmental protection data was maintained steadily and met its standards.

(6) Establish working system of informatization

With the completion of the establishment of the information system platform for production management, the Haigang Thermal Plant has established a production management network covering all of the managerial and operational posts in the site areas and achieved a standardized, traceable and paperless office in its work site management.

(7) Improve performance appraisal program

In addition to extensively implementing performance appraisal, the Company revised the performance appraisal program according to the actual situations to further clarify the responsibilities and authorities of each role to improve corporate governance system and enhance operational efficiency, so as to stimulate the dedication of employees to the greatest extent.

3. OPERATING RESULTS AND ANALYSIS

According to the Company's statistics, in 2019, sales of steam amounted to 697,000 tons, representing a decrease of 11.3% from 786,000 tons over the corresponding period of the previous year, mainly due to the declined steam demand as a result of the decreased main user traffic of the Group and the fact that Haigang Thermal Plant consumed more excess steam for electricity generation for its own usage during this year to increase the percentage of electricity generated in-house and reduce the costs of electricity purchased for its own usage under the principle of cost-effectiveness. Sales of electricity amounted to 241.747 million kilowatt-hours, representing a decrease of 10.8% from 271.006 million kilowatt-hours over the corresponding period of the previous year, mainly due to the lower electricity consumption as a result of the decreased user traffic in the area and the negative impact brought by the policies in relation to the three downward adjustments of the electricity price in 2019. During the year, on-grid power generation amounted to 48.184 million kilowatt-hours, representing a decrease of 24.1% from 63.445 million kilowatt-hours over the corresponding period of the previous year.

Taking into account the changing trend of operating income and profit before tax in 2018 and 2019, we have analyzed the indicators which significantly affected the operating income and profit before tax of the Company in 2019, which are as follows:

(1) Operating income

In 2019, the Company and its subsidiary recorded consolidated operating income of RMB373.634 million, representing a decrease from RMB431.113 million over the corresponding period of the previous year, mainly due to the decrease in income from the electricity dispatch and sale segment and other segments.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment decreased by 12.8% from RMB202.817 million for the whole year of 2018 to RMB176.857 million for the whole year of 2019, mainly due to the decrease in electricity consumption as a result of the decreased user traffic in the area and the negative impact brought by the policies in relation to the three downward adjustments of the electricity price in 2019.

Power generation and supply segment

The income from our power generation and supply segment decreased by 9.8% from RMB185.946 million for the whole year of 2018 to RMB167.715 million for the whole year of 2019, mainly due to the decrease in steam demand as a result of the decreased user traffic in the area.

Other segments

The income from other segments decreased by 31.4% from RMB42.350 million for the whole year of 2018 to RMB29.062 million for the whole year of 2019, mainly due to the shifting of our subsidiary's focus from commodity selling business to the maintenance business in 2019.

(2) Other net income

In 2019, the Group recorded other net income of RMB4.939 million, representing a decrease of 76.8% as compared with the corresponding period of the previous year of RMB21.297 million, which was primarily due to the Company's balance of deposits as at December 31, 2018 amounted to HK$69.69 million, of which one part is transferred to balance of deposits denominated in RMB in 2019 when conducting foreign exchange settlement; remaining balance of deposits denominated in HK$ amounted to HK$21.87 million, when converted into RMB at the end of the period, the exchange net income is RMB0.548 million, representing a decrease of 89.6% as compared with 2018.

(3) Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment decreased by 11.3% from RMB192.745 million for the whole year of 2018 to RMB171.032 million for the whole year of 2019, mainly due to the decrease in electricity consumption as a result of the decreased user traffic in the area, which accordingly reduced the amount of electricity dispatched and costs of electricity dispatched.

Power generation and supply segment

The costs of our power generation and supply segment decreased by 10.5% from RMB159.694 million for the whole year of 2018 to RMB142.912 million for the whole year of 2019, mainly due to the decrease in steam production as a result of the decrease in steam demand, and the decrease in the price of raw coal in 2019.

Other segments

The costs of other segments decreased by 31.5% from RMB37.133 million for the whole year of 2018 to RMB25.418 million for the whole year of 2019, mainly due to shifting of our subsidiary's focus away from commodity selling businesses and reduction in the commodity procurement in 2019.

(4) Segment gross profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment decreased by 42.2% from RMB10.072 million for the whole year of 2018 to RMB5.825 million for the whole year of 2019, mainly due to the decrease in electricity consumption as a result of the decreased user traffic in the area and the negative impact brought by the policies in relation to the three downward adjustments of the electricity price in 2019.

Power generation and supply segment

The gross profit from our power generation and supply segment decreased by 5.5% from RMB26.253 million for the whole year of 2018 to RMB24.803 million for the whole year of 2019, mainly due to the decrease in steam demand as a result of the decreased user traffic in the area.

Other segments

The gross profit from other segments decreased by 30.1% from RMB5.216 million for the whole year of 2018 to RMB3.644 million for the whole year of 2019, mainly due to the shifting of our subsidiary's focus from commodity selling business to the maintenance business in 2019.

(5) EBITDA

EBITDA has decreased by 10.0% from RMB65.557 million for the full year of 2018 to RMB59.014 million for the full year of 2019, of which the reason is consistent with the reason for changes in operating income.

(6) Finance costs

In 2019, the Company and its subsidiary recorded finance costs of RMB6.914 million, representing a decrease of 30.5% as compared with the corresponding period of the previous year of RMB9.953 million, which was primarily due to the repayment from the Company to certain Shareholders in connection with the share capital reduction in 2016; as such, the interest expenses decreased this year.

(7) Fuel costs

In 2019, the Company and its subsidiary recorded fuel costs of RMB75.276 million, representing a decrease of 13.6% as compared with the corresponding period of the previous year of RMB87.158 million, which was primarily due to the decrease in the price of raw coal and the coal consumption in 2019 as compared to last year.

(8) Profit before tax

The profit before tax decreased by 60.0% from RMB35.152 million for the whole year of 2018 to RMB14.076 million for the whole year of 2019.

(9) Income tax expenses

In 2019, the Group recorded income tax expenses of RMB3.747 million, representing a decrease of 57.4% as compared with the corresponding period of the previous year of RMB8.805 million, which was primarily due to the decrease in profits for the year of 2019.

(10) Profit for the year

Profit for the year decreased by 60.8% from RMB26.347 million for the whole year of 2018 to RMB10.329 million for the whole year of 2019.

4. FINANCIAL POSITION

(1) Assets and liabilities

Total assets decreased by 2.0% from RMB551.191 million as at the end of 2018 to RMB540.250 million as at the end of 2019, mainly due to accumulated depreciation of property, plant and equipment for the year. Total liabilities decreased by 3.4% from RMB246.756 million as at the end of 2018 to RMB238.280 million as at the end of 2019, mainly due to the decrease in trade and other payables for the year.

As at the end of 2019, our current assets amounted to RMB178.432 million, representing a decrease of 1.7% as compared with the end of 2018 of RMB181.436 million, mainly due to the decrease in inventories, of which cash and cash equivalents amounted to RMB133.678 million (end of 2018: RMB140.400 million), trade and bill receivables amounted to RMB35.453 million (end of 2018: RMB34.575 million), which was mainly receivables of steam revenue. Our current liabilities amounted to RMB138.000 million (end of 2018: RMB72.211 million), of which trade and other payables amounted to RMB31.383 million (end of 2018: RMB42.925 million), and non-current liabilities amounted to RMB100.280 million (end of 2018: RMB174.545 million).

(2) Cash and cash equivalents

As at the end of 2019, the Group recorded cash and cash equivalents of RMB133.678 million, representing a decrease of 4.8% as compared with the end of the previous year of RMB140.400 million, which was primarily due to the decrease in revenue of the year.

(3) Gearing ratio

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

At the end of 2019, the Group recorded a gearing ratio of 0.79, representing a decrease as compared with the corresponding period of the previous year of 0.81, which was primarily due to the decrease in trade and other payables for the year.

5. OTHER SIGNIFICANT EVENTS

(1) Capital expenditure

In 2019, capital expenditure of the Group was RMB22.631 million, of which expenses of procurement of machinery and equipment amounted to RMB2.392 million, actual expenses of upgrading the dust removal system amounted to RMB6.984 million, actual expenses of Tianjin Port Free Trade Zone (Seaport) thermal pipes underground renovation project amounted to RMB2.222 million, actual expenses of upgrading no. 1 and 2 switching stations in Tianjin Port Free Trade Zone amounted to RMB1.279 million, actual expenses of Tianjin Port Free Trade Zone (Seaport) 3 Megawatt distribution photovoltaic power generation project (phase 1) amounted to RMB9.753 million.

(2) Liquidity and financial resources

As at December 31, 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.

(3) Material acquisitions and disposals

As of December 31, 2019, the Group did not have material acquisitions and disposals.

(4) Significant investments

As of December 31, 2019, the Group did not have significant investments.

(5) Contingent liabilities

As of December 31, 2019, the Group did not have contingent liabilities.

(6) Bank borrowings of the Group

As of December 31, 2019, the Group did not have bank borrowings.

(7) Other debts of the Group

Except for the capital reduction amounts of RMB168.4 million due to certain Shareholders of the Company, the Group did not have other interest-bearing debts.

(8) Charges on Group's assets

As of December 31, 2019, the Group had no charge on its assets.

(9) 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.

(10) Share option scheme

As of December 31, 2019, the Company had not implemented any share option scheme.

(11) 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.

6. RISK FACTORS AND RISK MANAGEMENT

Currently, the operation and development of the Group are not exposed to any significant risk factors. From the results of the Group's annual risk assessment, the top three important risks are material procurement management risk, equipment operation and maintenance risk and performance appraisal management risk.

(1) Material procurement management risk

For example, due to the adjustment of national policies and industrial restructuring, the supply-demand relationship would change and lead to price fluctuations and affect the schedule and procurement costs. Or due to external factors such as weather or emergencies, the purchased materials fail to be delivered in time. Or due to lack of procurement application system, the procurement request cannot be properly approved or approval is given beyond authorization. Or due to internal factors such as the procurement plan is not submitted in a timely and accurate manner or mismatches with the actual procurement demand, this will affect the normal production and operation activities of the Company.

To address the risks as mentioned above, the Company has developed various systems, such as materials procurement management measures, warehouse management measures, storage procedures and inventory management, and coal purchasing management system, to regulate procurement procedures and establish top-level system; the Company has finished the launch of materials procurement management system, implemented information management for many procedures, such as materials procurement with approval, in-warehouse after inspections and out-warehouse recipients and improved the supervising level of materials procurement procedure; the Company also reviewed and evaluated the qualifications of the suppliers on the performance of contract, the delivery time, after-sale services and others for comprehensive evaluation of the suppliers, and removed the unqualified from the list of suppliers and terminated the procurement and supply relationships with them. The Company has implemented appropriate management measures to reduce related material procurement risks, such as a coal supply agreement with a coal supplier for a period of two or three months after the bidding process, to stabilize the continuous and stable coal supply for the Company.

(2) Equipment operation and maintenance risk

As a utilities company, the Company is part of the capital intensive industry. Good inspection and maintenance for fixed assets of the Company, such as machinery, equipment and pipelines, not only relate to its production safety and operations, but would also indirectly affect the normal production order of other industrial users within its location. It will affect the efficiency of operation and even cause an accident due to the lack of training and safety education, and inexperience of the operators or their failure to follow the operating procedures; we would be unable to effectively protect assets or equipment in an emergency due to the lack or loss of fire prevention apparatus and anti-pollution equipment, emergency plan or inadequate drills. If we fail to carry out good inspection and maintenance of assets, such as machinery, equipment and pipelines, it would cause loss of the Company's interests and even affect its normal production and operation.

To address the risks as mentioned above, the responsible departments of the Company has carried out 17 professional skills and safety trainings during the Reporting Period, highlighting the important areas and summarizing technical experience so as to enhance the professional skills of the operators and safety awareness; we regularly checked fire prevention apparatus and anti-pollution equipment and made records; the Company developed equipment emergency response process to regulate the emergency operations, and carried out 8 emergency drills with different hypothetical contexts during the Reporting Period so as to ensure that the employees have the ability to effectively keep themselves and the Company's assets safe in an emergency; we also conducted the maintenance of fixed assets on a regular basis, made records of daily maintenance and major overhauls and regularly performed the impairment tests.

(3) Performance appraisal management risk

For example, due to unscientific and unreasonable setting of performance appraisal indicators, and failure of the appraisal content to cover the main production and operation activities of each function, the appraisal results would not truly reflect the production and operation of the enterprise. Or due to lengthy appraisal cycle, untimely appraisal or biases of appraisers, halo effect, primacy effect, recency effect, central tendency, seniority or position tendency, the impartiality of the appraisal results would be affected.

The Company strictly implemented the performance appraisal management system, defined performance goals by breaking down the strategic objectives and annual key projects, and formulated performance appraisal indicators according to different functions and post settings to regularly examine and appraise the employees at different levels from different functions. The Company adopted the method of monthly monitoring and quarterly appraisal to appraise each function and employee every quarter. After the completion of performance appraisal, feedback on the appraisal results will be given. Performance bonus will be given based on the appraisal results and interviews will be conducted with those who fail in the appraisal for continuous improvement.

7. SUBSEQUENT EVENTS

1. On January 8, 2020, the Company submitted application for "full circulation" of H Shares to CSRC, and the letter of official acceptance was received on January 16, 2020. Please refer to the announcements of the Company dated January 8, 2020 and January 16, 2020 for details.

2. On January 17, 2020, the Company held the first extraordinary general meeting of 2020, where re-election and election of Directors of the second session of the Board and re-election of Supervisors of the second session of the Supervisory Board was approved by Shareholders. Based on the composition of the second session of the Board, corresponding changes were also made to the composition of each Board committee. Please refer to the announcements of the Company dated November 28, 2019 and January 17, 2020 and the circular dated December 3, 2019 for details.

3. On February 17, 2020, the Company and Tianjin Jinneng Binhai Heating Group Co., Ltd. ("**Jinneng Binhai**") entered into the equity transfer agreement, pursuant to which the Company agreed to acquire the sale interest representing 51% equity interest in Tianjin Jinneng Lingang Thermal Power Co., Ltd. at a consideration consisting of the cash consideration payable by the Company to Jinneng Binhai for the acquisition, being RMB100.88 million, and the guarantee for Tianjin Jinneng Lingang Thermal Power Co., Ltd. in respect of a loan of RMB38.25 million. The acquisition is subject to the approval of the Shareholders at the second extraordinary general meeting in 2020 of the Company to be held on May 8, 2020. Please refer to the announcement of the Company dated February 17, 2020 and the circular of the Company dated March 12, 2020 for details.

4. On March 26, 2020, the Board, in the principle of prudence and necessity, proposed to amend the relevant provisions of the Articles of Association of the Company and the rules of procedures of the general meeting of the Company based on the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)). The proposed amendments to the Articles of Association and the rules of procedures of the general meeting are subject to the approval of the Shareholders by special resolution and ordinary resolution, respectively, at the 2019 annual general meeting (the "**AGM**"). Please refer to the announcement of the Company dated March 26, 2020 for details.

8. BUSINESS OUTLOOK FOR 2020

The Company's business development strategy is "one main body and two wings, two drivers". One main body refers to traditional energy supply; two wings are new energy and smart energy services; two drivers refer to capital operation and technical innovation.

The Company will optimize organization, further clarify and specify the responsibilities of each role, and refine the establishment of departments and roles, as well as to optimize the key management procedures, so as to build a collaborative organization with clear accountability for our future development.

Leveraging the reform of the state-owned enterprises, the Company properly expands in line with reducing cost and improving efficiency, optimizes the allocation of resources, and actively carries out mergers and acquisitions of energy projects and new energy business based on the main business of power supply and heating to build our new profit growth points.

In 2020, the Company will strive to accomplish the following tasks:

1. Improve service management and enhance the Company's brand image

   The Company will continuously optimize its internal and external service processes, set up a unified service phone, strengthen customer visits and surveys, provide customers with free security checks and business presentations, take the initiative to solve problems for users, accelerate the implementation of user projects, and provide extended value-added services according to users' needs so as to explore the potential benefits from customers.

2. Push forward the merger and acquisition projects

   The Company will continue to make every effort to push forward the acquisition of the 51% equity interest in Tianjin Jinneng Lingang Thermal Power Co., Ltd. (天津津能臨港熱電有限公司), which mainly produces and supplies steam in Binhai New District. The acquisition shall create synergies between the Company and Tianjin Jinneng Lingang Thermal Power Co., Ltd. and assist the achievement of economies of scale by the enlarged Group as similar services are provided. As Tianjin Jinneng Lingang Thermal Power Co., Ltd. has a good business foundation and great development potential, the Company may increase its sources of revenue, enhance its profits through the acquisition and step forward in expanding its presence in the energy services sector in different areas in Tianjin, the PRC.

   Upon the completion of the acquisition, the Company will take a controlling stake in Tianjin Jinneng Lingang Thermal Power Co., Ltd. and be able to exercise control over its management and operations. Accordingly, the Company may leverage its operational and business experiences and expertise to streamline and enhance the business and operational efficiency of the enlarged Group. The Company will accelerate the integration of Tianjin Jinneng Lingang Thermal Power Co., Ltd. into the Company's operating management system, and improve the Company's operating performance indicators. Please refer to the announcement and circular of the Company dated February 17, 2020 and March 12, 2020, respectively, for details.

3. Complete the "full circulation" of H Shares

The Company has submitted the application for "full circulation" of H Shares to the CSRC on January 8, 2020 and received a formal letter of acceptance from the CSRC on January 16, 2020. The Company will continue to push forward the "full circulation" of H Shares in accordance with the guidance documents issued by the relevant regulatory authorities. This will help optimize the Company's equity structure and lay the foundation for the Company to further deepen the reform of state-owned enterprises and improve the Company's incentive mechanism.

4. Continue to promote the construction of information technology infrastructure

Firstly, the Company will continue to carry out the construction of integrated portal and data center, improve the technical framework of integrated information system, strengthen the business application of various application systems, so as to achieve a unified management and control of operation and business data. Secondly, the Company will upgrade the electricity marketing system, upgrade the settlement system of electricity trading users and power purchase modules, expand photovoltaic grid-connected projects, and launch a WeChat public account and other works.

5. Reduce cost and increase efficiency to improve efficiency level

The Company will continue to explore the potential of energy conservation and consumption reduction. Firstly, the Company will carry out the transformation of steam-driven feed water pump and transform the electric water pump into steam and electric hybrid to save electricity. Secondly, the Company will increase the concentrated water reverse osmosis devices in order to improve the concentrated water recovery efficiency from 50% to 75% and reduce the consumption of water resources. Thirdly, the Company will change and transform the power connection point of the No. 1 heat exchange station, which will reduce the electricity cost and improve the efficiency. Fourthly, the Company will use the No. 1 heat exchange station circulating water to recover the residual heat for heating, make full use of the latent heat of water vapor condensation in the flue gas and save the use of steam in the heat exchange station, thereby saving costs.

6. Optimize organizational structure and strengthen internal control

Firstly, in line with the needs of future business development, the Company will further adjust its organizational structure, optimize the division of internal responsibilities, and enhance vertical management and horizontal cooperation. Secondly, according to the nature of the business and the needs of risk prevention and control, the Company will carry out various works in accordance with the requirements of the internal control manual, improve the corresponding system and process system, set up a strict risk point control mechanism, and improve operational efficiency and risk prevention and control ability.

7. Improve incentive mechanism and deepen Company reform

Combining the three system reforms of state-owned enterprises, the Company will further improve the incentive mechanism, build employee career channels and promotion management systems based on the management and control of total wages.

Human Resources

The Company upholds the principle of people-orientation, attaches great importance to build talents team and strives to create a sustainable and harmonious working atmosphere. The human resources conditions of the Company in 2019 are as follows:

1. OVERVIEW OF HUMAN RESOURCES

As of December 31, 2019, the Company had 69 employees. The education level of employees is generally high, and the holders of bachelor degree or above accounted for 79.7% of the total. The number of employees in each business segment and the age and academic structure of employees are as follows:

1. Business segment structure

Role	Number of employees	Percentage
Management, administration, finance	17	24.6%
Marketing	10	14.5%
Procurement	4	5.8%
Engineering and technology	38	55.1%
Total	**69**	**100.0%**

2. Age Structure

Age ranges	Number of employees	Percentage	Cumulative percentage
Under 35	18	26.1%	26.1%
36-45	22	31.9%	58.0%
46-55	26	37.7%	95.7%
56 and above	3	4.3%	100.0%
Total	**69**	**100.0%**	**-**

3. Education Structure

Education level	Number of employees	Percentage	Cumulative percentage
Master's degree and above	6	8.7%	8.7%
Bachelor's degree	49	71.0%	79.7%
College and below	14	20.3%	100.0%
Total	**69**	**100.0%**	**–**

2. EMPLOYEE INCENTIVES

To cope with its development, the Company, on the basis of position-oriented accountability system, has established sound performance appraisal mechanism covering all employees to assess employees quarterly. Under the combination of incentives and restraints, objective performance evaluations enable employees to focus on the main tasks when performing their duties, and to identify unsatisfactory aspects of their works, so as to improve themselves continuously.

3. EMPLOYEES' REMUNERATION

Employees' remuneration includes basic salary and performance-related salary, which is related to both the performance evaluation of the Company and that of the respective employees. As of December 31, 2019, we have incurred employee cost (including salary, welfare and bonus) of RMB21.047 million.

4. EMPLOYEES' TRAININGS

The Group attaches great importance to employees' trainings and development. For the Company's sound development and employees' development, the Company provides continuous education and training programs for managers and other employees to continuously improve their skills and knowledge. The employees' internal trainings for the Group are conducted by the management and the head of relevant department, or professional trainings by external training institutions. We hope that our employees can continue to have the required skills to gain relevant knowledge and capability of their work, thereby helping the Company to maintain its market competitiveness.

In 2019, the Company carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel, which were layered and segmented trainings, so as to improve the professional capacity and management level of the employees. In 2019, the Company organized 15 safety production trainings for all employees, and 18 professional skills trainings for the employees from different departments involving work standards, continuing education, finance, taxation, legal and information system.

5. EMPLOYEES' BENEFITS

The Company strictly complies with the PRC Labor Law, the PRC Employment Contract Law and the PRC Social Insurance Law by paying social insurance, housing provident fund as well as enterprise annuity to reinforce employees' sense of belonging and happiness.

The Company is not allowed to use the contributions to defined contribution retirement plans which have been forfeited to reduce the current level of contributions.

EXECUTIVE DIRECTORS

Mr. ZHOU Shanzhong (周善忠), aged 41, is currently the chairman of the Board and executive Director and chairperson of the nomination committee of the Company. From August 2018 to October 2019, Mr. Zhou served as the head of corporate management department and the head of parallel car management department of Tianbao Holdings, one of the controlling shareholders of the Company. Mr. Zhou worked in Tianbao Holdings as the head of corporate management department (safety supervision department) from September 2015 to August 2018. From January 2017 to November 2017, Mr. Zhou also served as a Director of the Company. From October 2014 to September 2015, he worked in Tianbao Holdings as the deputy head of the asset management department. From July 2013 to October 2014, he served as the vice general manager of Tianbao Investment, one of the shareholders of the Company. From May 2011 to July 2013, he served successively as the assistant to the general manager and the vice general manager of Tianjin Tianbao Jiajun Investment Co., Ltd. (天津天保嘉郡投資有限公司). From January 2006 to May 2011, he worked in Tianbao Holdings successively as an investment specialist in the investment department, a senior investment supervisor in the investment and development department, an assistant to the head of corporate management department and a deputy project manager and investment management of the Taiping Model Town (太平示範鎮) project. He was a director of Tianjin Tianbao Financial Management Co., Ltd. (天津天保財務管理有限公司) from June 2016 to November 2018. From July 2014 to November 2019, Mr. Zhou has been serving as a director of Tianjin Aviation Logistics Development Co., Ltd. (天津航空物流發展有限公司). From November 2017 to November 2019, Mr. Zhou has also been serving as an employee director of TFIHC and Tianbao Holdings, respectively, both of which are the controlling shareholders of the Company. He has also been serving as the general manager of Tianjin Port Free Trade Zone Land Development and Investment Co., Ltd. (天津港保稅區土地開發招商公司) from March 2018 to November 2019, and a non-independent director of Tianjin Tianbao Infrastructure Co., Ltd. (天津天保基建股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000965), from August 2018 to November 2019.

Mr. Zhou graduated from the School of Management of Tianjin University (天津大學管理學院) with a doctorate degree in management science and engineering in January 2006.

Mr. XING Cheng (邢城), aged 56, is currently an executive Director and the general manager of the Company and is responsible for supervising the daily operation of the Company. He is also in charge of the Company's Haigang Thermal Plant and safety monitoring department. Mr. Xing joined the Company on February 17, 2016. Mr. Xing has rich experience in thermodynamics. Mr. Xing joined Tianjin Tianbao Thermal Electricity Company Limited (天津天保熱電有限公司) ("**Tianbao Thermal**") in December 2006 as an assistant to the general manager and was promoted to the vice general manager in September 2008, responsible for the operation of thermoelectricity generation. Mr. Xing left Tianbao Thermal in February 2016. He was the head of the thermal department of Tianjin Tianbao Public Facility Co., Ltd. (天津天保公用設施有限公司) between December 2004 and December 2006, responsible for the operation of thermal power. From September 1992 to December 2004, he worked at Tianjin Port Free Trade Zone Tianbao Thermal Co., Ltd. (天津港保稅區天保熱力公司), responsible for production and general operation.

Mr. Xing obtained a bachelor's degree in mechanical engineering (compression and refrigeration) from the Xi'an Jiaotong University (西安交通大學) in PRC in July 1986.

Mr. MAO Yongming (毛永明), aged 50, is currently an executive Director, a member of the remuneration committee and the vice general manager of the Company. He is responsible for the Company's party fairs, discipline inspection and supervision, labor union, administrative, power supply, marketing and information technology matters, assisting general party branch secretary to share responsibility for cadres' personnel affairs and takes charge of office, party committee and affairs department, marketing centre and power supply department. Mr. Mao joined the Company on April 1, 1997. He was appointed as the vice general manager in December 2014 and was further re-appointed for the same position in January 2017 after the Company was converted into a joint stock limited liability company. He worked successively in the Company as an electrical engineer in the electricity supply department from April 1997 to April 2007; head of the electricity supply department from April 2007 to December 2011; vice manager and head of the electricity supply department from December 2011 to August 2013; assistant to general manager and head of the electricity supply department from August 2013 to December 2014.

Mr. Mao obtained his bachelor's degree in electrical automation from the Tianjin University of Technology and Education (天津職業技術師範大學) in the PRC in July 1991 and his master's degree in environmental engineering from the Tianjin University (天津大學) in July 2005.

Mr. PENG Chong (彭沖), aged 42, is currently an executive Director and the chief financial officer of the Company. He joined the Company on January 1, 2017 and is responsible for the Company's financial accounting, financing, taxation, auditing, material procurement, information disclosure, investors relations and risk control matters. He also assists the chairman of the Board to handle the daily affairs of the Board and takes charge of the financial management department, resources management department, securities affairs department and risk management department of the Company. Mr. Peng has been a supervisor of Tianjin Lingang Construction and Development Co., Ltd. (天津臨港建設開發有限公司) since May 2016. Mr. Peng was head of financial management department of Tianjin Tianbao Finance Management Co., Ltd. (天津天保財務管理有限公司) from August 2013 to December 2016, overseeing financing management matters of TFIHC and its subsidiaries (excluding the Company and its subsidiary). He was the deputy head of the planning and finance department of Tianbao Thermal between November 2010 and August 2013 where he was in charge of the financial management matters. Mr. Peng joined Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) in March 2004 as a supervising accountant responsible for accounting and financial management and left in November 2010 as deputy head (finance).

Mr. Peng obtained a bachelor's degree in economics and with a major in auditing from Nankai University (南開大學) in PRC in June 1998. He is also a senior accountant accredited by the Tianjin Human Resources and Social Security Bureau. He was awarded the "Personal Award in Finance Work 2007" (2007年度財務工作先進個人) by Tianbao Holdings in April 2008, "Personal Award in Finance Education 2010" (2010年度財務後續教育先進個人) by Tianbao Holdings in April 2011 and "Labour Award of Binhai New Area 2015" (2015年度濱海新區"五一"勞動獎章) by Tianjin Binhai New Area Labour Union (天津市濱海新區總工會) in April 2016.

NON-EXECUTIVE DIRECTORS

Mr. WANG Xiaotong (王小潼), aged 55, is currently a non-executive Director of the Company and the head of the enterprise management department and head of parallel car management department of Tianbao Holdings. Mr. Wang has been serving as the general manger of Tianjin Port Free Trade Zone Land Development and Investment Co., Ltd. (天津港保稅區土地開發招商公司) since November 2019. Mr. Wang had been the general manager of Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) from August 2015 to October 2019. He served as the head of the enterprise management department (security supervision department) of Tianbao Holdings and the manager of Tianjin Konggang International Logistics Joint Stock Co., Ltd. (天津空港國際物流股份有限公司) from October 2014 to August 2015. He acted as the deputy head and head of the asset management department of Tianbao Holdings, as well as the manager of Tianjin Konggang International Logistics Joint Stock Co., Ltd. (天津空港國際物流股份有限公司) from August 2013 to October 2014. He worked in Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) as the vice general manager from January 2011 to August 2013, during which he was also the general manager and manager of Tianjin Konggang International Logistics Joint Stock Co., Ltd. (天津空港國際物流股份有限公司). He also served as the chairman and general manager Tianjin Tianyi Smart Property Service Co., Ltd. (天津天易智慧物業服務有限公司) (formerly known as Tianjin Tianbao Property Service Co., Ltd. (天津天保物業服務有限公司)) from November 2011 to June 2012. He acted as the vice general manager of Tianjin Tianbao Municipal Company Co., Ltd. (天津天保市政有限公司) and the general manager of Tianjin Konggang International Logistics Joint Stock Co., Ltd. (天津空港國際物流股份有限公司) between September 2008 and January 2011. He served as the head of the business department and assistant to general manager of Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司), as well as the manager of the comprehensive logistic department from March 2003 to September 2008. Mr. Wang has been serving as the director of Tianjin Aviation Logistics Development Co., Ltd. (天津航空物流發展有限公司) and Tianjin Tianbao Infrastructure Co., Ltd. (天津天保基建股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000965), since November 2019.

Mr. Wang graduated from Tianjin University of Light Industry (天津輕工業學院) in July 1986 with a bachelor's degree in plastics and rubber engineering.

Ms. DONG Guangpei (董光沛), aged 39, is currently a non-executive Director and a member of the audit committee of the Company. Ms. Dong has been the executive director and general manager of Tianjin Free Trade Zone Investment Company Limited (天津保稅區投資有限公司) since October 2019. Ms. Dong served as the investment commissioner, investment manager, head of investment review department, assistant to the general manager and vice general manager of Tianjin Free Trade Zone Investment Company Limited (天津保稅區投資有限公司) from January 2011 to January 2020. Ms. Dong served as the head of sales department of Tianjin Binhai Kaiyuan Property Development Co., Ltd. (天津濱海開元房地產開發有限公司) from January 2010 to December 2010, the head of sales department of Tianjin Tianbao Property Development Co., Ltd. (天津天保房地產開發有限公司) from May 2005 to December 2009, the head of sales department of Tianjin Hefu Huihuang Real Estate Marketing and Planning Co., Ltd. (天津合富輝煌房地產營銷策劃有限公司) from December 2004 to May 2005, and the head of sales management department of Tianjin Shunchi Rongxin Real Estate Co., Ltd. (天津順馳融信置地有限公司) from March 2004 to November 2004. Ms. Dong has been the Chairman of Airbus (Tianjin) Jigs and Tools Company Limited (空中客車（天津）工裝夾具有限公司) since September 2019. Since December 2018, Ms. Dong has been serving as a supervisor of Tianjin Tianbao Infrastructure Co., Ltd. (天津天保基建股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000965) and a director of Bohai Securities Co., Ltd. (渤海證券股份有限公司). Ms. Dong has also been serving as a director of Hong Kong Baorong Development Limited (香港保融發展有限公司) since April 2015 and an executive director of Tianjin Tianbao Binhai Investment Services Co., Ltd. (天津天保濱海投資服務有限公司) since December 2014.

Ms. Dong graduated from the department of international finance of Tianjin University of Finance and Economics (天津財經大學) and obtained a master's degree in economics in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Wai Dune (陳維端), aged 67, is currently an independent non-executive Director and the chairperson of the audit committee of the Company and the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 39 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. Chan is currently serving various public positions such as the executive vice chairman of the Hong Kong Federation of Guangzhou Associations and a member and a standing committee member of China People's Political Consultative Conference of the Guangzhou Municipal Committee. Mr. Chan was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region.

HKICPA reprimanded Mr. Chan on February 2, 2010 and imposed a penalty due to his breach of professional standard issued by the HKICPA for his failure to separately present a reserved opinion in one item of the audit report when auditing the financial statements of a listed company in Hong Kong for the year ended July 31, 2004.

Based on the above information and his past performance, the Board (including all Directors but excluding Mr. Chan) is of the view that the reprimand was not related to Mr. Chan's integrity and with his professional knowledge and experience, Mr. Chan is considered to be fit and proper to act as an independent non-executive Director.

Mr. HAN Xiaoping (韓曉平), aged 62, is currently an independent non-executive Director, the chairperson of the remuneration committee and a member of the nomination committee of the Company. He established China Energy Net Consulting Co., Ltd. (北京中能網訊諮詢有限公司) in 2000 and has served as its managing director and chief information officer since then. Mr. Han has been an independent non-executive director of GCL Energy Technology Co., Ltd. (協鑫能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002015) since June 2019. Mr. Han has also been an independent non-executive director of Longitech Smart Energy Holding Ltd., a company listed on the Stock Exchange (stock code: 01281) since June 2016 and Beijing Jingneng Clean Energy Co. Ltd., a company listed on the Stock Exchange (stock code: 00579) since October 2014. In 1995, Mr. Han cofounded Beijing Qunying Investment Co., Ltd. (北京群鷹投資有限公司), principally engaged in project investment and asset management, and served as its deputy chairman. Mr. Han is also actively involved in the power and energy industry and holds positions in various organizations such as deputy director of China Energy Research Society Distributed Energy Professional Committee (中國能源研究會分佈式能源專委會).

Mr. Han obtained his diploma in media management from the Cheung Kong Graduate School of Business (長江商學院) in 2007. He was nominated as a visiting professor of the North China Electric Power University (華北電力大學) in June 2006. Mr. Han was awarded the outstanding contribution for distributed energy decade award (中國分佈式能源十年傑出貢獻人物獎) by the China Energy Research Society (中國能源研究會) in 2010, and second class research prize (課題研究二等獎) by the National Energy Administration of the PRC (中華人民共和國國家能源局) in 2012.

Ms. YANG Ying (楊瑩), aged 40, is currently an independent non-executive Director, and a member of the audit committee, remuneration committee and nomination committee of the Company. She has been a senior partner of Shanghai Allbright Law Offices (Tianjin) (上海錦天城（天津）律師事務所) since June 2015. Ms. Yang has also been the host of the television show "Law Lecture" (法律講堂), broadcasted on channel CCTV-12 and the guest lawyer of the television show "Hotline-12" (熱線12) since 2010. She was an executive chief of the Tianjin Bencheng Law Firm (天津本誠律師事務所) from July 2012 to June 2015. From February 2006 to February 2010, Ms. Yang was a practising lawyer in several law firms in PRC, including Tianjin Jinbo Law Firm (天津津博律師事務所) and Beijing Zhong Lun W&D (Tianjin) Law Firm (北京中倫文德（天津）律師事務所).

Ms. Yang obtained her doctorate degree in management from the University of Tianjin (天津大學) in PRC in February 2009. She was also awarded the Hexi District Youth Foundation Outstanding Progress Award (河西青聯優秀進步獎) for the years 2012 and 2013. She was listed as a Tianjin Municipal Government Part-time Government Legal Adviser in October 2016.

SHAREHOLDER REPRESENTATIVE SUPERVISORS

Ms. XUE Xiaofang (薛曉芳), aged 53, is currently a shareholder representative Supervisor and the chairperson of the Supervisory Board. Ms. Xue has been the head of risk management department of Tianbao Holdings since September 2015, responsible for auditing and legal affairs. She joined the Company on January 19, 2017. Prior to this, she served successively as an accountant, auditor supervisor, auditor senior supervisor, assistant to the head of risk management department and deputy head of risk management department from August 2002 to September 2015 in Tianbao Holdings, responsible for the management of various financial matters, special audit as well as legal affairs. She was a supervisor between July 2007 and June 2014 and has also been a director of Tianjin Tianbao Infrastructure Co., Ltd. (天津天保基建股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000965) since June 2014. Ms. Xue served as a supervisor of Tianjin Taiyangguang Electricity Technology Co., Ltd. (天津泰陽光電科技有限公司) from April 2007 to December 2013.

She was certified by Ministry of Finance of the PRC as an accountant in October 1994. Ms. Xue obtained a bachelor's degree in auditing from the Tianjin University of Finance and Economics (天津財經學院) in July 1989. She was accredited as a certified internal auditor by the China Institute of Internal Audit (中國內部審計協會) in November 2003. She obtained senior auditor qualification accredited by the Tianjin Human Resources Bureau (天津市人力資源局) in February 2007. She obtained the international certified internal auditor (CIA) qualification (issued by China Institute of Internal Auditors with the authorization from the Institute of Internal Auditors (國際內部審計師協會)) in November 2003. She was awarded the "2011-2013 Tianjin Internal Auditor Advanced Worker Award" (2011-2013年度天津市內部審計先進工作者).

Mr. SHAO Guoyong (邵國永), aged 41, is currently a shareholder representative Supervisor of the Company. Mr. Shao has been the head of risk management department in Tianjin Tianbao Commercial Factoring Co., Ltd. (天津天保商業保理有限公司) and the head of risk management department in Tianjin Binhai New Area Tianbao Microcredit Co., Ltd. (天津濱海新區天保小額貸款有限公司) since April 2018. He joined the Company on January 19, 2017. From January 2015 to April 2018, Mr. Shao served as the deputy head of risk management department in Tianjin Tianbao Commercial Factoring Co., Ltd. (天津天保商業保理有限公司). He joined Tianjin Tianbao Leasing Co., Ltd. (天津天保租賃有限公司) as the head of legal department from June 2012 to January 2015. From January 2007 to May 2012, he worked as a practicing lawyer in Tianjin Guopeng Law Firm (天津國鵬律師事務所).

Mr. Shao obtained his bachelor's degree in laws from the Tianjin University of Commerce (天津商學院) in PRC in June 2001 and his master's degree in laws from Nankai University (南開大學), in PRC in December 2015. Mr. Shao holds a legal professional qualification certificate promulgated by the Ministry of Justice, in PRC since November 2003. Mr. Shao was awarded the "2014-2016 Tianjin Excellent In-house Legal Consultant Award" (天津市國資系統2014-2016年度優秀企業法律顧問) by State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府國有資產監督管理委員會) in January 2017.

EMPLOYEE REPRESENTATIVE SUPERVISOR

Mr. YANG Kui (楊逵), aged 41, is currently the employee representative Supervisor and the chief office supervisor of the Company. He was appointed as the head of safety monitoring department in January 2017, and has been transferred as the head of resources management department since April 2017 and as the chief office supervisor since May 2019. Mr. Yang joined the Company on October 1, 1997. He served as a staff responsible for power dispatch from October 1997 to December 2009, the deputy office supervisor from January 2010 to November 2013, and the chief office supervisor from November 2013 to December 2016.

Mr. Yang obtained his professional degree in computer application from the Tianjin Coastal Polytechnic School (天津濱海職業學院) in July 2001 and his bachelor's degree in information management and information technology from the Tianjin Polytechnic Institute (天津理工學院) in July 2005.

He was awarded the "Excellent Youth Expert of the Free Trade Zone Airport Economic Zone" (保税區空港經濟區"優秀青年崗位能手") jointly by the Binhai New Area Youth League/Free Trade Zone Party Committee/Free Trade Zone Human Resources and Social Security Bureau/Free Trade Zone Trade Union/Free Trade Zone Women's Federation (濱海新區團委／保税區黨委／保税區人力資源和社會保障局／保税區工會／保税區婦女聯合會) in April 2014, the "21st Session of The Tianjin Enterprise Management Modernization Innovation Achievement First Prize" (第二十一屆天津市企業管理現代化創新成果一等獎) by the Tianjin Enterprise Management Modernization Innovation Achievement Examination Committee (天津市企業管理現代化創新成果審定委員會) in February 2015, and the "2014-2015 Key Work (Project) Outstanding Contributors" (2014-2015年度重點工作(項目)傑出貢獻者) award by Tianbao Holdings in January 2016.

SENIOR MANAGEMENT

Mr. XING Cheng (邢城), aged 56, is the executive Director and general manager of the Company. Please refer to the above section headed "Executive Directors" for the biographical details of Mr. Xing.

Mr. MAO Yongming (毛永明), aged 50, is an executive Director, a member of the remuneration committee and the vice general manager of the Company. Please refer to the above "Executive Directors" for biographical details of Mr. Mao.

Mr. YAO Shen (姚慎), aged 48, is the vice general manager of the Company. He is responsible for the Company's construction management, bidding and tendering, production technology and environmental protection, and in charge of manufacturing technology department, engineering department and Tianjin Baorun. He was also the sole director of Tianjin Baorun from September 2014 to January 2017. Mr. Yao joined our Group on July 5, 1994. He has more than 26 years of experience in electricity generation. He joined the Company in July 1994 as a technician in the engineering technology department from July 1994 to October 2003 and head of the engineering technology department from October 2003 to October 2007. Mr. Yao also worked in Tianjin Baorun as a vice manager, and subsequently a manager, from October 2007 to December 2016. He served as the Company's head of the production technology department from January 2017 to January 2019 after the Company was restructured into a joint stock limited liability company. He was appointed as the vice general manager of the Company in November 2018.

Mr. Yao has been a level two constructor approved by Tianjin Construction Management Committee (天津市建設管理委員會) since March 2008. He obtained his bachelor's degree in electric machine and its control from the Tianjin University (天津大學) in PRC in July 1994.

Mr. PENG Chong (彭沖), aged 42, is the executive Director and chief financial officer of the Company. Please refer to the above section headed "Executive Directors" for the biographical details of Mr. Peng.

Mr. FENG Wei (馮巍), aged 52, is the factory director of the Company's Haigang Thermal Plant. He is responsible for the operation and power production in the Haigang Thermal Plant of the Company. Mr. Feng joined the Company on March 21, 2016. Mr. Feng has more than 28 years of experience in thermal power generation. He began his career in Shaanxi Weinan Thermal Power Plant (陝西渭南熱電廠) as a staff from December 1988 to February 1989. He studied the operation of boilers in Xi'an Electric Power School (西安電力學校) from February 1989 to August 1989 and thermal power engineering of thermal energy and power engineering in the Northwest Electric Power Workers Secondary Specialized School (西北電力職工中等專業學校) from September 1989 to June 1992. He went back to Shaanxi Weinan Thermal Power Plant worked for the boiler department from July 1992 to March 2003, as a boiler technician and later a specialized supervisor. He joined Shaanxi Huayang Thermal Power Group (陝西華陽熱電集團) as a head of power generation department from March 2003 to April 2008. Mr. Feng then worked in Tianbao Thermal as a boiler specialist from April 2008 to December 2009, deputy head of the production and operation department from December 2009 to December 2011, and deputy head of the enterprise management department from December 2011 to July 2013. He was then served as the factory director of the Konggang Thermal Plant from November 2013 to August 2014 and of Haigang Thermal Plant from September 2014 to March 2016. He was appointed as the factory director of Haigang Thermal Plant in March 2016 by the Company after the Company completed the integration of Haigang Thermal Plant into our operations.

Mr. Feng is a senior engineer recognized by the Tianjin Engineering, Technological Series and Heating Professional (天津市工程技術系列供應專業) in December 2019. He completed a part-time distance learning course in thermal engineering and power engineering from the Shaanxi University of Science and Technology (陝西理工大學), in PRC, in January 2017.

Mr. PAN Xiushan (潘秀山), aged 52, is the manager of Tianjin Baorun and responsible for the daily operation of Tianjin Baorun. Mr. Pan has more than 20 years of experience in the power industry. He worked in the Company from May 1, 1998 until January 2017 during which he served successively as a regulator from May 1998 to November 2009, chief regulator from December 2009 to November 2014, and the head of electricity supply department and chief regulator from December 2014 to January 2017, responsible for the compliance matters and operation of electricity supplies, respectively. He was reappointed as the manager of Tianjin Baorun in January 2017 after the Company was restructured into a joint stock limited liability company.

Mr. Pan has been a level two architect approved by Tianjin Construction Management Committee (天津市建設管理委員會) since August 2006. In June 2005, he completed a course in computer science and technology from the Network Education College of Tianjin University (天津大學網絡教育學院), in PRC.

Ms. WANG Hua (王華), aged 46, is the marketing centre director of the Company. She is responsible for the sales and marketing of electricity and heating as well as customer service matters. Ms. Wang has nearly 20 years of experience in the power industry. She joined the Company on May 4, 1998 as a regulator. Thereafter she served successively as deputy head of the safety and monitoring department from June 2012 to January 2016, head of the safety and monitoring department from January 2016 to December 2016 in charge of production safety matters of the Company. She was reappointed as the marketing centre director of the Company in January 2017 after the Company was restructured into a joint stock limited liability company.

Ms. Wang completed a part-time professional course in accounting at Tianjin University of Commerce (天津商業大學), in PRC, in January 2008.

Mr. QI Song (齊頌), aged 47, is the head of power supply department of our Company. He is responsible for the daily operation and management of power grid and power supply facilities. Mr. Qi joined our Group on July 5, 1995 and has more than 22 years of experience in the power industry. He joined the Company on July 5, 1995 as a staff in the production technology management from July 1995 to September 2007 and head of engineering technology department from October 2007 to February 2016, responsible for matters including power planning, bidding and tendering and electricity engineering. In March 2016, he was appointed as the head of production technology department, responsible for power planning, bidding and tendering and environmental protection. He was head of power supply department of the Company in January 2017 after it was converted into a joint stock limited liability company.

Mr. Qi has been a level two architect approved by Tianjin Job Title Office (天津市職稱工作辦公室) since November 2005. He completed a professional course in industrial automation at the Tianjin Polytechnic Institute (天津理工學院), in PRC, in July 1999.

COMPANY SECRETARY

Mr. LAU Kwok Yin (劉國賢) is a company secretary of the Company and now a senior manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He was appointed as a joint company secretary of the Company on May 30, 2018 and a company secretary of the Company on February 28, 2019. He has over 10 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree of Business Administration in Accounting and Finance from The University of Hong Kong (香港大學), and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charter holder.

Report of the Board of Directors

The Board of Directors of the Company now presents the Group's annual report for the year of 2019 (the "**Annual Report**") and audited financial statements prepared in accordance with IFRS for the year ended December 31, 2019 (the "**Financial Statements**") to Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock company in the PRC with limited liability on February 28, 2017. The H Shares of the Company were listed on the Main Board of the Stock Exchange on April 27, 2018.

Basic information of the Company is set out in "Corporate Information" on pages 159 to 160 of this Annual Report.

PRINCIPAL BUSINESS

The Group is the sole power operator in the Tianjin Port Free Trade Zone (Seaport). The Group is engaged in cogeneration of steam, electricity, heating and cooling. The Group's operations comprise (i) power generation and supply; (ii) electricity dispatch and sale; and (iii) other businesses, including power facility construction services, industrial facility operation and maintenance services and trading of electrical components. The Group's power operations enable us to provide one-stop and comprehensive power services to our customers in Tianjin Port Free Trade Zone (Seaport) and neighboring areas. Details of the principal subsidiary of the Company are set out in note 12 to the Financial Statements.

RESULTS

The audited results of operations of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 84 to 85. The financial condition of the Group for the year ended December 31, 2019 is set out in the consolidated statement of financial position on pages 86 to 87. The consolidated cash flow of the Group for the year ended December 31, 2019 is set out in the consolidated cash flow statement on pages 89 to 90.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in the Management Discussion and Analysis on pages 7 to 17 of this Annual Report.

BUSINESS REVIEW

During the Reporting Period, the Group continued to expand its diversified industrial layout with power supply as the mainstay and value-added services as a supplement, spared no effort to promote the "Green + Environmental Protection" concept, and committed to expanding new businesses of green production and ultra-low emissions. The Company has actively kept an eye on the opportunities arising from the national strategies and energy industry, so as to develop a long-term development strategy that can strengthen the sustainability of the Group's business. A review of the business of the Group during the year and a discussion on the Group's future business development are set out on pages 8 to 9 and pages 16 to 17 of this Annual Report. A description of possible main risks and uncertainties that the Group may face is set out on pages 14 to 15 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 9 to 11 of this Annual Report. To the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Company's environmental policies and performance is set out in the Environmental, Social and Governance Report on pages 56 to 79 of this Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Company allocates systemic and staff resources to ensure continuous compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Reporting Period, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

SHARE CAPITAL

As of December 31, 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 par value of RMB1.00 each. Since the listing of the Shares on the Main Board of the Stock Exchange, the Company had not issue any new Shares in exchange for cash.

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

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities or redeemable securities during the year ended December 31, 2019.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

For the year ended December 31, 2019, none of convertible securities, options, warrants and other similar rights were issued and granted by the Company or its subsidiary, nor any conversion rights or subscription rights were exercised pursuant to any convertible securities, options, warrants and other similar rights issued and granted by the Company or its subsidiary at any time.

DEBENTURES IN ISSUE

Neither the Company nor its subsidiary issued any debentures during the year ended December 31, 2019.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on April 27, 2018. A total of 44.32 million H Shares with par 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 share capital after the issue, 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 December 31, 2019, HK$19.4 million has been utilized, including HK$5.3 million used for the update of No. 1 and No. 2 power transformation stations and HK$14.1 million used for upgrading the dust removal system. According to the Prospectus, net proceeds of HK$15.56 million will be used to establish Tianbao Electricity Sales Company and contribute to its registered share capital. In 2019, the Company actively promoted the electricity sales business. Currently, according to the policy, there is a barrier to enter into the electricity sales business market in Tianjin, the business scale of the electricity sales market is relatively small, and the conditions for establishing an independent electricity sales company are not mature. In the subsequent period, the Company will gradually expand its electricity sales business in accordance with the degree of openness of the electricity sales market, business scale and the Company's business development plan, and expect to use the corresponding raised funds according to the progress of projects in 2020.

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

EQUITY-LINKED AGREEMENT

For the year ended December 31, 2019, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. No permitted indemnity provision was made by the Company for the year ended December 31, 2019 and no permitted indemnity provision was in force as at the Latest Practicable Date.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders of the Company did not pledge any of its Shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended December 31, 2019.

CHARGES ON THE GROUP'S ASSETS

For the year ended December 31, 2019, there were no charges on the Group's assets.

LOAN ARRANGEMENTS GRANTED BY THE COMPANY TO ENTITIES

For the year ended December 31, 2019, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules.

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 for the year ended December 31, 2019 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 for the year ended December 31, 2019.

SHARE OPTION SCHEME

As of December 31, 2019, the Company had not adopted any share option scheme.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company has no provision on pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

DIVIDEND POLICY

In order to provide return to its Shareholders, and having considered the financial and business conditions of the Group after the Listing, the Board has approved and adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in the absence of any adverse circumstances which might reduce the profits that are distributable whether by losses or otherwise, the Company will distribute 30% to 50% of its profit for the year to Shareholders as annual dividends in any financial year in compliance with relevant laws and regulations of the PRC and Hong Kong and related considerations.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board. Any declaration of dividends shall be conducted in accordance with all applicable PRC laws and regulations, the Articles of Association, all applicable laws and regulations of the place where the shares of the Company are listed, and other applicable laws and regulations.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the Company's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under CASBE or IFRS (whichever is lower), the Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations and other factors that the Directors may consider relevant without prejudice to the normal operation of the Group.

The Board shall continually review the Dividend Policy and reserve the absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Company does not guarantee the payment of any specific amount of dividends for any given period of time.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders of the Company at the 2019 annual general meeting to be held on June 15, 2020, for their consideration and approval of the payment of a final dividend of RMB0.03 per Share (tax inclusive) for the year ended December 31, 2019 (the "**2019 Final Dividends**") payable to the Shareholders of the Company, whose names are listed in the register of members of the Company on June 24, 2020, in an aggregate amount of approximately RMB4.8 million. The 2019 Final Dividends will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2019 Final Dividends are expected to be paid on or around August 7, 2020.

Pursuant to the PRC Enterprise Income Tax Law and its implementation rules, which came into force since January 1, 2008 and were amended on December 29, 2018 and other relevant rules, where the Company distributes the proposed 2019 Final Dividends to non-resident enterprise Shareholders whose names appear on the register of members of H Shares of the Company, it is required to withhold enterprise income tax at a rate of 10%. Any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations or groups, will be treated as shares being held by non-resident enterprise Shareholders, and consequently the dividends payable on such shares will be subject to the withholding of the enterprise income tax.

Pursuant to the PRC Individual Income Tax Law, the PRC Regulations for Implementation of the Individual Income Tax Law and other relevant laws and regulations, the foreign individuals who are the holders of H Shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H Shares, which shall be withheld and paid by such domestic enterprises on behalf of such individual H Shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) effective from May

13, 1994 (the "**1994 Notice**") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company has obtained the record-filing receipt for the incorporation of foreign-invested enterprises and has completed registration processes with relevant industrial and commercial administration in November 2018, the foreign individual non-resident Shareholders who hold the Company's H Shares and whose names appear on the register of members of H Shares of the Company (the "**Individual H Shareholders**") are not required to pay PRC individual income tax when the Company distributes the 2019 Final Dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2019 Final Dividends to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company.

According to the Articles of Association, the Hong Kong dollars to be used by the Company to pay cash dividends and other payments to the Individual H Shareholders shall be handled in accordance with the relevant foreign exchange administration regulations of the State.

The Company was not aware of any Shareholders that had waived or agreed to waive any dividend arrangement for the year ended December 31, 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholders' entitlement to attend and vote at the AGM and to the proposed 2019 Final Dividends, the H Share register of members of the Company will be closed from May 16, 2020 to June 15, 2020 (both days inclusive) and from June 19, 2020 to June 24, 2020 (both days inclusive) respectively, during such periods no transfer of H Shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM, holders of H Shares of the Company must lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on May 15, 2020.

In order to qualify for receiving the proposed 2019 Final Dividends (subject to the approval by Shareholders at the forthcoming AGM), holders of H Shares of the Company must lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on June 18, 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 10 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in consolidated statements of changes in equity, of which details of reserves available for distribution to Shareholders are set out in consolidated statement of changes in equity. The Company's reserves available for distribution to ordinary Shareholders as at December 31, 2019 included the retained profits of approximately RMB44.12 million (2018: RMB48.05 million).

DONATIONS

During the Reporting Period, the Group did not make any external donation.

BANK BORROWINGS AND OTHER BORROWINGS

As at December 31, 2019, the Group had no bank borrowings and other borrowings.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and senior management of the Company for the year ended December 31, 2019 and as the date of this report is illustrated below.

Name	Title in the Company	Date of appointment/ re-election
ZHOU Shanzhong	Executive Director and chairman of the Board	December 9, 2019/ January 17, 2020
XING Cheng	Executive Director	March 24, 2017/ January 17, 2020
	General manager	January 19, 2017/ January 17, 2020
MAO Yongming	Executive Director	January 17, 2020
	Vice general manager	January 19, 2017
PENG Chong	Executive Director	March 24, 2017/ January 17, 2020
	Chief financial officer	January 19, 2017
	Secretary to the Board	February 28, 2019
Gao Hongxin *(Note 1)*	Executive Director and chairman of the Board	March 24, 2017
FANG Wei *(Note 2)*	Executive Director	March 24, 2017
	Secretary to the Board	January 19, 2017
DONG Guangpei	Non-executive Director	November 1, 2019/ January 17, 2020
WANG Xiaotong	Non-executive Director	January 17, 2020
YU Yang *(Note 3)*	Non-executive Director	November 22, 2017
WU Tao *(Note 4)*	Non-executive Director	March 24, 2017
CHAN Wai Dune	Independent non-executive Director	January 17, 2020
HAN Xiaoping	Independent non-executive Director	April 4, 2018/ January 17, 2020
YANG Ying	Independent non-executive Director	April 4, 2018/ January 17, 2020
LAU Tsz Bun *(Note 5)*	Independent non-executive Director	April 4, 2018
XUE Xiaofang	Chairperson of the Supervisory Board	January 19, 2017/ January 17, 2020
SHAO Guoyong	Supervisor	January 19, 2017/ January 17, 2020
YANG Kui	Supervisor	January 19, 2017/ January 17, 2020
YAO Shen *(Note 6)*	Head of the production technology department	January 19, 2017
	Vice general manager	November 12, 2018
FENG Wei	Factory director of Haigang Thermal Plant	January 19, 2017
PAN Xiushan	Manager of Tianjin Baorun	January 19, 2017
WANG Hua	Marketing center director	January 19, 2017
QI Song	Department head of electricity supply department	January 19, 2017

Notes:

(1) Mr. GAO Hongxin has resigned as an executive Director, chairman of the Board and chairperson of the nomination committee of the Company on December 9, 2019.

(2) Ms. FANG Wei has resigned as an executive Director, secretary to the Board, joint company secretary and authorized representative of the Company on February 28, 2019.

(3) Mr. YU Yang has retired as a non-executive Director of the Company on January 17, 2020 due to the expiration of his term.

(4) Mr. WU Tao has retired as a non-executive Director and member of the audit committee of the Company on November 1, 2019.

(5) Mr. LAU Tsz Bun has resigned as an independent non-executive Director and chairperson of the audit committee and remuneration committee of the Company on January 17, 2020 due to the expiration of his term.

(6) Mr. YAO Shen was the head of the production technology department from January 2017 to January 2019 and was appointed as the vice general manager of the Company on November 12, 2018.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on pages 20 to 27 of this Annual Report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with the Directors, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board of Directors; and (2) the tenure may be terminated in accordance with respective terms of the contract.

The Company has entered into contracts with the Supervisors in respect of, among others, compliance with relevant laws and regulations, the Articles of Association and provisions of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

The emoluments of our Directors and Supervisors are paid in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions. The details of the remuneration of the Directors and Supervisors of the Company are set out in note 7 to the Financial Statements.

The emoluments paid to our Directors and Supervisors are determined by such factors as the size of business, industry, work experiences and duties, meanwhile the performance by them in various committees are considered as well. The standards and amounts for the emoluments are proposed by the remuneration committee, reviewed by the Board and shall be valid after the final approval by shareholders' general meeting.

During the year ended 31 December 2019, the emoluments of the senior managements of the Company (other than executive Directors) are set out as below:

Remuneration(HK$)	Number
0 to 1,000,000	5

The details of the emoluments of our Directors and the top five highest paid individuals of the Company are set out in note 8 to the Financial Statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

After the end of the year of 2019 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest directly or indirectly.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year of 2019, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses.

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

As at December 31, 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 December 31, 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 Yun Nan	H Shares	Beneficial owner	6,754,000(L)	15.24	4.22

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.

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2019.

CONTRACT OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

The Group did not conduct any non-exempt one-off connected transaction during the year ended December 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

The Group has conducted certain non-exempt continuing connected transactions with TFIHC during the year:

Connected transactions under		Connected persons	Annual caps for 2019 *RMB'000*	Actual transaction value in 2019 *RMB'000*
1.	Construction, Technical Support and Maintenance Services Framework Agreement	TFIHC	6,700	1,365
2.	Raw Material Supply Framework Agreement	TFIHC	28,127	392

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND TFIHC

TFIHC jointly and indirectly owns approximately 72.29% of the Company's share capital. Therefore, TFIHC is a substantial shareholder of the Company. TFIHC is a connected person of the Company under Rule 14A.07 of the Listing Rules.

The Company entered into two framework agreements in respect of the continuing connected transactions with TFIHC, so as to regulate the connected transactions carried out between the parties. Details of such transactions are set out below:

Construction, Technical Support and Maintenance Services Framework Agreement

The Company entered into a construction, technical support and maintenance services framework agreement (the "**Construction, Technical Support and Maintenance Services Framework Agreement**") with TFIHC on April 4, 2018, pursuant to which the Group provides certain types of construction, technical support and maintenance services to Tianbao Group, including construction, spare parts services, training, maintenance, operation preparation services, technical studies and expert support services.

The Construction, Technical Support and Maintenance Services Framework Agreement, effective on the Company's Listing Date, is valid for a term commencing from the Listing Date and ending on December 31, 2020. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Construction, Technical Support and Maintenance Services Framework Agreement.

For the years ended December 31, 2018, 2019 and 2020, the annual cap for total fees payable to the Group from Tianbao Group under the Construction, Technical Support and Maintenance Services Framework Agreement is RMB6.7 million, RMB6.7 million and RMB6.7 million, respectively.

Raw Material Supply Framework Agreement

The Company entered into a raw material supply framework agreement (the "**Raw Material Supply Framework Agreement**") with TFIHC on April 4, 2018, pursuant to which the Group purchases from Tianbao Group and Tianbao Group will supply to the Group coal and water.

The Raw Material Supply Framework Agreement, effective on the Company's Listing Date, is valid for a term commencing from the Listing Date and ending on December 31, 2020. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Raw Material Supply Framework Agreement.

For the years ended December 31, 2018, 2019 and 2020, the annual cap for total fees payable by the Group to Tianbao Group under the Raw Material Supply Framework Agreement is RMB28.127 million, RMB28.127 million and RMB28.127 million, respectively.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 27 to the Financial Statement is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules nor are they connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Review by and confirmation of independent non-executive Directors of the Company

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions, and confirmed that such transactions were:

(1) carried out in the ordinary course of business of the Group;

(2) made on normal commercial terms; and

(3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Company's Shareholders as a whole.

Confirmation of the auditors

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended December 31, 2019 that these transactions:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

Save as disclosed above, the Directors confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with regard to the above mentioned connected transactions.

COMPLIANCE WITH THE NON-COMPETITION DEED

The Company entered into a non-competition deed with the Company's Controlling Shareholders, Tianbao Holdings and TFIHC, on April 4, 2018 in favor 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 year, 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, the total purchases from the five largest suppliers of the Company accounted for 83% of the total purchases during the year. The purchase from the largest coal supplier accounted for 43% of the total volume of fuel purchased during the year.

For the year ended December 31, 2019, the total sales to the five largest customers of the Company accounted for 55% of the total sales during the year. The sales to the largest customer accounted for 21% of the total sales during the year.

During the Reporting Period, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest suppliers or customers of the Company during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the year ended December 31, 2019. Please refer to the section "Corporate Governance Report" in this Annual Report for details.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. The Company strives to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting its community.

The Company places significant emphasis on human resources. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employees' health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

The Company values the feedback from customers and inquires and understands their opinions by daily communication and other means. The Company has also established the mechanism relating to customer service and support. The Company treats the provision of customer service as an opportunity to improve our relationship with the customers, address customers' concerns in a timely manner and in accordance with international standards.

The Company believes that its suppliers are equally important in producing quality products. Therefore, the Company proactively collaborates with its business partners to deliver quality and sustainable services.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued Shares as at the Latest Practicable Date, which was in line with the requirement under the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2019 annual results and the audited Financial Statements for the year ended December 31, 2019 prepared in accordance with the IFRSs.

INDEPENDENT AUDITORS

KPMG has been the auditor for the preparation of the Company's IFRSs financial statements since July 2016.

In June 2019, the 2018 annual general meeting approved the reappointment of KPMG as the auditor for the preparation of the Company's 2019 IFRS financial statements until the date of conclusion of the 2019 annual general meeting of the Company.

In March 2020, the Board of Directors proposed to hire KPMG as the auditor for the preparation of the Company's 2020 IFRSs financial statements from the date of conclusion of the 2019 annual general meeting of the Company to the date of conclusion of the 2020 annual general meeting of the Company. This proposal shall be effective after the approval by the 2019 annual general meeting of the Company.

FINANCIAL SUMMARY

Summary of results of operation and the assets and liabilities of the Group for the last five financial years is set out on page 3 of this Annual Report. The financial summary does not constitute part of the audited consolidated Financial Statements of the Group.

By order of the Board
Tianjin Tianbao Energy Co., Ltd.

ZHOU Shanzhong
Chairman of the Board

Tianjin, the PRC
March 26, 2020

Report of the Supervisory Board

In 2019, all members in the Supervisory Board, in strictly compliance with the PRC Company Law and other laws, regulations, rules and directives and the relevant provisions of the Articles of Association, the Rules of Procedure of the Supervisory Board and the Listing Rules, had been performing its supervisory duties on the Directors and senior management's fulfilling of their respective responsibilities in the Company and giving full play the Supervisory Board's role of supervision, aiming at guarding the long-term benefits of the Company and the interests of all of our Shareholders. We hereby report the main works we have done during the Reporting Period as follows:

I MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held three meetings in 2019. The convening of the meetings, the signing of the resolutions and the exercise of the Supervisors' rights were compliance with the relevant provisions of the PRC Company Law, the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Board. During the Reporting Period, the Supervisory Board has considered and confirmed the contents of the annual report and annual results announcement for the year ended December 31, 2018, the contents of the interim report and the interim results announcement for the six months ended June 30, 2019; reviewed and approved the 2018 environmental, social and governance (ESG) report and the report of the Supervisory Board; reviewed and approved the proposal of profit distribution plan in 2018, the proposal of renewing the Company's auditors in 2019, the proposal of evaluation of Directors, Supervisors, and senior management in 2018, the proposal of remuneration plan of Directors in 2019, the proposal of the remuneration plan of Supervisors in 2019, the proposal of the remuneration plan of senior management in 2019, the proposal on election of Supervisors of the second session of the Supervisory Board, and the proposal on authorizing the Board to determine the Supervisor's remuneration of the second session of the Supervisory Board. Besides, members of the Supervisory Board attended all the previously-held on-site Board meetings, provided suggestions and opinions on the meeting's subject and its supervisory duties, and conducted proper supervision over the procedures and substance of each meeting held, which enabled the Shareholders' legal rights have been exercised and each of the meeting has been held legally and orderly.

II PRESENT AT/ATTEND MAJOR MEETINGS

In 2019, the Supervisors presented at three general meetings and attended 12 Board meetings. By attending those meetings, the Supervisors not only sought to understand the operation and management of the Company, but also actively participated in the consideration and discussion of proposals to provide opinions and suggestions, and effectively supervised procedures for convening these meetings, and the discussion of subjects the meetings.

III ROUTINE EXAMINATION AND RESEARCH

In 2019, the Supervisory Board watched closely the compliance of operation of the Company to ensure that internal operation of the Company always respects related systems and regulations of the Listing Rules.

IV INDEPENDENT OPINION AND SPECIAL EXPLANATIONS

The Supervisory Board has mainly conducted the following works:

1. By supervising duty performance of Directors and senior management of the Company and the legality of the operation of the Company, the Supervisory Board was of the view that the Company was able to make decisions according to the law and in strict compliance with requirements such as the PRC Company Law, the Articles of Association and the major decision making processes for its operation is legal and valid. The Company further completed and optimized internal management system and internal control mechanisms including Internal Auditing Management Measures, Comprehensive Risk Management System, Administrative Measures on Guarantees, Financing Management Measures, Comprehensive Budget Management Measures, Administrative Measures on Equity Investments and Internal Control Handbook (2019 version). The Company disclosed important information on the Company in a timely manner according to securities regulatory and management requirements so that the information was disclosed in a regulated manner, and the securities trading system for the informed parties of insider information was conducted well; the Company also adopted Appendix 10 of the Listing Rules headed "Model Code for Securities Transactions by Directors of Listed Issuers" as its model code for securities transactions by Directors, Supervisors and personnel in possession of insider information of the Company. Directors and senior management of the Company have all performed their duties in accordance with related laws and regulations, the Articles of Association and resolutions of the general meetings and meetings of directors, devoted to their duties while forging ahead and adhered to incorruptibility and self-discipline. Besides, no actions which violated laws and regulations, the Articles of Association, or harmed the interests of the Company or Shareholders have ever been found during the execution of their duties for the Company.

2. By communicating with the accounting firm in charge of providing audit and review service to the Company, the Supervisory Board reviewed Financial Statements of the Company, considered periodical reports of the Company and the audit report submitted by accounting firm, and periodically attended to the report by internal audit department of the Company on the conduct of internal audit work, and carried out effective supervision and inspection on the financial management and operation of the Company. The Supervisory Board was of the view that during 2019, the Company had sound financial management system and mechanism, regulated management and reasonable expenses. The Company's 2019 Financial Statements was audited by KPMG who has issued the standard audit report with an unqualified opinion that the 2019 Financial Statements prepared by the Company fairly reflected the financial condition and operating results of the Company.

3. The Supervisory Board supervised the utilization of the proceeds by the Company. The Supervisory Board was of the view that the Company was able to manage and utilize the proceeds according to national laws and regulations and the commitments made by it in the Prospectus, and the Supervisory Board will continue to supervise and inspect the utilization of such proceeds.

4. The Supervisory Board supervised the Company's connected transactions and was of the view that connection transactions of the Company were carried out according to the provisions of the PRC Company Law, the Listing Rules and the Articles of Associations, as well as the administrative measure on connected transactions, and the pricing of connected transactions are fair and have neither breached principles of openness, fairness and impartiality, nor identified any acts which harmed the interests of the Company and minority Shareholders of the Company.

5. The Supervisory Board made a special explanation of the internal control of the Company and was of the view that during 2019, internal control systems of the Company have been constantly improved and internal control evaluation has made solid progress with overall performance continuously improving, thus internal control targets can be realized reasonably.

In 2020, which is a key year for the Company to deepen its system reform, the Supervisors Committee will carry out its duties in supervising, strictly comply with relevant provisions of the PRC Company Law, the Articles of Association, the rules of procedure of the Supervisors Committee and the Listing Rules, adhere to the principle of integrity, pay attention to major issues such as investments, related party transactions, and information disclosure of the Company by taking various approaches to supervise the Company, Directors and senior management, closely watch the production, operation and management condition of the Company, pay attention to important decisions and actions of the Company, inspect and supervise the Company's construction and operation condition in risk management, internal control, financial management and other aspects, meanwhile, strengthen the self-construction of the Supervisory Board to strengthen supervision, so as to play its due role of contributing economic efficiency growth of the Company and firmly safeguarding interests of the Shareholders and the Company.

Chairperson of the Supervisory Board
XUE Xiaofang
Tianjin, the PRC

March 26, 2020

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintain high standards 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 of 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 of the Model Code committed by any Directors, Supervisors or relevant employees during the Reporting Period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the interests of the Company.

The Board shall regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently consists of nine members, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Board of the Company consists of the following Directors:

Executive Directors

Mr. ZHOU Shanzhong (周善忠) *(Chairman of the Board)*
Mr. XING Cheng (邢城) *(General Manager)*
Mr. MAO Yongming (毛永明) *(Vice General Manager)*
Mr. PENG Chong (彭沖)

Non-executive Directors

Mr. WANG Xiaotong (王小潼)
Ms. DONG Guangpei (董光沛)

Independent non-executive Directors

Mr. CHAN Wai Dune (陳維端)
Mr. HAN Xiaoping (韓曉平)
Ms. YANG Ying (楊瑩)

Biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 20 to 27 of this Annual Report.

There are no financial, business, family or other material or relevant relationships between members of the Board, in particular between the chairman and the general manager.

According to Article 133 of the Articles of Association, the Board should consist of nine directors. Ms. FANG Wei's resignation as an executive Director on February 28, 2019 resulted in the Company's failure to comply with the provisions of Article 133 of the Articles of Association. However, Ms. FANG Wei's resignation has not resulted in the Board being lower than the minimum quorum required by the PRC Company Law, and has not affected the Board's operation in accordance with applicable Chinese laws and regulations.

The Company elected Directors of the second session of the Board at the first extraordinary general meeting of the Company in 2020 convened on January 17, 2020. Since then, our Board consists of nine Directors and Article 133 of the Articles of Association has been complied with.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The positions of the chairman of the Board and the general manager of the Company are held separately. During the Reporting Period, the role of chairman of the Board of the Company is held by Mr. GAO Hongxin (up to December 9, 2019) and Mr. ZHOU Shanzhong (since December 9, 2019), and general manager is held by Mr. XING Cheng. The chairman of the Board is responsible to preside over and govern the Board so as to create the conditions for the effective performance of the Board as a whole and effective contributions by individual Directors and to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The general manager has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis.

The division of responsibilities between the chairman of the Board and the general manager is defined and established in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended December 31, 2019, the Board has complied with relevant requirements of the Listing Rules, and has appointed at least three independent non-executive Directors (representing at least one-third of our Board), with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

RE-ELECTION OF NON-EXECUTIVE DIRECTORS AND DIRECTORS

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors of the Company has been appointed for a specific term of three years and is renewable upon re-election by Shareholders.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

For the year ended December 31, 2019, the Board held 12 meetings to deal with various important matters of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company arranges internally-facilitated briefings for Directors and issue reading material on relevant topics to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year of 2019, the Company provided one training for all Directors and provided training materials for the Directors to study. Upon the election of the Directors of the second session of the board of Directors at the 2020 first extraordinary general meeting of the Company on January 17, 2020, the Company also provided on-site training for all Directors (including the newly appointed Directors). Such training session covered a wide range of relevant topics including Directors' statements and undertakings, Supervisors' statements and undertakings, code for securities transactions by Directors and Supervisors, related insider dealing rules under the SFO, discloseable interests as required by SFO, management of information disclosure, continuing responsibilities for information disclosure (such as general matters and inside information), connected transactions and discloseable transactions. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying. Each of the Directors has completed the aforementioned trainings.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which state clearly their authority and duties. The terms of reference of all of the committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Members of each Board committee comprise independent non-executive Directors and the list of the chairperson and members of each Board committee are set out under "Corporate Information" on page 159 of this Annual Report.

AUDIT COMMITTEE

The audit committee currently comprises three members, namely Mr. CHAN Wai Dune (chairperson), Ms. YANG Ying and Ms. DONG Guangpei, 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 auditors. The primary responsibilities of the audit committee are to review and supervise our Group's financial reporting process, risk management and internal control system. The terms of reference of the audit committee is available on the Stock Exchange's website and the Company's website.

During the year ended December 31, 2019, the audit committee held two meetings to review the annual results announcement and annual report for the 2018, the interim financial results announcement and interim report for the 2019, appointment of external auditors, and other matters of importance of the Company and its subsidiary. For the work and reports of the audit committee on the risk management and internal control of the Company, please see the paragraph headed "Risk Management and Internal Control" in this section.

The audit committee also held two meetings with the external auditors without the presence of the executive Directors.

REMUNERATION COMMITTEE

The remuneration committee currently comprises three members, namely Mr. HAN Xiaoping (chairperson), Ms. YANG Ying and Mr. MAO Yongming, with the majority being independent non-executive Directors. The primary responsibilities of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors, Supervisors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The terms of reference of the remuneration committee is available on the Stock Exchange's website and the Company's website.

During the year ended December 31, 2019, the remuneration committee held two meetings. The remuneration committee has reviewed remuneration matters such as the evaluation of Directors, Supervisors and senior management in 2018, remuneration plan of Directors, Supervisors and senior management, remuneration of Mr. ZHOU Shanzhong as a newly appointed executive Director, and has assessed the performance of each of the executive Directors during the Reporting Period and provided advices to the Board on these matters.

NOMINATION COMMITTEE

The nomination committee currently comprises three members, namely Mr. ZHOU Shanzhong (chairperson), Ms. YANG Ying and Mr. HAN Xiaoping, with the majority being independent non-executive Directors. The primary responsibility of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management. The terms of reference of the nomination committee is available on the Stock Exchange's website and the Company's website.

During the year ended December 31, 2019, the nomination committee held four meetings. The nomination committee has reviewed the structure, personnel and composition of the Board of Directors, and evaluated the independence of independent non-executive Directors. The nomination committee also conducted a comprehensive investigation on the occupation, education, title, detailed work experience of all the Director candidates, and underwent a qualification review for candidates according to the requirements and advised the Board of Directors on these matters.

The nomination committee considered that an appropriate balance of diversity of the Board is maintained.

BOARD DIVERSITY POLICY

The Board has adopted the Board Diversity Policy with effect from December 2018. The Company recognize the importance of diversity of the Board members to corporate governance and the Board effectiveness.

The nominations and appointments of members of the Board will continue to be made on merit basis based on its business needs from time to time while taking into account the benefits of diversity of the Board members. The nomination committee selected Director candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, age, language, cultural background, educational background, industry experience and professional experience. The nomination committee will also ensure that recruitment and selection procedures of Director candidates are appropriately structured so that a diverse range of candidates is considered by the Company.

The nomination committee is responsible for reviewing this policy, developing and reviewing measurable objectives for implementing this policy and monitoring the progress on achieving these measurable objectives. The nomination committee shall review this policy and the measurable objectives at least annually to ensure the continuing effectiveness of the Board. The nomination committee shall also assess annually the diversity profile of the Company including gender balance of the Board and the Company's progress in achieving diversity objectives. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board of the Company comprises 7 male Directors and 2 female Directors, whose age arrange from 39 year-old to 67 year-old, and each of the Directors is experienced and have different backgrounds which result in a diversified Board.

NOMINATION POLICY

The nomination policy of the Company is as follows:

(1) the nomination committee shall review at least once a year the number, composition and organizational structure of the Board (including the skills, knowledge base, work experience and diversity of the Board members), and to advise on personnel changes of the Board to consolidate the Company's development strategy;

(2) the nomination committee shall consider the criteria and procedures for selecting directors, general manager and other senior management members and make recommendations thereon to the Board, develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background and previous experience;

(3) the nomination committee shall identify individuals suitably qualified to become the Board members and make recommendations to the Board on the nomination of individuals suitable for directorships, having due regard to the Company's Board Diversity Policy, the requirements in the Articles of Association regarding the appointment of directors of the Company, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity; and

(4) the nomination committee shall review the independence of independent non-executive Directors with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the nomination committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters.

NOMINATION PROCEDURES

The procedures for nomination of the Directors and senior managements of the Company are as follows:

(1) the Board office and the nomination committee shall actively communicate with the relevant departments of the Company to assess the demand for new Directors and senior management members and their re-election and prepare written materials;

(2) the nomination committee may extensively seek for candidates for Directors and senior management within the Company, the Company's subsidiaries/associated corporations/joint ventures as well as in the recruitment market;

(3) the nomination committee identifies individual(s) suitably qualified to become the Board member(s), having due regard to the relevant requirements, including but not limited to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate. The nomination committee shall obtain information of the occupation, academic qualifications, job title, detailed work experience and all the part-time positions of the preliminary candidates and prepare written materials;

(4) to seek for the written consent from the nominated candidates on the proposed nomination; otherwise, such nominated candidates shall not be considered as candidates for directors, general manager and senior management members;

(5) to convene nomination committee meetings to review the qualifications of the preliminary candidates according to the job descriptions of Directors, general manager and senior management members;

(6) to submit proposals and relevant materials to the Board in respect of the candidates for Directors, the re-election of Directors and the candidates for senior management members within reasonable time prior to the election of new directors, the re-election of directors and senior management members; and

(7) to carry out other follow-up work according to the decision(s) and feedback of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with laws and regulations, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND MEMBERS OF BOARD COMMITTEE

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended December 31, 2019 is set out in the table below:

	Attendance/number of meetings during the term of office				
Name of Director	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Shareholders' General Meeting**
ZHOU Shanzhong *(Note 1)*	1/1			0/0	0/0
XING Cheng	12/12				3/3
PENG Chong	12/12		2/2		3/3
GAO Hongxin *(Note 2)*	11/11			4/4	1/3
FANG Wei *(Note 3)*	1/1				0/0
DONG Guangpei *(Note 4)*	2/2	0/0			1/1
YU Yang *(Note 5)*	12/12				3/3
WU Tao *(Note 6)*	10/10	2/2			2/2
HAN Xiaoping	12/12			4/4	3/3
YANG Ying	12/12	2/2	2/2	4/4	3/3
LAU Tsz Bun *(Note 7)*	12/12	2/2	2/2		3/3

Note:

(1) Mr. ZHOU Shanzhong has been an executive Director, chairman of the Board and chairperson of the nomination committee of the Company since December 9, 2019.

(2) Mr. GAO Hongxin has resigned as an executive Director, chairman of the Board and chairperson of the nomination committee of the Company on December 9, 2019.

(3) Ms. FANG Wei has resigned as an executive Director, secretary to the Board, joint company secretary and authorized representative of the Company on February 28, 2019.

(4) Ms. DONG Guangpei has been a non-executive Director and a member of the audit committee of the Company since November 1, 2019.

(5) Mr. YU Yang has retired as a non-executive Director of the Company on January 17, 2020 due to the expiration of his term.

(6) Mr. WU Tao has resigned as a non-executive Director and member of the audit committee of the Company on November 1, 2019.

(7) Mr. LAU Tsz Bun has retired as an independent non-executive Director and chairperson of the audit committee and remuneration committee of the Company on January 17, 2020 due to the expiration of his term.

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period, mainly discussing the Company's development strategy and future plans.

RISK MANAGEMENT AND INTERNAL CONTROL

To comply with the requirements of risks management for listed companies, establish and improve the risk control and management system, process and warning mechanism as necessary for the operation of listed companies to ensure effective identification of risks, the Company further organized and conducted internal control and risks management, including analyzing the current status of the Company, analyzing and optimizing the difference between the actual and planned internal control, compiling an internal control manual (2019 Version) and the comprehensive budget management approach, conducting internal control research, establishing risks management system, identifying and collecting risks facing the Company, compiling a risk response report and risk management manual for the year. During the course, the integrity, reasonableness, and the implementation of the internal control measures by various departments of the Company have been organized and reviewed to effectively control the possibility of the occurrence of such risks. By introducing advanced risk management concepts and tools, improving the internal control system and meanwhile meeting the regulatory requirements for risk management and internal control, the Company's risk management and control capabilities are enhanced as a whole so as to continuously enhance its core competitiveness.

The Board fully understands its responsibilities for risk management and internal control systems, and for reviewing their effectiveness. The systems aim to manage rather than eliminate the risks of the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The major internal control policies established by the Company include budget control, operation activities analysis, financial reimbursement and approval control, credit and borrowing control. The management has confirmed to the Board and the audit committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2019.

The Board reviews the Company's risk management and internal control systems annually. The Board, as supported by the audit committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, executive officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 80 to 83.

Where appropriate, a statement will be submitted by the audit committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the audit committee.

AUDITORS' REMUNERATION

The remuneration paid and payable to the Company's external auditors by the Company in respect of audit services and non-audit services for the year ended December 31, 2019 amounted to RMB1 million and RMB400,000, respectively.

COMPANY SECRETARIES

Ms. FANG Wei and Mr. LAU Kwok Yin served as joint company secretaries of the Company as of February 28, 2019.

The Stock Exchange has granted an updated waiver to the Company from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period from the date of the appointment of Mr. LAU Kwok Yin as a joint company secretary (i.e. May 30, 2018) to April 26, 2021 in relation to the eligibility of Ms. FANG Wei to act as a joint company secretary of the Company. For details, please refer to the announcement of the Company dated May 30, 2018.

Ms. FANG Wei was an executive Director, joint company secretary and secretary to the Board of our Company, and acted as the contact person between the Company and the Stock Exchange and is responsible for information disclosure and investment management as well as corporate governance for the Company. Ms. FANG Wei resigned as an executive Director, secretary to the Board and joint company secretary of the Company on February 28, 2019. From the same day, Mr. LAU Kwok Yin served as company secretary of the Company.

For the year ended December 31, 2019, Mr. LAU Kwok Yin have received no less than 15 hours of relevant professional training on reviewing the requirements under the Listing Rules and other compliance. The major contact person in the Company of Mr. LAU Kwok Yin is Mr. PENG Chong, an executive Director.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels and a shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The Company reviews the policy regularly to ensure its effectiveness.

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors.

All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholders' meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Shareholders holding more than 10% of Shares (individually or together with others) of the Company shall be entitled to request for an extraordinary general meeting or class meeting.

Upon signing one or several written requests with the same content and format, and stating the subject of the meeting, the aforesaid Shareholders may request the Board to convene an extraordinary general meeting or class meeting. Shares held by the abovementioned Shareholders shall be calculated as at the date of submitting the written request. The aforesaid shareholdings of the proposed Shareholders shall be calculated as of the day on which the written request is made by such Shareholders.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

When the Company convenes the general meeting, the Board of Directors, Supervisory Board and Shareholders holding more than 3% of the shares of the Company separately or jointly are entitled to propose resolutions to the Company. The Shareholders holding more than 3% of the Shares of the Company separately or jointly may submit adhoc proposals and submit them to the convener in writing ten days before the general meeting is held.

The proposal contents shall fall into the terms of reference of the general meeting. There shall be definite topics and specific matters for resolution. The proposal shall comply with the relevant provisions of the laws, administrative regulations and Articles of Association.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their written enquiries or requests through the following means:

Address: No. 35 Haibinba Road
Tianjin Port Free Trade Zone
Tianjin City
PRC
(For the attention of the secretary to the Board)

Email: tianbaonengyuan@tjtbny.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to facilitate the Company to respond. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairman of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries.

THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Company has revised its Articles of Association on June 10, 2019. Details of such amendments are set out in the circular to Shareholders dated April 23, 2019. An updated version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

According to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), in order to improve the efficiency of the decision-making of the Company, with reference to the practices of other listed companies and in line with its actual situation, the Company intends to amend the Articles of Association and the rules of procedures of the general meeting of the Company regarding the notice period for convening general meetings, the rights of Shareholders to propose resolutions and the convening procedures in compliance with the PRC Company Law and relevant regulations. Such amendments will be proposed to the AGM for Shareholders' consideration and approval.

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

1.1 Overview

Tianjin Tianbao Energy Co., Ltd. (hereinafter referred to as "**Tianbao Energy**", "**Company**" or "**We**") is currently publishing its second "Environmental, Social and Governance Report" (hereinafter referred to as "**the Report**"). The purpose of this Report is to disclose the Company's policies, measures and performance in environmental, social and governance aspects in 2019 to various stakeholders.

This Report is published in traditional Chinese and English. In case of any discrepancies in the content of the report, the traditional Chinese version shall prevail. The electronic version of the report can be read and downloaded through the official website of the Company and the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

1.2 Reporting scope

The disclosure scope of this Report covers the power generation and supply business of Tianbao Energy, which covers the period from January 1, 2019 to December 31, 2019 (hereinafter referred to as"**Reporting Period**", "**this Year**" or "**2019**").

1.3 Reporting standard

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**Guide**") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by the Hong Kong Stock Exchange. This Report has complied with all the "comply or explain" provisions in the Guide and has been prepared in accordance with the four reporting principles in the Guide: Materiality, Quantitative, Balance and Consistency.

1.4 Feedback

Tianbao Energy attaches great importance to the opinions of stakeholders. If you have any suggestions or questions about the contents of this Report, please feel free to call or write to us through the following contact information:

Address: No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC
Postal code: 300461
Phone: +86-22-66276388
Fax: +86-22-66276388
Email: tianbaonengyuan@tjtbny.com

2 SUSTAINABLE DEVELOPMENT MANAGEMENT

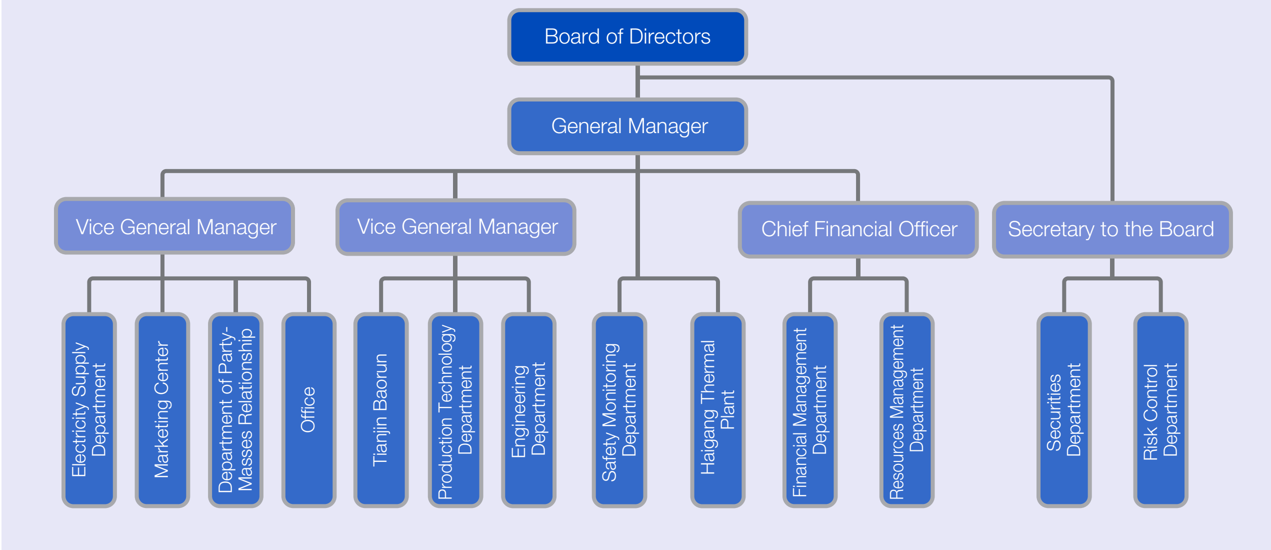
2.1 Company culture

Company goal:	advanced management, excellent service, safety and reliability, outstanding efficiency, harmonious development
Company spirit:	diligent in learning, good at innovation, courageous to challenge, willing to contribute
Company vision:	to become a leading power supply company in China
Company mission:	to provide efficient and comprehensive power services for the society, so that employees can show their value in life

2.2 Directors' responsibility

The Board of Directors has established environmental, social and governance related management policies, strategies, priorities and objectives by assessing the environmental, social and governance related risks and opportunities of Tianbao Energy, and has determined the reporting scope of this Report. At the same time, the Board of Directors ensures that the Company has an appropriate and effective risk management and internal control system, approves the disclosure content of this Report, and assumes overall responsibility for Tianbao Energy's environmental, social and governance strategies and reporting.

ORGANIZATIONAL STRUCTURE



2.3 Organizational structure

In the compilation and preparation of this Report, the management of the Company led various functional departments to promote the screening of important topics, collection of materials and recording of related data. On the basis of completing the preparation of this Report, the Company has sorted out the environmental, social and governance related responsibilities of various departments, and tentatively formed its own environmental, social and governance management structure to better implement the relevant management responsibilities at all levels of the Company.

2.4 Communication with stakeholders

For the long-term interests and sustainable development of Tianbao Energy, the Company and the Board of Directors actively maintain good relations and sufficient communication with stakeholders. The Company protects the interests of stakeholders by understanding the information needs of stakeholders and responding to the expectations of various stakeholders.

During the Reporting Period, the Company mainly maintained contact with key stakeholders through the following communication channels.

Key stakeholders	Communication channels
Shareholders and investors	Shareholders' meeting, company website, information disclosure, written inquiry by shareholders
Government and regulatory agencies	Information disclosure, regular inspection
Customers	Customer satisfaction survey, product and service complaint hotline
Staff	Staff training, regular meetings
Suppliers	Supplier inspection
Community and public	Public welfare activities, community service activities

3 SAFE AND RELIABLE IN PROVIDING EFFICIENT AND COMPREHENSIVE POWER SERVICES

In the power production and supply business, we sell electricity from cogeneration to Tianjin Electric Power Company, which is a local branch of State Grid, while we also provide steam, heating, cooling and electricity supply services to our industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport). Through standard and professional management, the Company provides high-quality and efficient power services and contributes to the development of Tianjin Binhai New District.

2019 annual performance	
Electricity generation: 65,140,500 kWh	Production of steam: 881,233 tons
Total heating area: 1.4554137 million square meters	Total cooling area: 0.77457776 million square meters

3.1 Quality management system

The Company's predecessor, Tianbao Electricity Company passed the third-party audit and certification of ISO9001 quality management system in 1998. Over the past 20 years, the Company has undergone several conversions of ISO9001 standard and implemented GB/T19001-2016/ISO 9001:2015 standard on January 10, 2018. The Company's General Manager organizes management review every year, and formally evaluates the on-going suitability and effectiveness of quality policy, quality objective, risk control and quality management system to ensure that the quality management system is always operating effectively. The Company continued to pass the third-party audit and certification of ISO9001 quality management system in 2019.

During the Reporting Period, Tianbao Energy has strictly complied with the requirements for products and services in the Product Quality Law of the People's Republic of China and the Electricity Law of the People's Republic of China to ensure the provision of high quality and stable steam, heating, cooling and electricity supply services. The Company has established the Tianbao Energy-Quality Management Manual and the working procedure documents to provide systematic policy support for quality management.


CCCI

质量管理体系认证证书

注册号: 02119Q11155R7M

兹证明

天津天保能源股份有限公司

统一社会信用代码：9112011610310702XW
注册/办公地址：中国・天津市・天津自贸试验区（天津港保税区）海滨八路 35 号

质量管理体系符合标准

GB/T 19001-2016/ISO 9001:2015 和 GB/T 50430-2017

认证范围如下：

保税区电力供应、热力供应及服务，输变电工程专业承包。

注：GB/T 50430-2017 仅适用于施工范围。
本证书有效期自 2019 年 9 月 28 日至 2022 年 9 月 27 日
标准适用性细节参见组织的质量手册
认证范围涉及法律法规要求的行政许可、资质许可、强制性认证的，证书与资质共同使用有效。
在正常接受年度审核的情况下，与年度监督保持通知一并使用有效。
本证书信息可在国家认证认可监督管理委员会官方网站（www.cnca.gov.cn）上查询。

华夏认证中心有限公司
中国北京市海淀区北四环中路 211 号太极大厦
http://www.ccci.com.cn

总 经 理：

颁证日期：2019 年 9 月 28 日

CNAS 中国认可 管理体系 MANAGEMENT SYSTEM CNAS C021-M

Figure: Quality Management System Certification Certificate

In order to establish the Company's quality management standards, on January 10, 2018, the Company completed the preparation and release of the Tianbao Energy – Quality Management Manual, and specified in details the Company's quality management system in accordance with the Plan, Do, Check, Act (PDCA) quality management cycle method.

The procedure document Control Procedures for Heating Production and Supply Process further specifies the heating production and supply process in the Tianbao Energy-Quality Management Manual, and stipulates the duties and work of the management and staff at all levels of Haigang Thermal Plant (hereinafter referred to as "**Thermal Plant**"). The Control Procedures for Heating Production and Supply Process stipulates that equipment management personnel and professional and technical personnel shall perform production operations, operation status monitoring and equipment account management in accordance with relevant management measures, implement various safety measures and technical measures in accordance with the documents in the quality management system to ensure safe and reliable electricity generation and gas supply services, and ensure that the quality of electricity and steam and load requirements meet relevant standards. The Control Procedures for Electricity Supply Process further specifies the electricity supply process in the Tianbao Energy-Quality Management Manual, and stipulates the duties and work contents of the management and staff at all levels of the electricity supply department.


副本

注册号：En19CC002

长城（天津）质量保证中心

能源管理体系认证证书

兹证明 天津天保能源股份有限公司

（统一社会信用代码:91120116103107O2XW）

位于 天津市自贸试验区（天津港保税区）海滨八路35号

邮编 300461

其能源管理体系符合 GB/T23331-2012/ISO50001:2011 标准

RB/T 116-2014

该能源管理体系适用于

发电、供电、供热过程中所涉及的能源管理活动。

(有行政许可要求的，按行政许可范围)

颁证日期 2019年4月4日 有效期至 2021年8月30日

注：本证书应于2021年8月30日之前完成ISO 50001:2018标准转换，否则证书将于2021年8月31日失效。

长城（天津）质量保证中心 总经理

Figure: Energy Management System Certification Certificate

If in the process of heating production and supply, the quality of electricity and heating energy does not meet the national standards or the requirements of the contract, and the quality of electricity during the power supply service is unqualified, the relevant management personnel shall perform the operation according to the Control Procedures for Unqualified Product, and adjust the dispatch. The Thermal Plant or the electricity supply department shall organize the relevant departments to review, keep records and process in accordance with the Control Procedures for Corrective Action.

The Company attaches great importance to the maintenance and protection of intellectual property rights, and designates relevant department to record and manage all intangible assets such as patents and copyrights it holds. In 2019, the Company held 20 new utility model patents and 6 computer software copyrights in total.

Besides, the Company passed the GB/T23331-2012 energy management system certification in 2019.

3.2 Quality customer service

On the basis of ensuring the perfect operation of the product and service quality management system, the Company further regulates the quality of customer service. In order to properly respond to customers' opinions and suggestions on products and services, we have formulated policies such as Customer Service Management Measures, and made the following requirements for the solutions to customer complaints on products and services.


copy
Registration No.: En19CC002

CHINA GREAT WALL (TIANJIN)
QUALITY ASSURANCE CENTRE
ENERGY MANAGEMENT SYSTEM CERTIFICATE

We hereby certify that
Tianjin Tianbao Energy Co.,Ltd. (Unified social credit code:9112011610310702XW)
Registered address is located at: **No.35 Haibinba Road, Tianjin Port Free Trade Zone Tianjin City PRC.**
Post Code: **300461**
Its energy management system meets the requirements of the
GB/T23331-2012/ISO50001:2011 Standard;
RB/T 116-2014.
The energy management system applies in the following areas:
Energy management activities in the process of generation, power supply and heating. (In case of administrative licensing requirements, the scope of administrative licensing shall apply).
Date of Issuance: **Apr. 4th, 2019** Date of Expiry: **Aug. 30th, 2021**
Note: This certificate should be converted to ISO 50001:2018 standard, otherwise the certificate will be invalid in August 31, 2021.

CHINA GREAT WALL (TIANJIN) QUALITY ASSURANCE CENTRE
General Manager

The certificate-related information can be queried through CGW website and CNCA website (www.cnca.gov.cn). This certificate is only valid when it is used with the original <the notification of the keeping register certificate> which is award after passing the annual inspection.CGW Add: 3F,HengHua Building, No.501, DaGuNan Road, HeXiDistrict, Tianjin, P.R.China; Postalcode:300202; The web of centre: www.isocgw.net

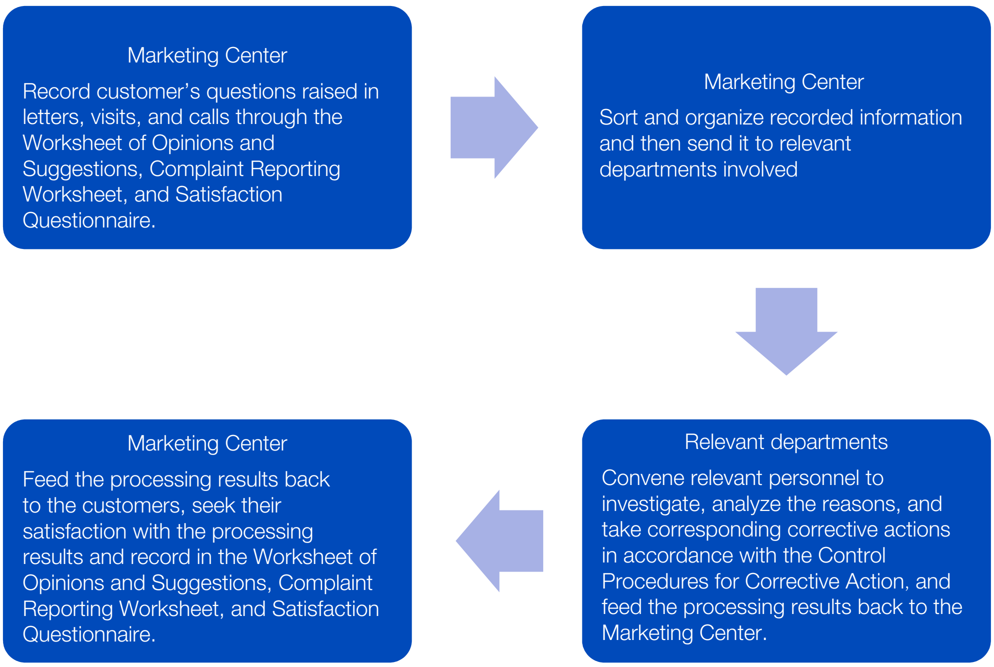


Figure: Complaint handling procedures for products and services

The Customer Service Management Measures stipulates that the Company conducts customer satisfaction surveys in the fourth quarter of each year and conducts statistics and analysis on the survey results in January of the following year to obtain customers' needs and expectations and understand the Company's direction of improvement. In the survey results of customer satisfaction in 2019, the interviewed customers' grades for the evaluation indexes including quality perception, quality expectation, corporate image, customer satisfaction, and perceived value of Tianbao Energy ranged from 8 to 10 points (10-point system), indicating recognition from customers of the Company's services.

Tianbao Energy also attaches great importance to protecting the information and privacy of its customers and partners. In 2019, the Company has strictly complied with the provisions of the Contract Law of the People's Republic of China on trade secrets. Regardless of whether the partnership is established, it will not reveal or improperly use other people's trade secrets. In the Customer Service Management Measures, the Company stipulates that any employee is prohibited from revealing confidential information of customers to other companies, media, networks, organizations and individuals. If an employee violates this regulation and causes losses to the customer, he will be punished according to relevant regulations.

3.3 Procurement risk management

Tianbao Energy's materials and service suppliers are an important part of the Company's provision of safe and reliable power services. Therefore, the Company pays great attention to the management of environmental and social risks and opportunities in the supply chain. Our raw material suppliers mainly include seven coal suppliers (five from Tianjin, one from Taiyuan City, Shanxi Province, and one from Zhangjiakou City, Hebei Province) and one water supplier, which provide stable supply of raw materials and water to the Company. In addition, we outsource some of the operations and maintenance services of the Thermal Plant to third-party professional service providers.

In order to properly regulate the environmental and social risks in the supply chain, the Company has formulated the *Response Control Procedures for Risks and Opportunities*, regularly analyzes and evaluates the risks in the supplier review and procurement control process through the establishment of a risk and opportunity assessment team, and collaborates with relevant departments to develop countermeasures.

During the Reporting Period, the Company implemented the provisions on the supplier review and procurement control process in the policies such as *Related Party Management System*, *Management Measures for Tendering*, *Comparison and Selection*, *Materials (Services) Procurement Management Measures*, and *Coal Purchasing System* for all procurement activities. According to the above documents, during the procurement period, we require potential suppliers to submit qualifications, and then assess and evaluate suppliers based on their product and service quality, delivery schedule, pricing terms, and credit and financial status to form a list of qualified suppliers. According to the *Coal Purchasing System*, we also entrust a professional consulting company with relevant qualifications to review and determine the qualified coal suppliers that are short-listed, to ensure that their production processes comply with the laws and regulations and environmental protection standards of the place where they operate. Afterwards, qualified suppliers are selected for appointment contracts through open tendering, bidding comparison and selection, and direct entrustment in accordance with the *Management Measures for Tendering*, *Comparison and Selection and Materials (Services) Procurement Management Measures*.

Before the purchased coal is put into production, the Company will sample and accept it according to the requirements of the *Coal Purchasing System*, and submit it to a qualified third party for inspection to ensure that the coal quality meets the standard of coal used for production.

For third-party service providers, the Company assigns employees to regularly supervise and assess their work to ensure that the services provided by the suppliers meet the contract requirements and relevant standards.

3.4 Guarantee of safe production

During the Reporting Period, Tianbao Energy has complied with the Electricity Law of the People's Republic of China, Safe Production Law of the People's Republic of China, Fire Prevention Law of the People's Republic of China, Special Equipment Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Regulation on Emergency Responses to Work Safety Accidents, Administrative Measures on Emergency Plan for Production Safety Accidents, Tianjin Safe Production Regulations, and other relevant national and local laws and regulations. During the year, the Company implemented related work to provide a safe working environment, ensure production safety, and prevent occupational diseases through the following management measures.

Institutional support

- The Company has formulated and implemented the Responsibility System for Safety in Production and the Safe Production Inspection and Hidden Danger Treatment System, which clarify the relevant management responsibilities and implementation standards for safety inspection and hidden danger treatment.

Publicity training

- The Company organized 15 safety education and trainings such as trainings on flood prevention and emergency knowledge, occupational health knowledge, safety knowledge of dust explosion, safety knowledge of fire work, safety knowledge of hazardous chemicals, post safety responsibility, post safety regulations, and fire safety knowledge, and warning education for accident cases.

Regular assessment

- The Company tested the fire-fighting equipment, carried out detection of occupational hazards at the production site, and organized physical examinations for all employees at a regular interval.

In 2019, the Company did not have any case of death or injury due to work.

Figure: Tianbao Energy 2019 “Regulation on Emergency Responses to Work Safety Accidents” publicity training event site

Figure: Tianbao Energy 2019 “Emergency Exercise for Substation Operation Accidents” publicity training event site

4 PUTTING PEOPLE FIRST AND HELPING EMPLOYEES REALIZE THEIR VALUE OF LIFE

Tianbao Energy always believes that employees are a driving force for realizing an enterprise’s sustainable development. By taking the action of respecting employees and creating an equal, diversified, anti-discriminatory, healthy, and safe working environment as our first priority, we build a platform for employees’ growth and development to help them realize their value of life. In addition, the Company regularly analyses its human resources situation, including age structure, knowledge background, and professional capacity for the draft of human resources plan, to ensure a fair and equitable treatment towards staff of different gender, age, birthplace, race, and cultural background, thus avoiding any discrimination.

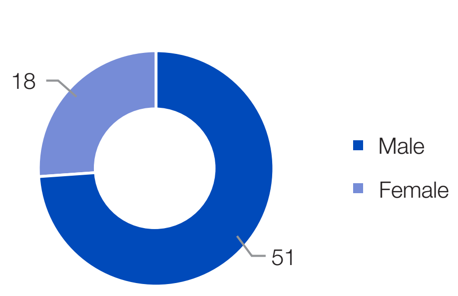
4.1 Recruitment

Tianbao Energy takes the enlargement of the Company’s professional team as an important step to achieving sustainable development. Based on its actual business requirements, the Company introduces talented people to support key personnel, thereby providing an inexhaustible driving force for the sustainable robust growth of the Company.

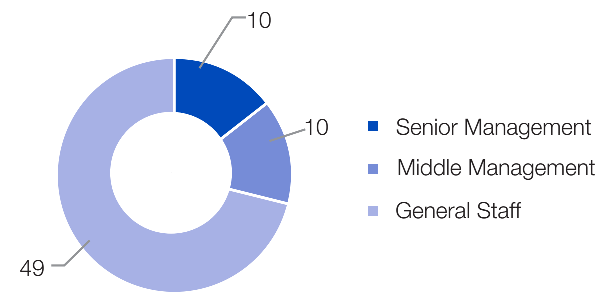
During the Reporting Period, the Company observed the *Labor Law of the PRC*, *Employment Contract Law of the PRC* (“Labor Contract Law”), *Implementing Regulations of the Employment Contract Law of the PRC*, and other laws and regulations, and developed the *Integrated Administrative Measures for Human Resources* as per the *Labor Contract Law* to regulate labor relations built with employees and to sign, perform, terminate, and revise labor contracts. In addition, while strictly abiding by the *Provisions of Prohibition on Child Labor*, we carefully check the personal information of applicants during our recruitment and verify their identity data via multiple approaches like examining their ID card, graduation certificate, etc. Anyone who provides false materials will not be hired.

As for December 31, 2019, there were 69 employees in total, all holding registered residences of Tianjin, and its relevant statistics are as follows: number of employees by gender: female 18, male 51; number of employees by staff category: general staff 49, senior management 10, and middle management 10; and number of employees by age group: under 35: 19, 36-45: 22, 46-55: 25, and over 56: 3.

Number of employees by gender



Number of employees by staff category



Number of employees by age group

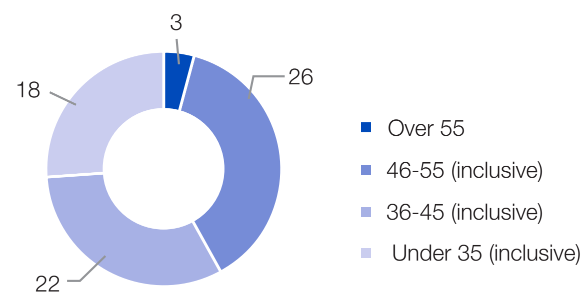


Figure: Number of employees by gender, staff category, and age group[1]

4.2 Talent Management

Good talent management is an important way to promote the harmonious and stable development of an enterprise as well as attract and keep employees. We endeavor to protect employees' rights and interests, lay stress on their demands and needs, and create an inclusive, equal, and collaborative working environment with mutual trust. To better give play to the role of talents, the Company has set clear management procedures for post settings, promotion, recruitment, dismissal, and distribution of salaries and benefits in the *Integrated Administrative Measures for Human Resources* to guarantee employees' rights and interests like legal labor remuneration, benefits, and holidays, thus creating a stable and equal relation between labour and capital.

[1] Senior Management includes the chairman of the Board; in 2019, the Company lost one female employee aged 36-45, one female employee aged 46-55, and one male employee aged 46-55, and the employee turnover rate was 4.3%.

We buy our employees social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance according to the *Social Insurance Law of the People's Republic of China*. To enhance and regulate the management of employees' attendance and vacation, the Company develops the *Administrative Measures for Attendance and Vacation* to implement a work scheme which includes 5-day work days per week as well as welfare holidays like national statutory holidays, paid annual leave, sick leave, marriage leave, bereavement leave, maternity leave, paternity leave, etc. Furthermore, overtime working is not advocated in the Company in principle. However, in case of any exceptions, employees shall be given corresponding compensation in accordance with overtime working treatment regulations and such overtime working shall not be over 36 hours within a month. If any violations or forced labor occur, the Company will hold accountable relevant personnel as per relevant legal provisions and its policies.

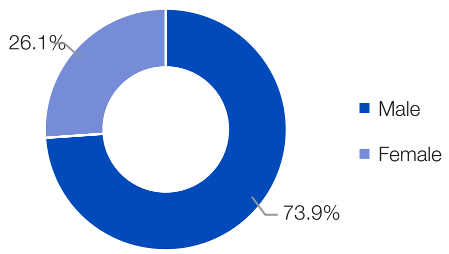
4.3 Growing Together

Tianbao Energy places significant emphasis on staff training and development and invests in continuing education and training programs for our 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 Company or conducted by external trainers for professional training. We want to ensure that our staff remains equipped with the necessary skills to stay professional in their respective areas of work as this in turn helps the Company to maintain its competitiveness in the market.

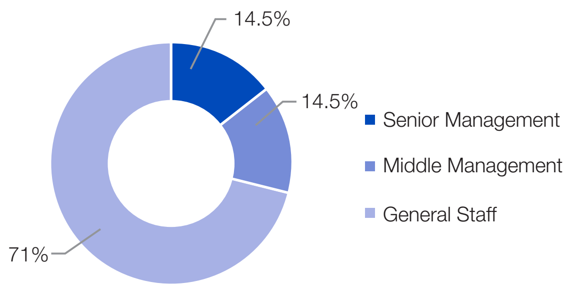
To enhance employees' overall quality and inspire their enthusiasm and creativity to better adapt to the requirements of market changes and internal management, the Company specially formulated the *Administrative Measures for Staff Training*, which stipulates the management responsibility, procedure and scope of staff training, the enforcement and assessment of training programs, and other contents, laying a foundation for the effective implementation and regulation of staff training. This year, we organized various training activities including professional skills training, safe production and management training, quality management training, etc., greatly improving the professional skills and safe production management level of employees.

During the Reporting Period, the Company provided 461 hours of training in total, and the related statistics of staff training in the Company was as follows:

Number of employees trained by gender



Number of employees trained by employee category



4.4 Incorruptibility

We are fully aware of the profound significance of the construction of a clean and honest administration in an enterprise; therefore, strengthening the construction of business integrity and honesty has always been a major task in Tianbao Energy. During the Reporting Period, we observed the *Company Law of the PRC*, the *Criminal Law of PRC*, the *Anti-Money Laundering Law of PRC*, the *Provisions on the Honesty and Integrity of Leading Personnel in State-owned Enterprises*, and other relevant laws and regulations, asking officers in middle management and above to sign the *Letter of Undertaking the Main Responsibility of Building an Honest and Clean Party* so as to implement a responsibility system for such building. To consolidate the control and prevention of integrity risks, the Company conducts post integrity investigation in light of the actual situation in work, and enable in time the risk assessment and disposal procedure in case of any emergencies or major events.

We also formulated the *Code of Conduct for Employees* to supervise the execution of such behavioral norms and standards as well as conduct training education and inspection in time. Meanwhile, the Company strengthened integrity and honesty education via watching warning and educating videos, visiting educating exhibitions, and launching classes on integrity and through other forms to enhance the awareness of integrity risks. We earnestly gave play to the supervisory role of all employees in the Company via opening reporting channels, setting complaint mailboxes in conspicuous positions around working areas plus exposing tip-off phone numbers, and email addresses to create a clean and righteous working environment.

During the Reporting Period, the Company never received any whistle-blowing or investigation concerning corruption cases.

5 ENERGY SAVING AND ENVIRONMENTAL PROTECTION – A LEADING DOMESTIC POWER SUPPLY ENTERPRISE

Tianbao Energy focuses on green production and ultra-low emissions in its energy production and supply business. Unlike conventional power generation plants, we have adopted coal-fired cogeneration technology utilizing backpressure turbines, which provides us with the synergies of generating steam, electricity, heating and cooling simultaneously, enabling us to achieve a thermal efficiency rate that is higher than the PRC industry average and a coal consumption rate that is lower than the PRC industry average. We further established systematic environmental protection management system, making continuous efforts to save energy and reduce emissions.

5.1 Environmental Protection Management System

During the Reporting Period, we observed the Environmental Protection Law of the PRC, which stipulates that all units and individuals have the obligation to protect the environment, and shall prevent and reduce environmental pollution and ecological destruction. The Company continues to pay close attention to the impact of its own business activities on environment and natural resources, including the use of energy (such as coal, electricity and etc.) and water resources, the emission of pollutants (such as SO2, NOx, smoke, waste water and etc.) and greenhouse gas plus the generation of hazardous and non-hazardous waste during the process of producing steam and electricity. To reduce such impacts, the Company set environmental protection management system as well as developed and implemented Detailed Implementation Rules of Environmental Protection Management, specifically defining the duties and implementation procedures of each post in environmental protection actions.

Contents of Detailed Implementation Rules of Environmental Protection Management	
Contents of environmental protection management: • Detailed implementation rules of air pollutant control and management • Detailed implementation rules of wastewater drainage control and management • Detailed implementation rules of solid waste management • Household waste treatment • Detailed implementation rules of noise control and management	Contents of technical supervision on environmental protection: • Supervision on fuel and raw materials • Technical supervision on dust removers • Technical supervision on desulphurization and de-nitrification facilities • Supervision on wastewater treatment facilities • Supervision on noise control facilities • Technical supervision on ashes (slags) storage sites and comprehensive utilization facilities • Supervision on flue gas online detectors • Supervision on pollutant discharge • Supervision on wastewater drainage • Monitoring of noise • Supervision on ashes and slags

In addition, Tianbao Energy established an Emergency Environmental Protection Agency and set an Emergency Environmental Protection Office led by the chairman of the Board plus 5 emergency working teams, with emergency rescue tasks being completed by the inter-coordination of various functional departments.

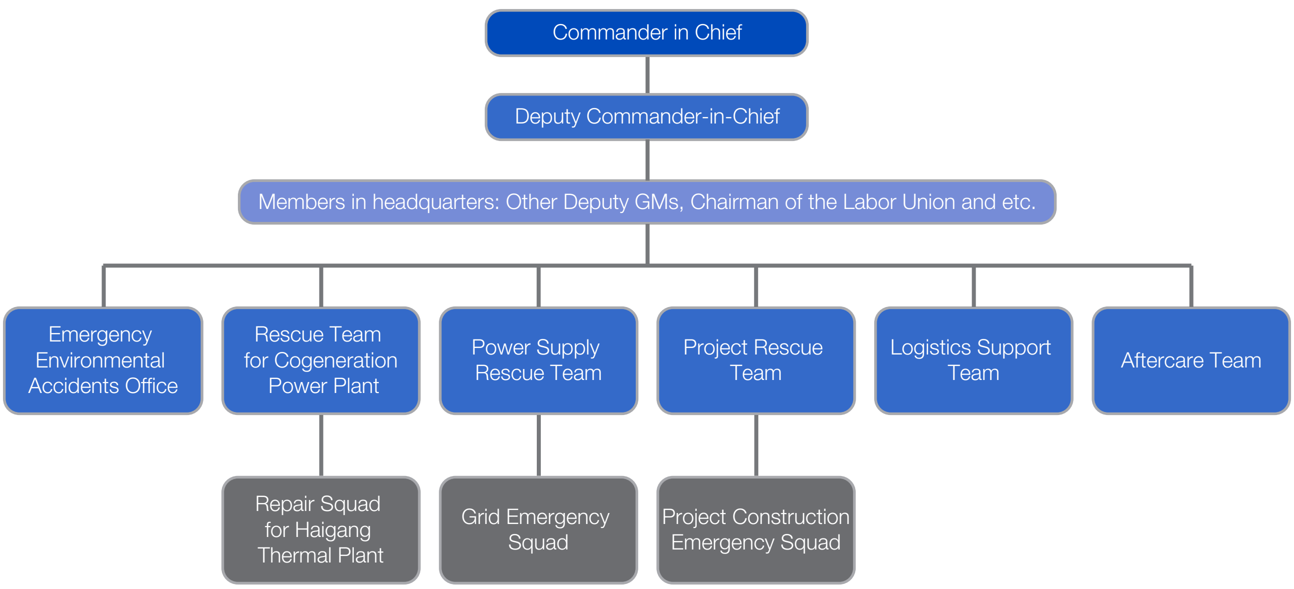


Figure: Organization system of the emergency environmental protection agency in Tianbao Energy

5.2 Management of Pollutants and Wastes

The Thermal Plant in Tianbao Energy generates air pollutants, wastewater, oil, ashes, slags and other wastes during its production process. In 2019, the Company strictly observed the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Prevention and Control of Water Pollution, the Environmental Protection Tax Law of the PRC, the Measures for Pollutant Discharge Licensing (Provisional) and other relevant laws and regulations, as well as controlled and reduced the discharge of pollutants and wastes by controlling the quality of coal we use, utilizing automated coal crushing technology and strict desulphurization, de-nitrification and de-dusting procedures.

The Environmental Protection Tax Law of the PRC implemented since January 1, 2018 stipulates that enterprises shall pay taxes on air pollutants, water pollutants, solid wastes and noise pollution generated by them. In order to ensure a stable and standard-compliant hourly emission concentration of flue gas pollutants generated by its Thermal Plant plus the reduction of environmental protection tax paid on such basis, the Company continued to implement the Reward and Punishment Plan for Environmental Protection in Tianjin Tianbao Energy Co., Ltd. (Trial) (hereinafter referred to as the "Reward and Punishment Plan") in 2019. For the Thermal Plant outsourced to external units, this Reward and Punishment Plan examines the emissions of smoke, SO2 and NOx from these plants during the operation period under the charge of those units. Besides, assessment criteria, plans, reward and punishment systems are also regulated in this plan in a detailed way.

In 2019, the Company's discharge volume of polluting substances met the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008), the Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), the Integrated Wastewater Discharge Standard (GB8978-1996) and the Integrated Wastewater Discharge Standard (DB12/356-2008) and other national and local technical standards about pollution emissions. Our pollution emissions during the Reporting Period were much lower than the standards of ultra-low emission of SO2, NOx and smoke of 35/50/10 mg/m^3 to be achieved by 2020 set by the Implementation Plan of the Standards of Ultra-Low Emissions and Energy-saving Equipment Upgrade for Coal-Fired Power Plants jointly issued by the MEE, the NDRC and the NEA in December 2015, meeting the ultra-low emission requirements set by the State.

The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste sets related provisions on the prevention and control of environmental pollution by hazardous wastes and that by solid wastes respectively. In 2019, the Company observed the above mentioned legal regulations and implemented the Detailed Implementation Rules of Environmental Protection Management to conform to the separate collection and safe disposal of solid wastes. As for the hazardous wastes of waste mineral oil and waste oil tanks generated during its production process, the Company, in accordance with the Administrative Measures for Hazardous Waste Transfer Forms and other related regulations, hired a third party with the qualification of collecting, storing and disposing hazardous wastes issued by government environmental protection department for the collection, safe transport and proper disposal of waste oil and waste oil tanks. As for stove ashes, slags, MgO residues and other non-hazardous waste generated during its production process, the Company signed cooperative agreements with qualified third parties to collect, transport, recycle and harmlessly dispose such ashes and slags and apply reusable parts for building material production to reduce the generation of wastes.

5.3 Energy Saving and Emission Reduction of Greenhouse Gases

The main powers consumed by the Company are electricity, raw coal and diesel oil. The greenhouse gas emissions generated during the Company's business are mainly derived from coal combustion, desulphurizer application and the indirect emissions generated during the production process of purchased electricity; therefore, the Company saves energy consumption while reduces greenhouse gas emissions through enhancing scientific management of powers, increasing energy efficiency and other measures.

The Company made its energy saving goals in 2020 by actively responding to the Integrated Plans for Energy Saving and Emission Reduction in the 13th Five Year Plan and the Notice on Matters about Carrying out Assessment in One Hundred Key Energy-using Units with Highest Consumption, One Thousand Key Energy-using Units with Higher Consumption and Other Key Energy-using Units issued by the State Council of PRC. To achieve its goals, the Company constantly improves its energy management structure construction and implements three-level management of company, department and team:

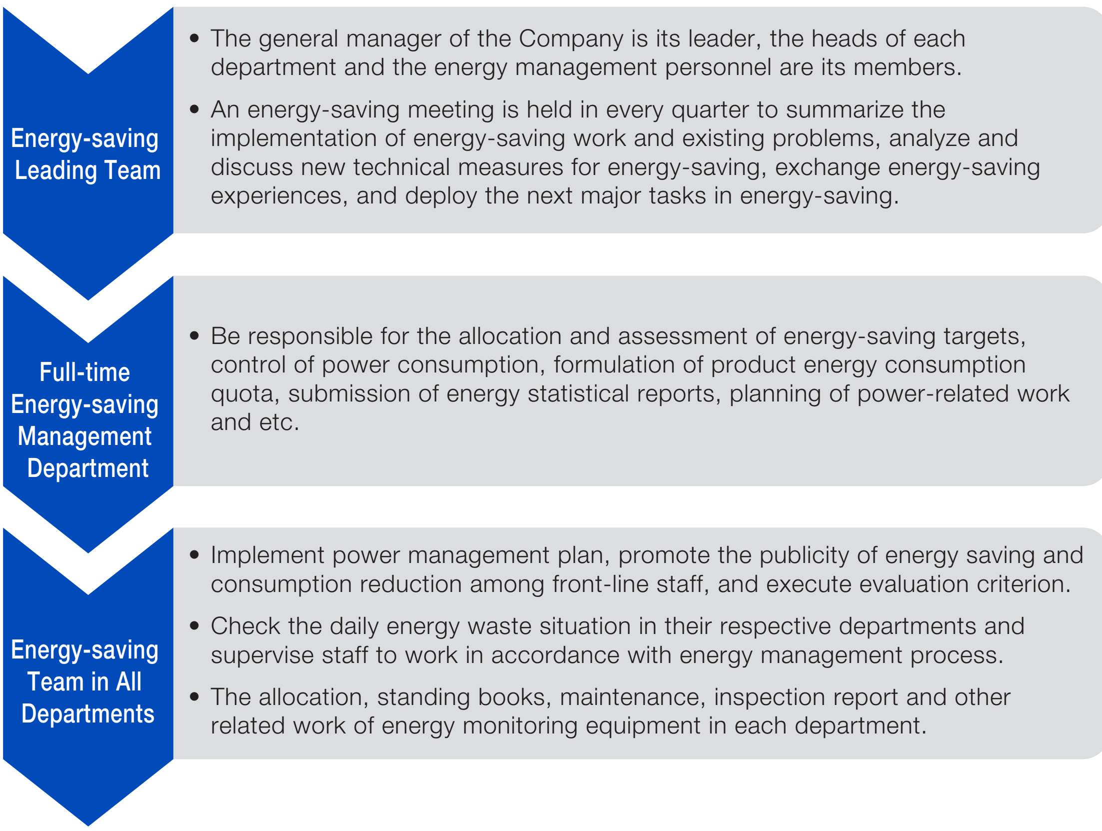


Figure: Energy management structure of the Company

Based on the construction and operation of the energy management system, the Company regularly issues the Energy-saving Situation Analysis Report of Tianjin Tianbao Energy Co., Ltd. to summarize, record and analyse its energy-saving management and results.

In 2019, the Company completed its energy saving target of reduction of integrate energy consumption by 2,773.419 tons of standard coals via actively carrying out the following energy-saving reconstruction during the Reporting Period[2], achieved the goal of 324 tons of standard coal energy savings set at the beginning of the year.

- Five sets of 10KV high voltage frequency converters were repaired to reduce their calorific value on the basis of ensuring their stable operation, thus saving electricity consumption;

- Six sets of refrigerating units were repaired, dirt was removed from the heat exchange surface, and at the same time, the detached partitions in the units were repaired to restore the return path of the refrigerant, thus increasing the heat exchange efficiency and reducing the consumption of electricity and heat on the basis of meeting the requirements of regional refrigeration;

- Generator #1 was repaired to improve the generating efficiency.

All of the above measures lowered the electricity consumption during production and operation process in varying degrees, thus further reducing the emission of greenhouse gases generated during the production process of the electricity used by the Company.

The Company also focused on the saving and recycling of water resources during its production and operation. Through the implementation of adding a set of concentrated water reverse osmosis project for the chemical water workshop, the Company increased the concentrated water recovery rate of the original system from 50% to 75%, and reduced the consumption of raw water on the basis of ensuring the consumption of boiler water. Since its commissioning in November 2019, the project has saved more than 10,000 tons of raw water. In addition, the Company recycled condensed water from the heat exchange station, conducted UF recycling of chemical wastewater from the desulphurization system and recovered flue gas condensed water from spray equipment and excess heat recovery system during its daily operation with over 220,000 tons water being recycled in total during the Reporting Period.

[2] The energy-saving amount was calculated according to the Calculating Methods of Energy Saved for Enterprises (GB/T13234-2009)

5.4 Environmental Performance Indicators

Air pollutants[3]

Indicator	Value
SO2	12.08 tons
NOx	25.37 tons
Particulate Matter	2.76 tons

Water resources

Indicator	Value
Total water consumption	1,040,499 tons
Water consumption of unit power supply	0.39 kg/kWh
Water consumption of unit heat supply	0.43 tons/GJ
Wastewater discharge	155,389 tons
Recycling of industrial water	223,463 tons

Wastes[4]

Indicator	Value
Hazardous waste generation	1.08 tons
Hazardous waste generation of unit power supply	19.54 g/10MWh
Hazardous waste generation of unit heat supply	0.41 g/GJ
Non-hazardous waste generation	21,770 tons
Non-hazardous waste generation of unit power supply	39.38 g/kWh
Non-hazardous waste generation of unit heat supply	8.31 kg/GJ

[3] Monitoring data are from the Company.
[4] Hazardous wastes include waste oil and waste oil tanks; non-hazardous waste cover stove ashes and slags, recycled by a third party.

Emission of greenhouse gases[5]

Indicator	Value
Scope 1	
Emissions of fossil fuel combustion	272,984.12 tons CO_2
Emissions during desulphurization	262.94 tons CO_2
Scope 2	
Emissions from electricity purchased by the Thermal Plant	5,641.66 tons CO_2
Emissions from electricity purchased by working area	80.90 tons CO_2
Total	
Greenhouse gas emissions	278,969.62 tons CO_2
Greenhouse gas emissions of unit power supply	5.05 tons CO_2/10MWh
Greenhouse gas emissions of unit heat supply	106.51 kg CO_2/GJ

Resource Utilization

Indicator	Value
Coal consumption	135,722.60 tons
Coal consumption of unit power supply	189.09 g standard coal/kWh
Coal consumption of unit heat supply	39.91 g standard coal/GJ
Electricity consumption in comprehensive plants	22,027,340 kWh
Electricity consumption in working areas	91,482.5 kWh
Electricity consumption of unit power supply	0.04 kWh/10MWh
Electricity consumption of unit heat supply	8.41 kWh/GJ
Diesel oil consumption	35.32 tons
Diesel oil consumption of unit power supply	0.64 kg/10MWh
Diesel oil consumption of unit heat supply	13.49 g/GJ

5 The calculating method refers to the Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from China's Power Generation Enterprises (provisional) issued by NDRC.

6 WILLING TO CONTRIBUTE AND ACTIVELY FULFILL CORPORATE SOCIAL RESPONSIBILITY

On the basis of providing efficient and comprehensive power services to the society, Tianbao Energy actively fulfills its corporate social responsibility, actively seeks opportunities to help local communities and encourages employees to actively participate in activities such as poverty alleviation and improvement in community environment.

The Company responded to the "10,000 Party Members Connecting 10,000 Families" activity in Tianjin and started the support work by interconnected with one poor family in Zhongtang Town in Binhai New District.

In addition to poverty alleviation, we encourage employees to participate in social volunteer activities. In September 2019, the Company launched the service activity of "Caring for the elderly, volunteering to promote harmony", and organized employees to carry out voluntary service activities at Tianjin TEDA International Resthome in Binhai New District.

Figure: Company employees participated in community service activities

7 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT CONTENT INDEX

A. Environmental			
General Disclosures and KPIs		**Description**	**Chapter in Which Discourse is Made**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5 Energy saving and environmental protection – a leading domestic power supply enterprise
KPI	A1.1	The types of emissions and respective emissions data.	5.4 Environmental performance indicators
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Environmental performance indicators
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Environmental performance indicators
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Environmental performance indicators
	A1.5	Description of measures to mitigate emissions and results achieved.	5.3 Energy saving and emission reduction of greenhouse gases 5.2 Management of pollutants and wastes
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.2 Management of pollutants and wastes

Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.		5.1 Environmental protection management system 5.3 Energy saving and emission reduction of greenhouse gases
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.4 Environmental performance indicators
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.4 Environmental performance indicators
	A2.3	Description of energy use efficiency initiatives and results achieved.	5.3 Energy saving and emission reduction of greenhouse gases
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.3 Energy saving and emission reduction of greenhouse gases[6]
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable[7]
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.		5.1 Environmental protection management system
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.1 Environmental protection management system

[6] The Company's place of operation is located in the urban area of Tianjin. The majority of water used for production is taken from the municipal pipe network and the reclaimed water purchased from independent third parties. Therefore, there is no issue in sourcing water that is fit for purpose;

[7] In the power generation and supply business, we provide steam, electricity, heating and cooling for our customers. Based on the nature of this business, the relevant indicators for packaging material used for finished products are not applicable.

B. Social			
General Disclosures and KPIs	**Description**		**Chapter in Which Discourse is Made**
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		4 Put People First and Help Employees Realize Their Value of Life
KPI	B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Recruitment
	B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Recruitment
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		3.4 Guarantee of safe production
KPI	B2.1	Number and rate of work-related fatalities.	3.4 Guarantee of safe production
	B2.2	Days that one can't work due to work injury.	3.4 Guarantee of safe production
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.4 Guarantee of safe production

Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		4.3 Growing together
KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3 Growing together
	B3.2	The average training hours completed per employee by gender and employee category	4.3 Growing together
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		4.1 Recruitment 4.2 Talent management
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Recruitment 4.2 Talent management
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Recruitment 4.2 Talent management
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.		3.3 Procurement risk management
KPI	B5.1	Number of suppliers by geographical region.	3.3 Procurement risk management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.3 Procurement risk management

Aspect B6: Product Responsibility[8]			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		3.1 Quality management system 3.2 Quality customer service 3.4 Guarantee of safe production
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.2 Quality customer service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Quality management system
	B6.4	Description of quality assurance process and recall procedures.	3.1 Quality management system
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Quality customer service
Aspect B7: Anticorruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		4.4 Incorruptibility
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	4.4 Incorruptibility
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.4 Incorruptibility

[8] In the power generation and supply business, we provide steam, electricity, heating and cooling for our customers. Based on the nature of this business, the relevant indicators for packaging material used for finished products are not applicable.

Aspect B8: Community Investment				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		6	Willing to contribute and actively fulfill corporate social responsibility
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	6	Willing to contribute and actively fulfill corporate social responsibility
	B8.2	Resources contributed (e.g. money or time) to the focus area.	6	Willing to contribute and actively fulfill corporate social responsibility

Independent Auditor's Report

Independent auditor's report to the shareholders of Tianjin Tianbao Energy Co., Ltd.
(Established in People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Tianjin Tianbao Energy Co., Ltd. ("the Company") and its subsidiary ("the Group") set out on pages 84 to 156, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing indicators of impairment of property, plant and equipment	
Refer to Note 1(e) of the significant accounting policies and accounting estimates to the consolidated financial statements, and Note 10 to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
For the year ended 31 December 2019, the Group recorded a decrease in revenue and gross profit due to various market, economic and political factors, which included decrease in electricity prices influenced by government policies and the decrease in users' demand for steam and electricity during 2019. Management considered the above events and circumstances indicated that the property, plant and equipment may be impaired and performed impairment assessments of these assets, or the cash-generating units ("CGUs") to which these assets were allocated, to determine their recoverable amounts. Management determined the recoverable amounts by using the value in use model or fair value less costs of disposal model. The impairment assessment involves significant degree of management judgement, particularly in relation to the key assumptions adopted, including revenue growth rates, gross profit margins, long-term growth rates, inflation rates, the discount rate applied in the discounted cash flow forecast and the remaining useful economic lives and price volatility of the relevant assets. We identified assessing potential impairment of property, plant and equipment held by the Group as a key audit matter because the impairment assessments include a number of assumptions and estimates which require the exercise of significant management judgement and are inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: – assessing and challenging the Group's impairment assessment model, which included assessing the impairment indicators identified by management, the identification of CGUs and the allocation of assets to those CGUs and evaluating the methodology adopted by management in the preparation of impairment assessments with reference to the requirements of the prevailing accounting standards; – assessing the reliability of management's cash flow forecasting process by comparing the previous year's forecasts with the current year's results, discussing significant variances with management and considering the effect of such variances on the current year's forecasts; and – evaluating management's assessment of the indications and considering whether there are any other indicators not already identified by management based on our knowledge of the business, and the current market conditions, our industry knowledge and other information obtained during the audit.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man, Simon.

KPMG

Certified Public Accountants

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

26 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019 – (Expressed in Renminbi "RMB")

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Revenue	*3*	**373,634**	431,113
Cost of sales		**(339,362)**	(389,572)
Gross profit		**34,272**	41,541
Other net income	*4*	**4,939**	21,297
Administrative expenses		**(19,117)**	(18,718)
Profit from operations		**20,094**	44,120
Interest income		**896**	985
Interest expense		**(6,914)**	(9,953)
Profit before taxation	*5*	**14,076**	35,152
Income tax	*6(a)*	**(3,747)**	(8,805)
Profit for the year		**10,329**	26,347
Attributable to:			
Equity shareholders of the Company		**10,329**	26,347
Profit for the year		**10,329**	26,347
Earnings per share	*9*		
Basic (RMB)		**0.06**	0.18
Diluted (RMB)		**0.06**	0.18

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

The notes on pages 91 to 156 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(g).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019 – (Expressed in Renminbi "RMB")

	Note	**2019** **RMB'000**	2018 *(Note)* RMB'000
Profit for the year		**10,329**	26,347
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**10,329**	26,347
Attributable to:			
Equity shareholders of the Company		**10,329**	26,347
Total comprehensive income for the year		**10,329**	26,347

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

The notes on pages 91 to 156 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019 – (Expressed in RMB)

	Note	**At 31 December 2019 RMB'000**	At 31 December 2018 *(Note)* RMB'000
Non-current assets			
Property, plant and equipment	*10*	**344,009**	352,504
Right-of-use assets for properties	*13*	**14,989**	15,320
Intangible assets	*11*	**2,820**	1,931
		361,818	369,755
Current assets			
Inventories	*14*	**3,460**	5,181
Trade and bill receivables	*16*	**35,453**	34,575
Contract assets	*15(a)*	**1,102**	304
Other receivables and assets	*17*	**2,739**	976
Cash and cash equivalents	*18*	**133,678**	140,400
Restricted deposits		**2,000**	–
		178,432	181,436
Current liabilities			
Trade and other payables	*19*	**31,383**	42,925
Contract liabilities (current portion)	*15(b)*	**22,512**	25,305
Salary and welfare payables		**2,779**	2,129
Lease liabilities	*20*	**131**	–
Current taxation	*22*	**1,195**	1,852
Current portion of other non-current liabilities	*23*	**80,000**	–
		138,000	72,211
Net current assets		**40,432**	109,225
Total assets less current liabilities		**402,250**	478,980

The notes on pages 91 to 156 form part of these financial statements.

Consolidated Statement of Financial Position

	Note	**At 31 December 2019 RMB'000**	At 31 December 2018 *(Note)* RMB'000
Non-current liabilities			
Deferred income	*21*	**12,813**	11,431
Contract liabilities (non-current portion)	*15(b)*	**6,925**	7,411
Deferred tax liabilities	*22(b)*	**1,984**	3,990
Other non-current liabilities	*23*	**78,558**	151,713
		100,280	174,545
NET ASSETS		**301,970**	304,435
CAPITAL AND RESERVES			
Share capital	*24(b)*	**159,921**	159,921
Reserves	*24(c) (d)*	**142,049**	144,514
TOTAL EQUITY		**301,970**	304,435

Approved and authorised for issue by the board of directors on 26 March 2020.

Name: Zhou Shanzhong
Position: Director

Name: Xing Cheng
Position: Director

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

The notes on pages 91 to 156 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 – (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 2018:						
Profit for the year		–	–	–	26,347	26,347
Total comprehensive income		–	–	–	26,347	26,347
Appropriation to reserves	*24(d)*	–	–	2,542	(2,542)	–
Issuance of shares upon public offering, net of issuing expenses	*24(b)*	44,320	(11,037)	–	–	33,283
Balance at 31 December 2018 and 1 January 2019		**159,921**	**79,137**	**10,723**	**54,654**	**304,435**
Changes in equity for 2019:						
Profit for the year		**–**	**–**	**–**	**10,329**	**10,329**
Total comprehensive income		**–**	**–**	**–**	**10,329**	**10,329**
Dividends		**–**	**–**	**–**	**(12,794)**	**(12,794)**
Appropriation to reserves	*24(d)*	**–**	**–**	**985**	**(985)**	**–**
Balance at 31 December 2019		**159,921**	**79,137**	**11,708**	**51,204**	**301,970**

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

The notes on pages 91 to 156 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019 – (Expressed in RMB)

	Note	**2019** **RMB'000**	2018 *(Note)* RMB'000
Operating activities			
Profit before taxation		**14,076**	35,152
Impairment loss of assets		**448**	433
Depreciation in property, plant and equipment		**25,053**	23,669
Amortisation in intangible assets and right-of-use assets for properties		**650**	621
Loss on disposal of property, plant and equipment		**184**	–
IPO listing subsidies received from local government		**–**	(8,400)
Interest expense		**6,865**	9,922
Exchange gain		**(548)**	(5,284)
Changes in working capital:			
Decrease in inventories		**1,302**	817
(Increase)/decrease in contract assets and trade and bill receivables		**(2,929)**	6,963
Increase in other receivables and assets		**(2,220)**	(65)
(Decrease)/increase in trade and other payables		**(6,721)**	2,978
(Decrease)/increase in contract liabilities and receipts in advance		**(3,279)**	3,119
Increase/(decrease) in salary and welfare payables		**650**	(302)
Decrease in deferred income		**(601)**	(1,006)
Cash generated from operations		**32,930**	68,617
Income tax paid		**(6,410)**	(12,358)
Net cash generated from operating activities		**26,520**	56,259
Investing activities			
Proceeds from disposal of property, plant and equipment		**5**	–
Proceeds from government grants related to assets		**1,983**	2,000
Payment for the purchase of property, plant and equipment and intangible assets		**(22,631)**	(21,678)
Net cash used in investing activities		**(20,643)**	(19,678)

The notes on pages 91 to 156 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019 – (Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Financing activities			
Dividends paid to equity owners/shareholders of the Company		**(12,798)**	–
Payment for listing expenses		**–**	(21,039)
IPO listing subsidies received from local government		**–**	8,400
Proceeds from issuance of shares under the public offering		**–**	67,593
Payment to shareholders for capital reduction		**–**	(72,490)
Capital element of lease rentals paid		**(678)**	–
Interest element of lease rentals paid		**(20)**	–
Net cash used in financing activities		**(13,496)**	(17,536)
Net increase in cash and cash equivalents		**(7,619)**	19,045
Cash and cash equivalents at 1 January		**140,400**	116,071
Effect of foreign exchange rate changes		**897**	5,284
Cash and cash equivalents at 31 December	*18*	**133,678**	140,400

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

The notes on pages 91 to 156 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiary (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets is stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) 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. 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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

IFRS 16, Leases *(continued)*

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 26(b). For an explanation of how the Group applies lessee accounting, see note 1(g)(i).

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:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) 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); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

IFRS 16, Leases *(continued)*

b. Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 26(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

IFRS 16, Leases *(continued)*

b. Lessee accounting and 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	**72,922**
Net current assets	109,225	(711)	**108,514**
Total assets less current liabilities	478,980	98	**479,078**
Lease liabilities (non-current)	–	98	**98**
Total non-current liabilities	174,545	98	**174,643**
Net assets	304,435	–	**304,435**

c. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

IFRS 16, Leases *(continued)*

c. Impact on the financial result, segment results and cash flows of the Group (continued)

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 (see note 18(c)). 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 change in presentation of cash flows within the cash flow statement (see note 18(d)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated 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 in 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 year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**20,094**	**681**	**697**	**20,078**	44,120
Finance costs	**6,914**	**(20)**	**–**	**6,894**	9,953
Profit before taxation	**14,076**	**701**	**697**	**14,080**	35,152
Profit for the year	**10,329**	**701**	**697**	**10,333**	26,347
Reportable segment profit (adjusted EBITDA) for year ended 31 December 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
– Electricity dispatch and sale	**11,663**	**–**	**–**	**11,663**	15,940
– Power generation and supply	**43,643**	**–**	**–**	**43,643**	44,333
– Others	**3,708**	**–**	**573**	**3,135**	5,284
– Total	**59,014**	**–**	**573**	**58,441**	65,557

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

IFRS 16, Leases *(continued)*

c. 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 consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**32,930**	**(698)**	**32,232**	68,617
Net cash generated from operating activities	**26,520**	**(698)**	**25,822**	56,259
Capital element of lease rentals paid	**(678)**	**678**	**–**	–
Interest element of lease rentals paid	**(20)**	**20**	**–**	–
Net cash used in financing activities	**(13,496)**	**698**	**(12,798)**	(17,536)

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.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)):

– Buildings and structure, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;

– Power generation plant and electric utility in service;

– Motor vehicles, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;

– Construction in progress ("CIP"); and

– Other items of plant and equipment, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Buildings and structure	30 years
–	Power generation plant and electric utility in service	5 – 30 years
–	Motor vehicles	5 – 10 years
–	Others	4 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Software and others	3 – 10 years

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(i) As a lessee

(A) Policy applicable from 1 January 2019

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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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. 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 (see notes 1(e) and 1(h)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leased assets *(continued)*

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (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.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(e). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted deposits, trade and bill receivables, and other receivables and assets); and

- contract assets as defined in IFRS 15 (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and bill receivables, other receivables and assets, and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 1(r)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;

– pre-paid interests in leasehold;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(h)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(i)(i)), property, plant and equipment (see note 1(e)) or intangible assets (see note 1(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories and other contract costs *(continued)*

(ii) Other contract costs *(continued)*

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(r).

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(r)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(h)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(t)).

(o) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Revenue and other income *(continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Supply of electricity and power

Revenue from supply of electricity and power represents the fair value of the consideration received or receivable for electricity and power sold in the ordinary course of the activities of the Group (net of VAT). Revenue is earned and recognised upon transmission of electricity and power to the customers or the power grid controlled and owned by the respective regional or provincial grid companies.

(ii) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Service revenue

Service revenue refers to amounts received from service of electricity infrastructure. The Group recognise revenue when the relevant service is provided.

(iv) Construction revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Revenue and other income *(continued)*

(vi) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and are subsequently recognised in profit or loss over the useful life of the related asset.

(vii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Deferred tax assets

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

(ii) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, right-of-use assets for properties and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(b) Sources of estimation uncertainty

Note 25 contain information about the assumptions and their risk factors relating to valuation of financial instruments. Other key sources of estimation uncertainty are as follows:

Revenue recognition

As explained in policy note 1(r), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 15 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Electricity dispatch and sale business: selling electricity purchased from the local branch of State Grid to end-users in various industries in Tianjin Port Free Trade Zone (Seaport).

– Power generation and supply business: selling electricity to the local branch of State Grid, and providing steam, heating and cooling to the industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).

– Others: construction and operation maintenance of industrial facilities and trading of electronic components.

(a) Disaggregation of revenue

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

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Electricity dispatch and sale	**176,857**	202,817
– Power generation and supply	**167,715**	185,946
– Others	**29,062**	42,350
	373,634	431,113

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

The Group includes three (2018: one) customers with whom transactions have exceeded 10% of the Group's revenues. In 2019 revenues from these customers amounted to approximately RMB152 million (2018: RMB93 million).

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets, except for cash and cash equivalents. Segment liabilities include trade and other payables, contract liabilities, salary and welfare payables, deferred income and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales of electricity dispatch and sale, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including the difference between the amount of the total undiscounted payable to the Shareholders and the corresponding present value of the payments. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter segment sales, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2019 and 2018 is set out below.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment results, assets and liabilities *(continued)*

For the year ended 31 December	Electricity dispatch and sale 2019 RMB'000	Electricity dispatch and sale 2018 RMB'000	Power generation and supply 2019 RMB'000	Power generation and supply 2018 RMB'000	Others 2019 RMB'000	Others 2018 RMB'000	Total 2019 RMB'000	Total 2018 RMB'000
Disaggregated by timing of revenue recognition								
Point in time	**176,857**	202,817	**167,715**	185,946	**20,798**	32,056	**365,370**	420,819
Over time	**–**	–	**–**	–	**8,264**	10,294	**8,264**	10,294
Revenue from external customers	**176,857**	202,817	**167,715**	185,946	**29,062**	42,350	**373,634**	431,113
Inter-segment revenue	**2,526**	2,530	**–**	–	**–**	–	**2,526**	2,530
Reportable segment revenue	**179,383**	205,347	**167,715**	185,946	**29,062**	42,350	**376,160**	433,643
Reportable segment profit (adjusted EBITDA)	**11,663**	15,940	**43,643**	44,333	**3,708**	5,284	**59,014**	65,557
Depreciation and amortisation for the year	**5,838**	5,868	**18,840**	18,080	**64**	68	**24,742**	24,016
Reportable segment assets	**71,517**	57,581	**314,569**	333,862	**16,937**	17,960	**403,023**	409,403
Additions to non-current segment assets during the year	**13,316**	471	**3,058**	24,717	**443**	6	**16,817**	25,194
Reportable segment liabilities	**32,613**	32,002	**30,178**	30,339	**10,617**	24,822	**73,408**	87,163

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

3 REVENUE AND SEGMENT REPORTING *(continued)*

(c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**376,160**	433,643
Elimination of inter-segment revenue	**(2,526)**	(2,530)
Consolidated revenue	**373,634**	431,113

	2019 RMB'000	2018 *(Note)* RMB'000
Profit		
Reportable segment profit	**59,014**	65,557
Other net income	**4,939**	21,297
Interest income	**896**	985
Interest expense	**(6,914)**	(9,953)
Depreciation and amortisation	**(25,702)**	(24,290)
Unallocated head office and corporate expenses	**(18,157)**	(18,444)
Consolidated profit before taxation	**14,076**	35,152

	At 31 December 2019 RMB'000	At 31 December 2018 *(Note)* RMB'000
Assets		
Reportable segment assets	**403,023**	409,403
Unallocated head office and corporate assets	**137,227**	141,788
Consolidated total assets	**540,250**	551,191

3 REVENUE AND SEGMENT REPORTING *(continued)*

(c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(continued)*

	At 31 December 2019 RMB'000	At 31 December 2018 *(Note)* RMB'000
Liabilities		
Reportable segment liabilities	**73,408**	87,163
Unallocated head office and corporate liabilities	**164,872**	159,593
Consolidated total liabilities	**238,280**	246,756

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

(d) Geographic information

Since all the revenue from customers is derived from the customers located in Tianjin and the non-current assets are located in Tianjin, there is no information separated by different geographical locations provided to the Group's management.

4 OTHER NET INCOME

	2019 RMB'000	2018 RMB'000
Government grants	**3,958**	15,807
Net foreign exchange gains	**548**	5,284
Others	**433**	206
	4,939	21,297

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2019 RMB'000	2018 *(Note)* RMB'000
(a) Finance costs		
Deemed interest expense on payables due to shareholders	**6,845**	9,922
Interest on lease liabilities	**20**	–
Other interest expense	**49**	31
	6,914	9,953

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

5 PROFIT BEFORE TAXATION *(continued)*

	2019 RMB'000	2018 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plan	**2,396**	2,625
Salaries, wages and other benefits	**18,651**	17,006
	21,047	19,631

	2019 RMB'000	2018 *(Note)* RMB'000
(c) Other items		
Amortisation		
– right-of-use assets for properties	**331**	331
– intangible assets	**319**	290
	650	621
Depreciation		
– owned property, plant and equipment*	**24,372**	23,669
– right-of-use assets*	**681**	–
	25,053	23,669
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	**–**	509
Auditor's remuneration	**1,321**	1,024
Purchase of electricity	**157,781**	180,358
Fuel	**75,276**	87,158
Outsourcing operation	**18,910**	17,707
Net foreign exchange gains	**(548)**	(5,284)

* The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019 RMB'000	2018 RMB'000
Current tax		
Provision for the year	**5,753**	11,577
Deferred tax		
Reversal of temporary differences	**(2,006)**	(2,772)
	3,747	8,805

The Group was subject to the statutory income tax rate of 25% for the year ended 31 December 2019 (2018:25%).

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**14,076**	35,152
Notional tax on profit before taxation	**3,519**	8,788
Tax effect of non-deductible expenses	**–**	17
Others	**228**	–
Actual tax expenses	**3,747**	8,805

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	**2019 Total RMB'000**
Chairman					
Zhou Shanzhong (appointed on 9 December 2019)	–	57	40	11	**108**
Gao Hongxin (resigned on 9 December 2019)	–	280	198	60	**538**
Executive directors					
Xing Cheng	–	320	232	68	**620**
Peng Chong	–	224	166	56	**446**
Fang Wei (resigned on 28 February 2019)	–	33	10	9	**52**
Non-executive directors					
Yu Yang	–	–	–	–	**–**
Dong Guangpei (appointed on 1 November 2019)	–	–	–	–	**–**
Wu Tao (resigned on 1 November 2019)	–	–	–	–	**–**
Independent non-executive directors					
Liu Zibin	90	–	–	–	**90**
Han Xiaoping	90	–	–	–	**90**
Yang Ying	90	–	–	–	**90**
Supervisors					
Yang Kui	–	226	113	56	**395**
Xue Xiaofang	–	–	–	–	**–**
Shao Guoyong	–	–	–	–	**–**
	270	1,140	759	260	**2,429**

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals as set out in Note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Chairman					
Gao Hongxin	–	322	139	76	537
Executive directors					
Xing Cheng	–	290	122	68	480
Fang Wei	–	226	53	58	337
Peng Chong	–	209	59	57	325
Non-executive directors					
Wu Tao	–	–	–	–	–
Yu Yang	–	–	–	–	–
Independent non-executive directors					
Liu Zibin (appointed on 4 April 2018)	60	–	–	–	60
Han Xiaoping (appointed on 4 April 2018)	60	–	–	–	60
Yang Ying (appointed on 4 April 2018)	60	–	–	–	60
Supervisors					
Yang Kui	–	210	60	59	329
Xue Xiaofang	–	–	–	–	–
Shao Guoyong	–	–	–	–	–
	180	1,257	433	318	2,188

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three are directors (2018: four) whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2018: one) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**536**	258
Discretionary bonuses	**362**	110
Retirement scheme contributions	**121**	68
	1,019	436

The emoluments of the 2 (2018: 1) individuals with the highest emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HK$Nil – HK$1,000,000	**2**	1

9 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 year ended 31 December 2019 of RMB10,329,000 (2018: RMB26,347,000) and the weighted average of 159,921,000 ordinary shares (2018: 147,417,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 **'000**	2018 '000
Issued ordinary shares at 1 January	**159,921**	115,601
Weighted effect of H shares issued under initial public offering	**–**	31,816
Weighted average number of ordinary shares at 31 December	**159,921**	147,417

There was no difference between basic and diluted earnings per share as there were no potential dilutive shares during the year.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings and structure RMB'000	Power generation plant and electric utility in service RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2018	16,733	604,541	488	23,411	962	646,135
Additions	–	2,235	–	2,059	20,296	24,590
Transfer from CIP	–	11,458	–	–	(11,458)	–
At 31 December 2018	16,733	618,234	488	25,470	9,800	670,725
Impact on initial application of IFRS16 *(Note)*	73	–	712	24	–	809
At 1 January 2019	**16,806**	**618,234**	**1,200**	**25,494**	**9,800**	**671,534**
Additions	–	1,039	–	1,018	13,870	15,927
Transfer from CIP	–	23,670	–	–	(23,670)	–
Disposals	–	(3,562)	–	–	–	(3,562)
At 31 December 2019	**16,806**	**639,381**	**1,200**	**26,512**	**–**	**683,899**
Accumulated depreciation:						
At 1 January 2018	(6,177)	(277,639)	(363)	(10,373)	–	(294,552)
Charge for the year	(454)	(21,905)	(17)	(1,293)	–	(23,669)
At 31 December 2018	(6,631)	(299,544)	(380)	(11,666)	–	(318,221)
Charge for the year	(527)	(22,334)	(601)	(1,591)	–	(25,053)
Written back on disposal	–	3,383	–	–	–	3,383
At 31 December 2019	**(7,158)**	**(318,495)**	**(981)**	**(13,256)**	**–**	**(339,890)**
Net book value:						
At 31 December 2019	**9,648**	**320,886**	**219**	**13,256**	**–**	**344,009**
At 31 December 2018	**10,102**	**318,690**	**108**	**13,804**	**9,800**	**352,504**

Note: 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. See note 1(c).

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Buildings and structure, carried at depreciated cost	**–**	73
Motor vehicles, carried at depreciated cost	**128**	712
Others, carried at depreciated cost	**–**	24
	128	809

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 *(Note)* RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings and structure	**73**	–
Motor vehicles	**584**	–
Others	**24**	–
	681	–
Interest on lease liabilities (note 5(a))	**20**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**496**	
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**18**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	**–**	509

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 18(c), 20 and 26(a), respectively.

11 INTANGIBLE ASSETS

	Software and others RMB'000
Cost:	
At 1 January 2018	2,394
Additions	787
At 31 December 2018	3,181
At 1 January 2019	**3,181**
Additions	**1,208**
At 31 December 2019	**4,389**
Accumulated amortisation:	
At 1 January 2018	(960)
Charge for the year	(290)
At 31 December 2018	(1,250)
At 1 January 2019	**(1,250)**
Charge for the year	**(319)**
At 31 December 2019	**(1,569)**
Net book value:	
At 31 December 2019	**2,820**
At 31 December 2018	1,931

12 INVESTMENTS IN SUBSIDIARY

As at 31 December 2019 and 2018, the Company had one subsidiary, which is wholly owned by the Company.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital RMB'000	Proportion of ownership interest Group's effective interest	Held by the Company	Principal activity
Tianjin Baorun International Trading Electrical Engineering Co., Ltd. 天津保潤國際貿易電氣工程有限公司	Tianjin, People's Republic of China ("PRC") as a company with limited liability	16,709	100%	100%	Electricity infrastructure construction and sales of electronic component

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

13 RIGHT-OF-USE ASSETS FOR PROPERTIES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cost:		
At the beginning of the year	**16,568**	16,568
At the end of the year	**16,568**	16,568
Accumulated amortisation:		
At the beginning of the year	**(1,248)**	(917)
Amortisation for the year	**(331)**	(331)
At the end of the year	**(1,579)**	(1,248)
Net book value:		
At the end of the year	**14,989**	15,320

Right-of-use assets for properties of the Group and the Company mainly represent the prepayments for the land use premium held under operating leases.

14 INVENTORIES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Fuel	**1,430**	1,126
Goods and supplies	**2,030**	4,055
	3,460	5,181

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Cost of fuel used	**75,276**	87,158
Cost of goods and supplies sold	**19,314**	29,538
Write down of inventories	**(419)**	(365)
	94,171	116,331

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Contract assets		
Arising from performance under construction contracts, net of loss allowance	**1,102**	304

15 CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Contract liabilities		
Current portion		
Electricity and power supply contracts		
– Billings in advance of performance	**22,512**	25,305
Non-current		
Prepaid facility usage fees	**6,925**	7,411
	29,437	32,716

	2019 RMB'000	2018 RMB'000
Movements in contract liabilities		
Balance at 1 January	**32,716**	30,083
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(148,514)**	(186,805)
Increase in contract liabilities as a result of billing in advance of services activities	**145,721**	189,924
Amortisation of deferred income	**(486)**	(486)
Balance at 31 December	**29,437**	32,716

16 TRADE AND BILL RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Accounts receivable, net of loss allowance	**31,427**	32,975
Bills receivable	**4,026**	1,600
	35,453	34,575

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**32,704**	31,976
4 to 6 months	**1,522**	2,394
7 to 9 months	**1,149**	71
10 to 12 months	**33**	–
Over 12 months	**45**	134
	35,453	34,575

Trade receivables are generally due within 30 – 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 25(a).

17 OTHER RECEIVABLES AND ASSETS

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Value added tax recoverable	**1,092**	–
Deposits with third parties	**1,065**	846
Advance to suppliers	**582**	130
	2,739	976

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank	**133,678**	140,400

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Dividends payable RMB'000	**Lease liabilities** RMB'000 *(Note)*	**Payable to shareholders for capital reduction** RMB'000	**Total** RMB'000
At 31 December 2018	–	–	151,713	151,713
Impact on initial application of IFRS 16 *(Note)*	–	809	–	809
At 1 January 2019	**–**	**809**	**151,713**	**152,522**
Cash flows:				
Dividends paid	(12,798)	–	–	(12,798)
Capital element of lease rentals paid	–	(678)	–	(678)
Interest element of lease rentals paid	–	(20)	–	(20)
Non-cash changes:				
Interest incurred	–	20	6,845	6,865
Dividends declared	12,794	–	–	12,794
Exchange adjustments	4	–	–	4
At 31 December 2019	**–**	**131**	**158,558**	**158,689**

Note: The Group has initially applied IFRS 16 using the modified retrospective method 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. See notes 1(c) and 20(b).

18 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Listing expenses prepayments/ Payables for listing expenses RMB'000	Payable to shareholders for capital reduction RMB'000	Total RMB'000
At 1 January 2018	(13,271)	214,281	201,010
Cash flows	(21,039)	(72,490)	(93,529)
Non-cash changes:			
Interest incurred	–	9,922	9,922
Listing expenses deducted from capital reserve	34,310	–	34,310
At 31 December 2018	–	151,713	151,713

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019	2018
		(Note)
	RMB'000	RMB'000
Within operating cash flows	**18**	716
Within financing cash flows	**698**	–
	716	716

Note: As explained in the note to note 18(b), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	2018
	RMB'000	RMB'000
Lease rentals paid	**716**	716

19 TRADE AND OTHER PAYABLES

	At 31 December 2019 RMB'000	At 31 December 2018 *(Note)* RMB'000
Trade payable to third parties	**24,194**	36,547
Deposit received	**1,267**	1,045
Payables for value added tax and other taxes	**1,081**	539
Payables for purchase of property, plant and equipment	**4,147**	4,087
Others	**694**	707
	31,383	42,925

Note: On the date of transition to IFRS 16, Nil accrued lease payments previously included in "Trade and other payables" were adjusted to right-of-use assets recognised at 1 January 2019. See note 1(c).

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

As of the end of the reporting period, the ageing analysis of trade and other payables, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**29,159**	40,821
4 to 6 months	**751**	675
7 to 12 months	**195**	789
Over 12 months	**1,278**	640
	31,383	42,925

The balance of trade payables that over 1 year mainly represent of quality guarantee deposit for construction.

20 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		At 1 January 2019 *(Note)*	
	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	131	133	711	731
After 1 year but within 2 years	–	–	98	100
	131	133	809	831
Less: total future interest expenses		(2)		(22)
Present value of lease liabilities		131		809

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. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

21 DEFERRED INCOME

	2019 **RMB'000**	2018 RMB'000
Government grants	**12,813**	11,431
	12,813	11,431

The Group received grants from the local government on the construction and upgrade of the heating pipelines and discharge facilities in 2018 and 2019 which have been recognised as deferred income and are subsequently recognised in profit or loss over the useful life of the related assets.

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
Provision for Tax for the year	**5,753**	11,577
Provisional Profits Tax paid	**(6,410)**	(12,358)
	(657)	(781)
Balance of Profits Tax provision relating to prior years	**1,852**	2,633
	1,195	1,852

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Property, plant and equipment RMB'000	Credit loss allowance RMB'000	Provision of inventories RMB'000	Infrastructure compensation RMB'000	Interest-free payable to equity owner RMB'000	Total RMB'000
At 1 January 2018	(2,091)	–	–	1,976	(6,647)	(6,762)
Credited/(charged) to profit or loss	303	17	91	(121)	2,482	2,772
At 31 December 2018	(1,788)	17	91	1,855	(4,165)	(3,990)
Credited/(charged) to profit or loss	303	8	105	(121)	1,711	2,006
At 31 December 2019	**(1,485)**	**25**	**196**	**1,734**	**(2,454)**	**(1,984)**

The Group evaluated the impact of deferred tax arising from depreciation charge of right-of-use asset which is insignificant.

(ii) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax liability recognised in the consolidated statement of financial position	**(1,984)**	(3,990)

23 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 31 December 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 RMB158,558,000 (2018: RMB151,713,000), including RMB80,000,000 (2018: Nil) was recorded as current portion of other non-current liabilities.

24 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	115,601	90,174	8,181	25,172	239,128
Total comprehensive income	–	–	–	25,421	25,421
Appropriation to reserves	–	–	2,542	(2,542)	–
Issuance of shares upon public offering, net of issuing expenses	44,320	(11,037)	–	–	33,283
At 31 December 2018	159,921	79,137	10,723	48,051	297,832
At 1 January 2019	**159,921**	**79,137**	**10,723**	**48,051**	**297,832**
Total comprehensive income	**–**	**–**	**–**	**9,845**	**9,845**
Appropriation to reserves	**–**	**–**	**985**	**(985)**	**–**
Dividends	**–**	**–**	**–**	**(12,794)**	**(12,794)**
At 31 December 2019	**159,921**	**79,137**	**11,708**	**44,117**	**294,883**

Note: The Group, including the Company, has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 37.

24 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2019 No. of shares ('000)	2019 RMB'000	2018 No. of shares ('000)	2018 RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**159,921**	**159,921**	115,601	115,601
Issuance of shares upon public offering	**–**	**–**	44,320	44,320
At 31 December	**159,921**	**159,921**	159,921	159,921

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 each H share.

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

(c) 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 Initial Public Offering (the "IPO") with the amount of RMB23,273,000 were credited to the Company's capital reserve.

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

24 CAPITAL AND RESERVES *(Continued)*

(d) Statutory surplus reserves

According to the Company Law of the PRC, and 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.

(e) Distributable reserves

Payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling owner, Tianjin Tianbao Holdings Limited will be able to influence the Company's dividend policy. As at 31 December 2019, the aggregate amount of reserves available for distribution to the shareholders of the Company is RMB44,117,000.

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, 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.

(f) 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.

24 CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

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) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises 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 an 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.

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	**31 December 2019 RMB'000**	**1 January 2019 *(Note)* RMB'000**	31 December 2018 *(Note)* RMB'000
Current liabilities:				
Lease liabilities	*20*	**131**	**711**	–
Current portion of other non-current liabilities	*23*	**80,000**	**–**	–
		80,131	**711**	–
Non-current liabilities:				
Lease liabilities	*20*	**–**	**98**	–
Other non-current liabilities	*23*	**78,558**	**151,713**	151,713
Total debt		**158,689**	**152,522**	151,713
Less: Cash and cash equivalents	*18*	**(133,678)**	**(140,400)**	(140,400)
Adjusted net debt		25,011	12,122	11,313
Total equity and adjusted capital		301,970	304,435	304,435
Adjusted net debt-to-capital ratio		8.3%	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 1(c).

Neither the Company nor its subsidiary are subject to externally imposed capital requirements.

24 CAPITAL AND RESERVES (Continued)

(g) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.03 per ordinary share (2018: RMB0.08 per ordinary share)	**4,798**	12,794

The final dividend proposed after the end of the reporting year has not been recognised as a liability at the end of the reporting year.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.08 per ordinary share (2018: Nil)	**12,794**	–

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, restricted deposits and bills receivables is limited because the counterparties are banks and financial institutions with high credit rating, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 25% (2018: 22%) and 58% (2018: 53%) of the total trade and bill receivables and contract assets was due from the Group's largest customer and the five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

		2019	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	0.02%	33,745	6
Less than 3 months past due	0.30%	1,527	5
4 to 6 months past due	2.61%	1,180	31
7 to 9 months past due	4.24%	34	1
10 to 12 months past due	17.10%	37	6
Over 12 months past due	37.74%	129	48
		36,652	97

		2018	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.02%	31,976	6
Less than 3 months past due	0.37%	2,603	9
4 to 6 months past due	3.95%	75	3
7 to 9 months past due	4.00%	–	–
10 to 12 months past due	17.10%	293	50
		34,947	68

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bill receivables and contract assets during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Balance at 1 January	**68**	–
Impairment losses recognised during the year	**29**	68
Balance at 31 December	**97**	68

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Lease liabilities *(Note)*	**133**	**–**	**–**	**–**	**133**	**131**
Trade and other payables	**31,383**	**–**	**–**	**–**	**31,383**	**31,383**
Salary and welfare payables	**2,779**	**–**	**–**	**–**	**2,779**	**2,779**
Current portion of other non-current liabilities	**80,000**	**–**	**–**	**–**	**80,000**	**80,000**
Other non-current liabilities	**–**	**88,384**	**–**	**–**	**88,384**	**78,558**
Total	**114,295**	**88,384**	**–**	**–**	**202,679**	**192,851**

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. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

	2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	42,925	–	–	–	42,925	42,925
Salary and welfare payables	2,129	–	–	–	2,129	2,129
Other non-current liabilities	–	80,000	88,384	–	168,384	151,713
Total	45,054	80,000	88,384	–	213,438	196,767

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) Currency risk

The Group is exposed to currency risk primarily through issuance of shares upon public offering which give rise to cash balances that are denominated in a foreign currency. The currencies giving rise to this risk are primarily Hong Kong dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies	
	2019	2018
	Hong Kong Dollars	Hong Kong Dollars
	RMB'000	RMB'000
Cash and cash equivalents	**19,591**	61,073
Gross exposure arising from recognised assets and liabilities	**19,591**	61,073

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2019		At 31 December 2018	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Hong Kong Dollars	**10%**	**1,469**	10%	4,580
	(10%)	**1,469**	(10%)	4,580

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurement

As at 31 December 2019 and 2018, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values.

26 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Authorised but not contracted for	**4,800**	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 motor vehicles 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 1(c)). 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 1(g), and the details regarding the Group's future lease payments are disclosed in note 20.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**4,466**	3,550
Post-employment benefits	**616**	684
	5,082	4,234

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Related party balances and transactions

The related parties of the Company and its subsidiary that had transactions with the Company and its subsidiary are as follows:

Names of related parties	**Nature of relationship**
Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. ("Tianbao Group") 天津保稅區投資控股集團有限公司	ultimate controlling company
Tianjin Tianbao Holdings Limited 天津天保控股有限公司	parent company
Tianjin Free Trade Zone Investment Company Limited 天津保稅區投資有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Construction Development Co., Ltd. 天津天保建設發展有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Finance Company Ltd. 天津天保財務有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Municipal Co., Ltd. 天津天保市政有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao International Logistics Co., Ltd. 天津天保國際物流集團有限公司	a subsidiary of Tianbao Group

27 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Related party balances and transactions (Continued)

Names of related parties	Nature of relationship
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
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 Tianbao Import Vehicle Inspection Co., Ltd. 天津港保税區天保進口機動車檢測有限公司	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 Free Trade Zone Tianbao Jintie Logistics Co., Ltd. 天津自貿試驗區天保津鐵物流有限公司	a subsidiary of Tianbao Group
Tianjin Airport International Logistics Co., Ltd. 天津空港国际物流股份有限公司	a subsidiary of Tianbao Group

* The English translation of the companies' names are for reference only. The official names of the companies are in Chinese.

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Due from Tianbao Group and its subsidiaries	**236**	378

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

	At 31 December 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	**2,365**	2,772
	170,749	171,156

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

(d) Related party transactions

	2019 RMB'000	2018 RMB'000
Sales of goods to		
Subsidiaries of Tianbao Group	**7,293**	10,994
Purchase of goods from		
Subsidiaries of Tianbao Group	**392**	425
Services provided to		
Subsidiaries of Tianbao Group	**1,365**	5,904
Interest income		
Subsidiaries of Tianbao Group	**–**	279
Payment for refund of capital		
Tianbao Group	**–**	72,490

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of purchase of goods and providing services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transaction" of the Directors' Report. The related party transactions in respect of sales of goods above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are conducted on normal commercial terms that are comparable to or no less favourable to the Group than those offered to independent third parties and it is not secured by the assets of our Group.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2019 RMB'000**	At 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment		**331,089**	352,428
Investments in subsidiaries		**21,258**	6,258
Right-of-use assets for properties		**14,989**	15,320
Intangible assets		**2,256**	1,777
		369,592	375,783
Current assets			
Inventories		**2,301**	2,145
Trade and bill receivables		**26,736**	24,885
Contract assets		**1,102**	304
Other receivables and assets		**1,240**	844
Cash and cash equivalents		**125,062**	135,919
Restricted deposits		**2,000**	–
		158,441	164,097
Current liabilities			
Trade and other payables	*19*	**26,749**	38,471
Contract liabilities (current portion)		**22,491**	25,252
Salary and welfare payables		**2,399**	1,764
Current taxation		**1,035**	1,924
Current portion of other non-current liabilities	*23*	**80,000**	–
		132,674	67,411
Net current assets		**25,767**	96,686
Total assets less current liabilities		**395,359**	472,469

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**At 31 December 2019 RMB'000**	At 31 December 2018 RMB'000
Non-current liabilities			
Deferred income		**12,813**	11,431
Contract liabilities (non-current portion)		**6,925**	7,411
Deferred tax liabilities		**2,180**	4,082
Other non-current liabilities		**78,558**	151,713
		100,476	174,637
NET ASSETS		**294,883**	297,832
CAPITAL AND RESERVES			
Share capital		**159,921**	159,921
Reserves		**134,962**	137,911
TOTAL EQUITY		**294,883**	297,832

Approved and authorised for issue by the board of directors on 26 March 2020.

Name: Zhou Shanzhong
Position: Director

Name: Xing Cheng
Position: Director

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

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 17 February 2020, the Group and the vendor entered into a conditional equity transfer agreement, pursuant to which the Group agreed to acquire, and the vendor agreed to sell, the 51% equity interest in Tianjin Jinneng Lingang Thermal Power Co., Ltd. ("Target Company") and provision of guarantee was proposed for the Target Company. The consideration consist of the cash consideration payable by the Group to the vendor for the acquisition, being RMB100.88 million (inclusive of the Deposit), and the guarantee for an amount of RMB38.25 million, amounted to RMB139.13 million.

(b) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 24(g).

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) The coronavirus disease outbreak (the "COVID-19 Outbreak") since early 2020 has brought about additional uncertainties in the Company's operating environment and may impact the Company's operations and financial position.

The Company has been closely monitoring the impact from the COVID-19 Outbreak on the Company's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to assessing the readiness of the electricity dispatch facility and steam generation plant, reassessing the adequacy and suitability of the Company's existing suppliers inventory and increase monitoring of the business environment of the Company's customers. The Company will keep the contingency measures under review as the COVID-19 Outbreak situation evolves.

As far as the Company's businesses are concerned, the COVID-19 Outbreak may cause decrease on user's demand of the electricity and steam, but the directors of the Company consider that such impact could be reduced by the Company's expedition of the steam generation and supply process upon the cessation of the COVID-19 Outbreak. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Company's debtors and the willingness of the customers to procure the Company's generated steam, which in turn may result in impairment losses on trade receivables and property, plant and equipment in future periods. These possible impacts have not been reflected in the financial information, and the actual impacts may differ from estimates adopted in the financial information as the COVID-19 Outbreak situation continues to evolve and when further information may become available.

30 COMPARATIVE FIGURES

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

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, the directors consider the immediate parent and ultimate controlling party of the Group to be Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Holdings Group Co., Ltd respectively, which are incorporated in Tianjin. These entities do not produce financial statements available for public use.

(Expressed in RMB unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	1 January 2020
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1, *Presentation of financial statements*, and IAS 8, *Accounting policies, changes in accounting estimates and errors, Definition of a material*	1 January 2020
IFRS 17, Insurance contracts	1 January 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"CASBE"	China Accounting Standards for Business Enterprises
"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
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"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
"Haigang Thermal Plant"	The power plant located in Tianjin Port Free Trade Zone (Seaport) currently held by the Group
"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
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Shares"	the overseas listed foreign 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
"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
"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"	April 16, 2020, being the latest practicable date prior to the printing of this Annual Report for ascertaining certain information contained herein
"Listing Date"	April 27, 2018

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"PRC" or "China"	the People's Republic of China, unless otherwise specified, for the purpose of this Annual Report and geographical reference, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated on April 16, 2018
"Reporting Period"	from January 1, 2019 to December 31, 2019, being the financial year of this Annual 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 H Shares and Domestic Shares
"Shareholders"	holder(s) of the Share(s), including the holders of H Shares and Domestic Shares of the Company
"Supervisor(s)"	supervisors of the Company
"Supervisory Board"	the board of 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 Group"	collectively, TFIHC and its subsidiaries (excluding our Company and Tianjin Baorun)
"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 purposes only*

REGISTERED NAME

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

DIRECTORS

Executive Directors

Mr. ZHOU Shanzhong (周善忠) *(Chairman of the Board)*
(appointed on December 9, 2019)
Mr. XING Cheng (邢城) *(General manager)*
Mr. MAO Yongming (毛永明) *(vice general manager)*
(appointed on January 17, 2020)
Mr. PENG Chong (彭沖)
Mr. GAO Hongxin (高洪新) *(resigned on December 9, 2019)*
Ms. FANG Wei (房瑋) *(resigned on February 28, 2019)*

Non-executive Director

Mr. WANG Xiaotong (王小潼)
(appointed on January 17, 2020)
Ms. DONG Guangpei (董光沛)
(appointed on November 1, 2019)
Mr. YU Yang (于暘) *(retired on January 17, 2020)*
Mr. WU Tao (武韜) *(resigned on November 1, 2019)*

Independent non-executive Directors

Mr. CHAN Wai Dune (陳維端)
(appointed on January 17, 2020)
Mr. HAN Xiaoping (韓曉平)
Ms. YANG Ying (楊瑩)
Mr. LAU Tsz Bun (劉子斌) *(retired on January 17, 2020)*

AUDIT COMMITTEE

Mr. CHAN Wai Dune (陳維端) *(Chairperson)*
(appointed on January 17, 2020)
Ms. YANG Ying (楊瑩)
Ms. DONG Guangpei (董光沛)
(appointed on November 1, 2019)
Mr. LAU Tsz Bun (劉子斌) *(retired on January 17, 2020)*
Mr. WU Tao (武韜) *(resigned on November 1, 2019)*

REMUNERATION COMMITTEE

Mr. HAN Xiaoping (韓曉平) *(Chairperson)*
(appointed on January 17, 2020)
Ms. YANG Ying (楊瑩)
Mr. MAO Yongming (毛永明)
(appointed on January 17, 2020)
Mr. LAU Tsz Bun (劉子斌) *(retired on January 17, 2020)*
Mr. PENG Chong (彭沖)
(ceased to act on January 17, 2020)

NOMINATION COMMITTEE

Mr. ZHOU Shanzhong (周善忠) *(Chairperson)*
(appointed on December 9, 2019)
Ms. YANG Ying (楊瑩)
Mr. HAN Xiaoping (韓曉平)
Mr. GAO Hongxin (高洪新) *(resigned on December 9, 2019)*

SUPERVISORY BOARD

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 REPRESENTATIVE

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

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, *Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

HONG KONG LEGAL ADVISER

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

PRC LEGAL ADVISER

King & Wood Mallesons
No.17-18, East Tower, World Financial Center
Building 1, 1 Dongsanhuan Zhonglu
Chaoyang District, Beijing, PRC

COMPLIANCE ADVISOR

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

* *for identification purposes only*