



# Tianjin Tianbao Energy Co., Ltd.\*

## 天津天保能源股份有限公司

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

Stock Code : 1671

\* For identification purposes only

Interim Report 2020



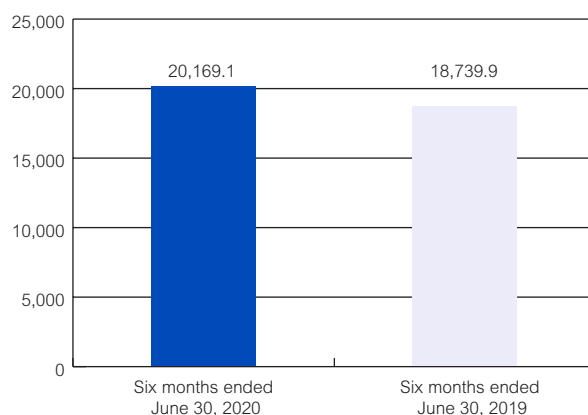
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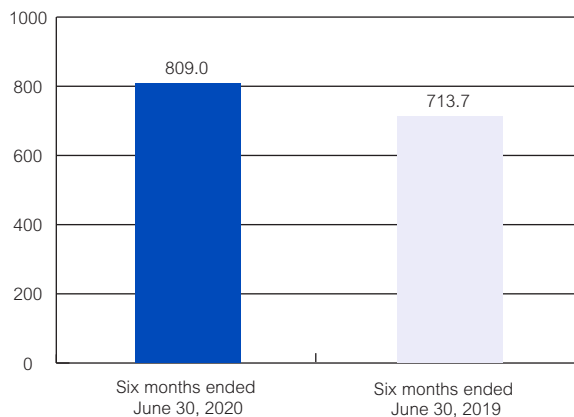
# Financial Highlights

The Board of Directors of Tianjin Tianbao Energy Co., Ltd. announces the unaudited operating results for the six months ended June 30, 2020 and a comparison with the unaudited operating results for the corresponding period of last year. For the six months ended June 30, 2020, the Company and its subsidiaries recorded a consolidated operating revenue of RMB201.691 million, which had increased by 7.6% as compared with the corresponding period of last year. The profit for the period attributable to shareholders of the Company was RMB8.090 million, representing an increase of 13.4% as compared with the corresponding period of last year. The earnings per Share were RMB0.05, representing an increase of 25% as compared with the corresponding period of last year.

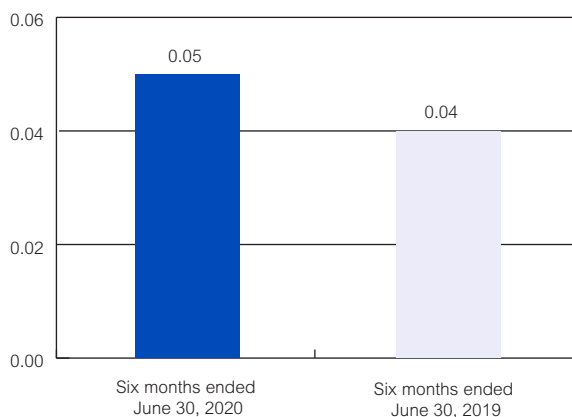
Operating revenue (RMB10,000)



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



Earnings per Share (RMB)



# Financial Highlights

	<b>Six months ended June 30, 2020 RMB'000 (Unaudited)</b>	Six months ended June 30, 2019 RMB'000 (Unaudited)
<b>Revenue</b>	<b>201,691</b>	187,399
<b>Profit before tax</b>	<b>15,233</b>	9,519
Income tax	<b>(3,446)</b>	(2,382)
<b>Profit for the period</b>	<b>11,787</b>	7,137
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>8,090</b>	7,137
Non-controlling interests	<b>3,697</b>	–
<b>Profit for the period</b>	<b>11,787</b>	7,137
<b>Earnings per Share</b>		
Basic (RMB)	<b>0.05</b>	0.04
Diluted (RMB)	<b>0.05</b>	0.04
	<b>As at June 30, 2020 RMB'000 (Unaudited)</b>	As at December 31, 2019 RMB'000 (Audited)
Total non-current assets	<b>634,070</b>	361,818
Total current assets	<b>175,886</b>	178,432
Total assets	<b>809,956</b>	540,250
Total current liabilities	<b>243,517</b>	138,000
Total non-current liabilities	<b>160,597</b>	100,280
Total liabilities	<b>404,114</b>	238,280
Net assets	<b>405,842</b>	301,970
Total equity attributable to equity shareholders of the Company	<b>305,262</b>	301,970
Non-controlling interests	<b>100,580</b>	–
Total equity	<b>405,842</b>	301,970

## 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*)  
Mr. XING Cheng (邢城) (*General manager*)  
Mr. MAO Yongming (毛永明) (*Vice general manager*)  
(*appointed on January 17, 2020*)  
Mr. PENG Chong (彭冲) (*resigned on August 28, 2020*)

### Non-executive Directors

Mr. WANG Xiaotong (王小潼)  
(*appointed on January 17, 2020*)  
Ms. DONG Guangpei (董光沛)  
Mr. YU Yang (于曷) (*retired on January 17, 2020*)

### 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)  
Mr. LAU Tsz Bun (劉子斌) (*retired on January 17, 2020*)

## 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 (彭冲)  
(*retired on January 17, 2020*)

## NOMINATION COMMITTEE

Mr. ZHOU Shanzhong (周善忠) (*Chairperson*)  
Ms. YANG Ying (楊瑩)  
Mr. HAN Xiaoping (韓曉平)

## SUPERVISORY BOARD

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

## COMPANY SECRETARY

Mr. LAU Kwok Yin (劉國賢)

## AUTHORIZED REPRESENTATIVES

Mr. XING Cheng (邢城) (*appointed on August 28, 2020*)  
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

Mr. PENG Chong (彭冲) (*resigned on 28 August, 2020*)

## REGISTERED OFFICE AND HEAD OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

\* For identification purpose only

## 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

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Building 1, 1 Dongsanhuan Zhonglu  
Chaoyang District, Beijing, PRC

## 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

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

## COMPANY'S WEBSITE

[www.tjtbny.com](http://www.tjtbny.com)

## INVESTOR ENQUIRIES

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# Management Discussion and Analysis

## SUMMARY OF BUSINESS REVIEW FOR THE FIRST HALF OF 2020

In the first half of 2020, the region where the Group is located has been affected by and subject to challenges of the evolvement of the COVID-19 outbreak to various degrees. The Group actively responded to the requirements of adopting supportive electricity pricing policy during national epidemic prevention and control period to reduce electricity cost for enterprises so as to lighten the burden on enterprises. As an electricity, heating and cooling energy operator in the region, the Group did not suspend its operation during the most serious period of the epidemic and provided customers with stable energy supply, ensuring the energy demand of enterprises and households in the region remain unaffected. Leaders and employees of the Group also worked hard in adverse situation and strived for innovation, successfully completed the acquisition of 51% equity interest of Lingang Thermal Power, the relevant business changes registration and settlement of consideration of which was also completed during the Reporting Period, significantly improved the profitability and asset quality of the Group. The H Share “full circulation” programme has progressed smoothly. The phase 1 distributive photovoltaic power generation project has been operating normally, thereby assisting the Group in reducing the purchase of expensive external electricity and increased profits. Despite the epidemic, all employees of the Group have made unremitting efforts to increase revenue while reducing expenditure, enabling the Group’s growth against the trend and commencing a new stage of the Group’s high-quality development.

## HIGHLIGHTS OF MAJOR INITIATIVES OF THE GROUP IN THE FIRST HALF OF 2020

### 1. Completion of the acquisition of Lingang Thermal Power

The Company entered into the equity transfer agreement with Tianjin Jinneng Binhai Heating Group Co., Ltd.\* (天津津能濱海供熱集團有限公司) on February 17, 2020 in relation to the acquisition of 51% equity interests in Lingang Thermal Power, which was approved by the Shareholders on May 8, 2020. On June 11, 2020, the relevant business changes registration completed and Lingang Thermal Power was renamed as “Tianjin Tianbao Lingang Thermal Power Co., Ltd.\* (天津天保臨港熱電有限公司)”, marking the completion of the acquisition of Lingang Thermal Power.

Lingang Thermal Power is principally engaged in steam production and supply business, mainly providing steam for the production process of the enterprises in Binhai New District. Lingang Thermal Power’s business is generally similar to the Group’s existing business, and synergies in various aspects such as production technology, human resources and management have been created between Lingang Thermal Power and the Group. The acquisition of Lingang Thermal Power is the Group’s first attempt to expand through external acquisition after its listing on the Stock Exchange. This acquisition project has improved the Group’s profitability and assets quality and is the first step taken by the Company in expanding its business area out of the Tianjin Port Free Trade Zone. For details, please refer to the Company’s announcements dated February 17, 2020, March 9, 2020, May 8, 2020 and June 11, 2020 and the Company’s circular dated March 12, 2020.



## 2. Smooth progress of the H Share “full circulation” programme

The Company submitted the application of H Share “full circulation” programme (being the conversion of the Domestic Shares into H Shares to be listed on the Stock Exchange) to the CSRC on January 8, 2020, obtained formal approval from the CSRC on June 1, 2020 and the listing approval from the Stock Exchange on July 9, 2020, and completed the conversion and listing of the Shares on the Main Board of the Stock Exchange on July 29, 2020.

During the Reporting Period, the Company became one of the first enterprises with its H Share “full circulation” application approved by the CSRC. All the Domestic Shares have been converted into 115,600,907 H Shares and were listed on the Stock Exchange on July 29, 2020. This will raise the market’s attention towards the Company and significantly increase the market value of the H Shares in circulation, marking a new era for the high-quality development of the Company. This lays a solid foundation for subsequent capital market activities, wider financing channels and steady improvement of brand value. For details, please refer to the Company’s announcements dated January 8, 2020, January 16, 2020, June 1, 2020, July 9, 2020, July 17, 2020 and July 28, 2020.

## 3. Proactive responses to market changes and improved the profitability

In early 2020, as the outbreak of COVID-19 caused great impact on the production of enterprises nationwide and pursuant to the Notice of Tianjin Development and Reform Commission to Enterprises on Reducing Electricity Cost by Phrases to Support Resumption of Work and Production (Jin Fa Gai Jia Zong [2020] No.64) (市發展改革委關於階段性降低企業用電成本支持企業復工復產的通知(津發改價綜[2020]64號))and the Notice of Tianjin Development and Reform Commission to Enterprises on Further Reducing Electricity Cost by Phrases (Jin Fa Gai Jia Zong [2020] No.231) (市發展改革委關於延長階段性降低企業用電成本政策的通知(津發改價綜[2020]231號)), the Group actively responded to the requirements of adopting supportive electricity pricing policy during national epidemic prevention and control period to reduce electricity cost for enterprises so as to lighten the burden on enterprises. Save as customers in the high energy consumption industries, from February 1, 2020 to December 31, 2020, we shall charge our customers only 95% of the original price of electricity. The Group strengthened the inspection and verification of the users’ energy use area in the region where the Group is located to respond to market changes brought about by the epidemic. Meanwhile, the Group increased its number of suppliers with high quality and low price, intensified the competition between the suppliers, and strengthened its research to make comparison and keep abreast of the market changes, so as to lower the coal purchase cost.

## 4. The photovoltaic power generation station has been in normal operation and energy structure upgrading is in progress

At the end of 2019, the Company completed the construction of the phase 1 distributed photovoltaic power generation project with installed capacity of 3MW, which went on-grid in January 2020 and has since been in normal operation. The Company will continue to develop and construct distributed photovoltaic power generation stations and upgrade its energy structure.

## 5. Ensuring production safety and epidemic prevention and control

The Group attached great importance to production safety, prioritised safety and stability all the time, strictly complied with safety production laws and regulations, improved the safety rules and regulations system, and continuously strengthened the safety management of outsourcing units to implement the 6S management requirements on a regular basis, thereby promoting a culture of safety. In the first half of the year, no safety liability accidents occurred in the Group.

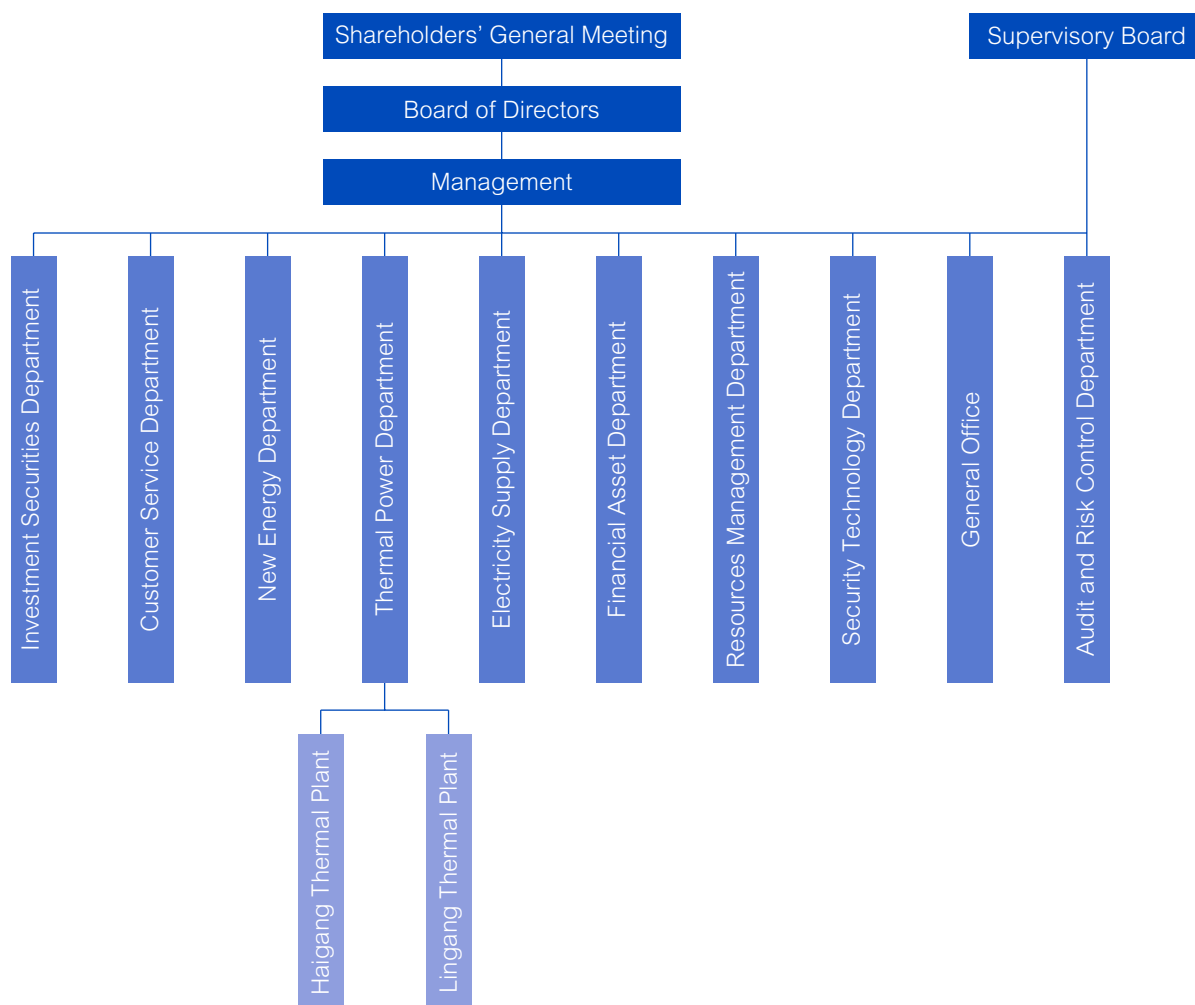


# Management Discussion and Analysis

Since the beginning of the year, the Group's focus on safety work has been epidemic prevention. The Group has formulated epidemic prevention work rules with continuous dynamic adjustment. The Group has taken various measures such as conducting publicity and education on health knowledge for all employees, implemented quarantine and observation of employees returning to Tianjin from other places, strengthened body temperature monitoring and registration of visitors and distributed surgical masks and other protective equipment to employees on a regular basis. There has been no confirmed or suspected COVID-19 cases in the Group, and the epidemic prevention work will become routine work.

## 6. Adjustment to the Company's organizational structure and improved corporate governance

The Company has adjusted its organizational structure (as shown in the chart below) to address the difficulties brought by business expansion and to improve operation efficiency. Certain departments with overlapping functions or those which were not in line with the Group's future development direction have been abolished or merged with other departments, specific functions of each department have been highlighted and the name of corresponding departments have been amended. The number of executive departments were consolidated from 12 to 10 after the adjustment to the organizational structure, which will enhance the centralized control ability, give full play to synergy effect, support the implementation of strategies and decisions made by the Board and future development.



# Management Discussion and Analysis

To improve the profitability of new energy power generation business of the Group and clarify that the new energy projects such as the distributed photovoltaic power generation project will be one of the focuses of the Group's development in the future, the Group's wholly-owned subsidiary, Tianjin Baorun International Trading Electrical Engineering Co., Ltd.\* (天津保潤國際貿易電氣工程有限公司), changed its business scope and legal representative and was renamed to Tianjin Tianbao New Energy Co., Ltd.\*(天津天保新能有限公司) and the relevant business changes registration was completed on May 8, 2020.

During the Reporting Period, the Group reviewed and revised various systems and procedures to strengthen the standardization and institutionalization for our work and to optimize the corporate governance system.

## OPERATING RESULTS AND ANALYSIS

According to the Group's statistics, in the first half of 2020, sales of steam amounted to 528,000 tons, representing an increase of 43.5% from 368,000 tons over the corresponding period of last year, mainly due to the completion of the acquisition of Lingang Thermal Power which mainly sells steam in the first half of the year, leading to an increase in overall sales of the Group; sales of electricity amounted to 106.127 million kilowatt-hours, representing a decrease of 9.3% from 117.005 million kilowatt-hours over the corresponding period of last year, mainly due to that the Group actively responded to the requirements of reducing electricity cost for enterprises during the national epidemic prevention and control period so as to lighten the burden on enterprises pursuant to the Notice of Tianjin Development and Reform Commission to Enterprises on Reducing Electricity Cost by Phrases to Support Resumption of Work and Production (Jin Fa Gai Jia Zong [2020] No.64) (市發展改革委關於階段性降低企業用電成本支持企業復工復產的通知(津發改價綜[2020]64號)) and the Notice of Tianjin Development and Reform Commission to Enterprises on Further Reducing Electricity Cost by Phrases (Jin Fa Gai Jia Zong [2020] No.231) (市發展改革委關於延長階段性降低企業用電成本政策的通知(津發改價綜[2020]231號)), according to which we shall charge customers (apart from customers in the high energy consumption industries) only 95% of the original price of electricity from February 1, 2020 to December 31, 2020; and on-grid power generation amounted to 27.889 million kilowatt-hours, representing an increase of 2.8% from 27.127 million kilowatt-hours over the corresponding period of last year, mainly due to decrease in the Group's electricity consumption for its own use and remaining capacity of steam power is used for power generation in the first half of 2020.

### 1. Operating revenue

In the first half of 2020, the consolidated operating revenue recorded by the Company and its subsidiaries increased by 7.6% from RMB187.399 million for the first half of 2019 to RMB201.691 million for the first half of 2020.

#### ***Electricity dispatch and sale segment***

The revenue from our electricity dispatch and sale segment decreased by 14.2% from RMB87.748 million for the first half of 2019 to RMB75.300 million for the first half of 2020, mainly due to (i) the Group actively responded to the requirements of reducing electricity cost for enterprises during national epidemic prevention and control period so as to lighten the burden on enterprises pursuant to the Notice of Tianjin Development and Reform Commission to Enterprises on Reducing Electricity Cost by Phrases to Support Resumption of Work and Production (Jin Fa Gai Jia Zong [2020] No.64) (市發展改革委關於階段性降低企業用電成本支持企業復工復產的通知(津發改價綜[2020]64號)) and the Notice of Tianjin Development and Reform Commission to Enterprises on Further Reducing Electricity Cost by Phrases (Jin Fa Gai Jia Zong [2020] No.231) (市發展改革委關於延長階段性降低企業用電成本政策的通知(津發改價綜[2020]231號)), according to which we shall charge customers (apart from customers in the high energy consumption industries) only 95% of the original price of electricity from February 1, 2020 to December 31, 2020; and (ii) certain customers of the Group decreased its electricity consumption as a result of the COVID-19 outbreak, leading to the decrease in the Group's electricity sales.

## ***Power generation and supply segment***

The revenue from our power generation and supply segment increased by 36.0% from RMB86.775 million for the first half of 2019 to RMB118.028 million for the first half of 2020, mainly due to the completion of the acquisition of Lingang Thermal Power which mainly sells steam in the first half of the year, leading to an increase in the overall sales of the Group.

## ***Others segment***

The revenue from others segment decreased by 35.1% from RMB12.876 million for the first half of 2019 to RMB8.363 million for the first half of 2020, mainly due to decrease in the scale of sales of goods business by the Company's subsidiary Tianjin Tianbao New Energy in 2020, resulting in a significant decrease in sales revenue.

## **2. Other net income**

In the first half of 2020, the Group recorded other net income of RMB0.612 million, representing a decrease of 63.8% as compared with the corresponding period of last year of RMB1.689 million, which was primarily due to the decrease in government grants.

## 3. Segment costs

### ***Electricity dispatch and sale segment***

The costs of our electricity dispatch and sale segment decreased by 11.6% from RMB82.398 million for the first half of 2019 to RMB72.863 million for the first half of 2020.

### ***Power generation and supply segment***

The costs of our power generation and supply segment increased by 22.5% from RMB73.630 million for the first half of 2019 to RMB90.181 million for the first half of 2020 due to (i) increase in costs for purchase of coal as a result of increase in sales of steam; and (ii) increase in various outsourcing fee and depreciation after the acquisition of Lingang Thermal Power.

### ***Others segment***

The costs of others segment decreased by 44.2% from RMB11.300 million for the first half of 2019 to RMB6.303 million for the first half of 2020, which was mainly due to decrease in cost of sales as a result of decrease in sales volume.

## 4. Segment gross profit

### ***Electricity dispatch and sale segment***

The gross profit from our electricity dispatch and sale segment decreased by 54.4% from RMB5.350 million for the first half of 2019 to RMB2.437 million for the first half of 2020.

### ***Power generation and supply segment***

The gross profit from our power generation and supply segment increased by 111.8% from RMB13.145 million for the first half of 2019 to RMB27.847 million for the first half of 2020.

### ***Others segment***

The gross profit from others segment increased by 30.7% from RMB1.576 million for the first half of 2019 to RMB2.060 million for the first half of 2020.

## 5. Earnings before interest, taxes, depreciation and amortisation

Earnings before interest, taxes, depreciation and amortisation increased by 44.9% from RMB32.758 million in the first half of 2019 to RMB47.474 million in the first half of 2020.

## 6. Finance costs

In the first half of 2020, the Company and its subsidiaries recorded finance costs of RMB4.705 million, representing an increase of 34.8% as compared with the corresponding period of last year of RMB3.491 million, which was primarily due to increase in interest costs as a result of having long-term borrowings and short-term borrowings after acquisition of Lingang Thermal Power.

## 7. Fuel costs

In the first half of 2020, the Company and its subsidiaries recorded fuel costs of RMB48.863 million, representing an increase of 21.8% as compared with the corresponding period of last year of RMB40.107 million, which was primarily due to increase in cost of fuel for the additional fuel purchased for the Group's business, which is in line with the increase in sales of steam during the same period after the acquisition of Lingang Thermal Power.

# Management Discussion and Analysis

## 8. Profit before tax

The profit before tax increased by 60.0% from RMB9.519 million for the first half of 2019 to RMB15.233 million for the first half of 2020.

## 9. Income tax expenses

In the first half of 2020, the Group recorded income tax expenses of RMB3.446 million, representing an increase of 44.7% as compared with the corresponding period of last year of RMB2.382 million, which was primarily due to increase in profit in the first half of the year.

## 10. Profit for the period attributable to the parent company

Profit for the period attributable to the parent company increased by 13.4% from RMB7.137 million for the first half of 2019 to RMB8.090 million for the first half of 2020.

## FINANCIAL POSITION

### 1. Assets and liabilities

Total assets increased by 49.9% from RMB540.250 million as at the end of 2019 to RMB809.956 million as at the end of June 2020. Total liabilities increased by 69.6% from RMB238.280 million as at the end of 2019 to RMB404.114 million as at the end of June 2020. Total equity attributable to ordinary Shareholders of the Company increased by 1.1% from RMB301.970 million as at the end of 2019 to RMB305.262 million as at the end of June 2020.

As of the end of June 2020, our current assets amounted to RMB175.886 million, representing a decrease of 1.4% from RMB178.432 million as at the end of 2019, of which cash and cash equivalents amounted to RMB116.344 million (end of 2019: RMB133.678 million), trade and bill receivables amounted to RMB42.449 million (end of 2019: RMB35.453 million), which was mainly receivables of steam revenue. Our current liabilities amounted to RMB243.517 million (end of 2019: RMB138.000 million), of which trade and other payables amounted to RMB31.221 million (end of 2019: RMB31.383 million); and non-current liabilities amounted to RMB160.597 million (end of 2019: RMB100.280 million).

### 2. Cash and cash equivalents

As at the end of June 2020, the Group recorded cash and cash equivalents of RMB116.344 million, representing a decrease of 13.0% as compared with the end of last year of RMB133.678 million. Taking into account the capital needs of the Group's daily operating activities and the higher expected capital expenditures, the Group adopted a conservative cash management strategy.

### 3. Gearing ratio

The gearing ratio is calculated as the balance of liabilities as at the end of the period divided by the balance of total equity attributable to equity shareholders of the Company as at the end of the period.

As at the end of June 2020, the Group recorded a gearing ratio of 1.3, representing a slight increase as compared with the end of last year of 0.8, which was due to the increase in liabilities.

# Management Discussion and Analysis

## HUMAN RESOURCES AND TRAINING

As of June 30, 2020, we had 70 employees. The following table sets forth the number of employees for each of our areas of operations as of June 30, 2020.

<b>Function</b>	<b>Number of Employees</b>	<b>Percentage of Total</b>
Management, administration and finance	25	35.7%
Marketing	7	10.0%
Procurement	5	7.1%
Engineering and technology	33	47.2%
Total	70	100.00%

As of June 30, 2020, we incurred staff costs (including salaries, benefits and allowances) of RMB8.647 million.

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

The Group places significant emphasis on staff training and development. To realize steady and healthy development of the Group and meet the development needs of our employees, the Group provides continuing education and training programs for the management personnel and other employees with a view to constantly enhance their skills and knowledge. Our staff training is either conducted internally by the management and relevant department heads of the Group or by external trainers invited to conduct the professional trainings. We intend to ensure that our staff remain equipped with the necessary skills, knowledge and abilities in their respective areas of work as this in turn helps to maintain the Group's competitiveness in the market.

As of June 30, 2020, the Company's human resources department finished a total of 11 trainings involving party affairs education, middle-level cadre management and professional skills, among which the training for professional skills was carried out by each department with contents including the Listing Rules, testing equipment usage and usage attention points, emergency response training for "three-remote" server hard drive failure, and continuing education courses for special operations personnel.

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

## OTHER SIGNIFICANT EVENTS

### 1. Capital raising

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

### 2. Capital expenditure and capital commitment

In the first half of 2020, capital expenditure of the Group was RMB9.142 million, which was mainly used for (i) de-nitrification quality improvement and upgrading (RMB6.780 million); and (ii) purchase of transformers (RMB1.236 million).

As at June 30, 2020, the provision of capital commitment of the Group amounted to RMB9.860 million, which is expected to be used for project-related expenses in relation to the de-nitrification quality improvement and upgrading project that the Group plans to develop in the upcoming year.

Going forward, the Group will continue to promote the phase 2 distributive photovoltaic power generation project, which may increase the capital expenditure of the Group. For details, please refer to the paragraph headed “Business Outlook for the Second Half of 2020 – 1. Promote the phase 2 distributive photovoltaic power generation project and look for alternative energy supply models” in this Interim Report. As at June 30, 2020, save as disclosed in this Interim Report, the Group did not have other confirmed plan to make major investments or purchase capital assets or to make relevant financing in the upcoming year.

### 3. Liquidity and financial resources

As at June 30, 2020, the Group had cash and cash equivalents amounting to RMB116.344 million, bank borrowings of RMB158.808 million which includes short-term borrowings of RMB106.254 million (including long-term borrowings due within one year of RMB46.254 million) and non-current portion of long-term borrowings of RMB52.554 million, while secured and guaranteed borrowings amounted to RMB63.000 million and unsecured borrowings amounted to RMB95.808 million, all of which were with fixed interest rate. There were no financial instruments entered into by the Group for hedging purpose. In addition, the Group had no investments in foreign currency.

### 4. Material acquisitions and disposals

On February 17, 2020, the Company and Tianjin Jinneng Binhai Heating Group Co., Ltd. entered into the equity transfer agreement, pursuant to which the Company agreed to acquire 51% equity interest in Lingang Thermal Power for the total consideration of RMB139.130 million, consisting of the cash consideration payable by the Company to Tianjin Jinneng Binhai Heating Group Co., Ltd. as the vendor for the acquisition, being RMB100.880 million (inclusive of the deposit), and the provision of a guarantee in favour of Lingang Thermal Power for borrowings of RMB38.250 million. The acquisition was approved by the Shareholders on May 8, 2020, and the Company completed the relevant business changes registration and renamed the company as Tianjin Tianbao Lingang Thermal Power Co., Ltd.\* (天津天保臨港熱電有限公司) on June 11, 2020, marking the successful completion of the acquisition of Lingang Thermal Power.



## 5. Significant investments

As of June 30, 2020, the Group did not have significant investments.

## 6. Contingent liabilities

As at June 30, 2020, except for the provision of the joint and several liability guarantee by the Group for 51% of the remaining balance of a long-term loan of Lingang Thermal Power amounting to RMB32.130 million, the Group did not have contingent liabilities.

## 7. Bank borrowings of the Group

As at June 30, 2020, the Group had bank borrowings of RMB158.808 million which include short-term borrowings of RMB106.254 million (including long-term borrowings due within one year of RMB46.254 million) and non-current portion of long-term borrowings of RMB52.554 million, while secured and guaranteed borrowings amounted to RMB63.000 million and unsecured borrowings amounted to RMB95.808 million, all of which were with fixed interest rate.

## 8. Other debts of the Group

Except for the bank borrowings as disclosed in this Interim Report and the amount of RMB168.383 million due to certain Shareholders of the Company, the Group did not have other interest-bearing debts.

## 9. Mortgages on Group's assets

As of June 30, 2020, the Company's subsidiary Lingang Thermal Power has pledged its trade receivables as security for a bank loan with balance amounting to RMB63.000 million as of June 30, 2020.

## 10. Capital structure

The H Shares of the Company were listed on the Main Board of the Stock Exchange on April 27, 2018. Upon completion of the H Share "full circulation" programme on July 29, 2020, all Domestic Shares had been converted into H Shares and became listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the capital structure of the Company consists of H Shares only.

## 11. Share option scheme

As of June 30, 2020, the Company had not implemented any share option scheme.

## 12. Foreign exchange and exchange rate risk

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

## BUSINESS OUTLOOK FOR THE SECOND HALF OF 2020

### 1. Promote the phase 2 distributive photovoltaic power generation project and look for alternative energy supply models

In order to explore new profit growth opportunities and promote the upgrading of energy structure, the Group adopts internal decisions after the Reporting Period, and intends to commence the construction of the phase 2 photovoltaic power generation project in Tianjin Port Free Trade Zone (Seaport and Lingang) and complete the construction of the 2.46MW photovoltaic power generation project during the year. Meanwhile, the Group also actively identifies other energy supply models such as air energy and LNG gas cogeneration, so that the Group can achieve diversified development while focusing on its principal business.

### 2. Establish cooperative relationship with Tianjin University

The Company entered into a cooperation framework agreement with Tianjin University in the first half of 2020, pursuant to which, both parties will give full play to their respective strengths and cooperate in projects relating to steam supply, heating and cooling and the research and development of related energy-saving technologies and products.

Tianjin University is a key university in the “985 Project” and “211 Project” directly under the Ministry of Education. It has undertaken or participated in major projects in “863 Plan”, “973 Plan”, National “10th Five-year Plan”, “11th Five-year Plan” and “12th Five-year Plan”, projects funded by National Nature and Science Foundation of China, doctoral foundation projects as well as other key and grassroots research projects in Tianjin. Tianjin University has strong scientific research ability, it focuses on major national strategic needs and the frontiers of global scientific and technological development, and has achieved fruitful results. The Company will take advantage of the research and development ability of Tianjin University in relevant fields to consolidate its technical foundation for further development, and look forward to the win-win results for both parties to be brought by cooperation.

### 3. Further deepen technological upgrade

The Group will further deepen technological upgrade for the purpose of further energy conservation and consumption reduction and lowering the Group’s production and operation costs. The related subject research group will conduct research on the following subjects in the second half of the year: firstly, carry out ultra-low emission transformation for the boilers of Lingang Thermal Power; secondly, carry out certain research and transformation such as purchase and upgrade of concentrated water reverse osmosis facilities, the change of the power connection point of the heat exchange station so that the heat exchange station circulating water can recover the residual heat for heating, and the transformation of the steam-driven feed water pump. The above work will reduce the Group’s production costs.

### 4. Formulate the Group’s “14th Five-Year” development strategy plan, and continue to seek opportunities for mergers and acquisitions in the new planning direction

The Group will make a scientific plan for the reform and development during the “14th Five-Year Plan” period and determine the Group’s overall strategic goals, development ways and other key issues through in-depth analysis of industry policies, customer development and development goals so as to make scientific plans for multiple strategies and opportunities such as deepening the reform of state-owned enterprises and seizing opportunities in the market.

## **CORPORATE GOVERNANCE PRACTICES**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **CHARGES ON THE GROUP'S ASSETS**

During the Reporting Period, the Company's subsidiary Lingang Thermal Power has pledged its trade receivables as security for a bank loan with balance amounting to RMB63.000 million as of June 30, 2020.

## **LOAN ARRANGEMENTS GRANTED BY THE GROUP TO ENTITIES**

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

## **PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS**

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

## **LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE GROUP**

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

## **AUDIT COMMITTEE**

The audit committee comprises three non-executive Directors, namely Mr. 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 auditor. The primary responsibilities of the audit committee are to review and supervise the Group's financial reporting process, risk management and internal control system. The terms of reference of the audit committee are available on the Stock Exchange's website and the Company's website.

The audit committee of the Company has reviewed the Group's 2020 interim results announcement, this Interim Report and the unaudited financial statements for the six months ended June 30, 2020 prepared in accordance with the IFRS.

# Corporate Governance and Other Information

## SHARE CAPITAL

As at June 30, 2020, the total share capital of the Company was 159,920,907 Shares, divided into 115,600,907 Domestic Shares and 44,320,000 H Shares, with a nominal value of RMB1.00 each. All Domestic Shares had been converted into H Shares and became listed on the Main Board of the Stock Exchange on July 29, 2020. After the listing of the Shares on the Main Board of the Stock Exchange, the Company did not issue any new Shares in exchange for cash.

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

As at June 30, 2020, no Director, Supervisor or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at June 30, 2020, 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:

<b>Name of Shareholders</b>	<b>Types of Shares</b> <i>(Note 2)</i>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b> <b>(Share)</b> <i>(Note 3)</i>	<b>Percentage of relevant class of share capital</b> <b>(%)</b> <i>(Note 2)</i>	<b>Percentage of total share capital</b> <b>(%)</b>
Tianbao Holdings <i>(Note 1)</i>	Domestic Shares	Beneficial owner	109,606,538 (L)	94.81	68.54
TFIHC <i>(Note 1)</i>	Domestic Shares	Interest of a controlled corporation	115,600,907 (L)	100.00	72.29
Yuan Andy Yun Nan	H Shares	Beneficial owner	7,250,000 (L)	16.36	4.53

Notes:

- As at June 30, 2020, 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.
- This is calculated based on the capital structure of the Company as at June 30, 2020. Subsequently, all Domestic Shares had been converted into H Shares and became listed on the Main Board of the Stock Exchange with effect from July 29, 2020.
- The letter "L" denotes the relevant person's long position in such Shares.

## NON-COMPETITION DEED FROM THE CONTROLLING SHAREHOLDERS

The Company entered into a non-competition deed with the Company's Controlling Shareholders, Tianbao Holdings and TFIHC, on April 4, 2018 in favour of the Company, pursuant to which each of our Controlling Shareholders has given certain non-competition undertakings to the Company (for itself and for the benefits of other members of the Group), to the effect that, it shall not, and it shall procure that its associates (other than any member of the Group) do not and shall not, directly or indirectly, whether on its own or through any entities, carry on, participate, be interested or engaged or otherwise be involved, whether for profit, reward, other benefit or otherwise, in any business or activity that is in competition with, or is likely to be in competition with, the business carried on by any member of the Group from time to time during the period when the non-competition deed remains valid and effective and will grant the Company options for new business opportunities and acquisitions, as well as pre-emptive rights and the right to acquire the Konggang Thermal Plant Business. The independent non-executive Directors of the Company are solely responsible for reviewing, considering and deciding whether to exercise the options for acquisitions and pre-emptive rights and are responsible for reviewing, considering and deciding whether to exercise the right to acquire the Konggang Thermal Plant Business.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or redeemable securities during the six months ended June 30, 2020.

## MATERIAL LITIGATION AND ARBITRATION

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

## CONTRACT OF SIGNIFICANCE

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

## INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2020.

## CHANGE IN DIRECTORS' AND SUPERVISORS' INFORMATION

On January 17, 2020, the second session of the Board was formed, Mr. ZHOU Shanzhong, Mr. XING Cheng, Mr. MAO Yongming and Mr. PENG Chong were appointed as the executive Directors, Mr. WANG Xiaotong and Ms. DONG Guangpei were appointed as the non-executive Directors, and Mr. CHAN Wai Dune, Mr. HAN Xiaoping and Ms. YANG Ying were appointed as the independent non-executive Directors.

On the same day, the second session of the Supervisory Board was also formed, Ms. XUE Xiaofang and Mr. SHAO Guoyong were appointed as the shareholder representative Supervisors. Mr. YANG Kui serves as the employee representative Supervisor in the Supervisory Board.

Mr. MAO Yongming, an executive Director of the Company, has been appointed as the legal representative of Tianbao New Energy since May 2020.

Mr. XING Cheng, an executive Director of the Company, has been appointed as the legal representative of Lingang Thermal Power since June 2020.

# Corporate Governance and Other Information

Ms. DONG Guangpei, a non-executive director of the Company, has been the general manager of Tianjin Free Trade Zone Investment Company Limited\* (天津保稅區投資有限公司) since January 2020. Ms. DONG has ceased to serve as the director of Hongkong Baorong Development Limited and the 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 September 2019. Ms. DONG has been serving as the director of Hong Kong Bao Chuang Investment Limited since September 2019. Since June 2020, Ms. DONG has been serving as a non-executive director of Bank of Tianjin Co., Ltd.\* (天津銀行股份有限公司), a company listed on the Stock Exchange (stock code: 1578).

Mr. YANG Kui, the employee representative Supervisor of the Company, has been serving as the director of general office of the Company since March 2020.

Save as disclosed above, as of June 30, 2020, there is no change in the information of Directors and Supervisors of the Company.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company was successfully listed on the Main Board of the Stock Exchange on April 27, 2018. A total of 44.32 million H Shares with a nominal value of RMB1.00 each were issued at the price of HK\$1.90 per Share through private placing and Hong Kong public offering, accounting for 27.71% of the total issued share capital after the offering, representing a financing scale of approximately HK\$84.21 million. The net proceeds from the public offering, after deducting the underwriting commission and other estimated expenses in connection with the public offering, amounted to approximately HK\$41.18 million (the “**IPO Proceeds**”).

The Company will utilize the IPO Proceeds for the purposes which are consistent with those set out in the Prospectus. The net proceeds from the public offering amounted to HK\$41.18 million, among which, HK\$25.62 million is expected to be used for the upgrade of technology and equipment. Since the date of obtaining the IPO Proceeds and up to June 30, 2020, HK\$19.4 million has been utilized, including HK\$5.2 million used for the update of No. 1 and No. 2 power transformation stations and HK\$14.2 million used for upgrading the dust removal system, in which the outstanding amount of HK\$0.2 million will be paid upon completion of the warranty periods of the projects in accordance with the relevant agreements. Through the selection of low cost premium construction companies through public bidding process, further improvisation of the blueprint and construction plans during the construction, strict cost control at each stage of construction, and the engagement of professional cost consultancy to review and settle the completion of the projects, cost savings was achieved which led to the relevant unutilized IPO Proceeds of HK\$6.0 million.

According to the Prospectus, net proceeds of HK\$15.56 million will be used to establish Tianbao Electricity Sales Company. In the first half of 2020, the Company actively promoted its electricity sales business. As arranged in accordance with the Notice of Tianjin Industry and Information Technology Bureau on Arrangement of Market-based Power Transaction in 2020 (《市工業和信息化局關於做好天津市2020年電力市場化交易工作的通知》) issued by Tianjin Industrial and Information Technology Bureau, Tianjin has formally carried out the market-based electricity sales business since May 2020, and Tianjin shall carry out direct power transaction of coal and gas to power ratio of 3.6:1 in 2020. Different government policies have led to the current increased cost of electricity sales for gas power plants to participate in market based transactions, resulting in a substantial decrease in profit margin of an electricity sales business. The environment for setting up an independent electricity sales company is thus still underdeveloped. Going forward, the Company will continue to closely observe the openness, business scale and changes in government policy of the electricity sales market so as to consider, formulate, revise and determine its electricity sales business plan in 2021 and utilise the relevant IPO Proceeds in accordance with uses stated in the Prospectus. The Company will publish announcement(s) to provide further information to the Shareholders as and when appropriate.

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

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, in light of the recent changes to the requirements under the PRC Company Law and relevant laws and regulations in relation to, among other things, the notice period for convening the general meeting of the Company, the rights of Shareholders to propose resolutions and the convening procedures and in order to improve the efficiency of decision-making by the Company, the Company amended its Articles of Association on June 15, 2020 with reference to practice of other listed companies and based on the actual condition as well as operation and development needs of the Company. Details of such amendments are set out in the circular of the Company dated April 23, 2020. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

## DIRECTORS' REPORTING RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the six months ended June 30, 2020 to give a true and fair view of the production and operation condition of the Group and the business performance and cash flow of the Company.

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

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

## RESIGNATION OF EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Reference is made to the announcements of the Company dated August 14, 2020 and August 28, 2020 in relation to the resignation of Mr. PENG Chong ("**Mr. PENG**") as an executive Director, the chief financial officer and an authorised representative (the "**Authorised Representative**") under Rule 3.05 of the Listing Rules of the Company. Upon the completion of the Board meeting on August 28, 2020, the above resignation of Mr. PENG took effect and Mr. PENG ceased to carry out the duties of the secretary to the Board and Mr. ZHOU Shanzhong, being an executive Director and chairman of the Board, will temporarily serve the role of and perform the duties of the secretary to the Board for the time being. In addition, the senior management and financial asset department will also continue to handle the financial matters of the Company diligently. The Company is in the process of identifying suitable candidates to fill in the positions as an executive Director, chief financial officer and secretary to the Board. Further announcement(s) will be made by the Company in relation to such appointments as and when appropriate.

## CHANGE OF AUTHORISED REPRESENTATIVE

Immediately following Mr. PENG's resignation as an Authorised Representative, Mr. XING Cheng, being an executive Director, has been appointed as an Authorised Representative with effect upon the completion of the Board meeting on August 28, 2020.

## SUBSEQUENT EVENTS

Save as the successful completion of the H Share "full circulation" programme, upon which all Domestic Shares had been converted into H Shares and became listed on the Stock Exchange on July 29, 2020, and the abovementioned resignation of executive Director and chief financial officer and change of Authorised Representative of the Company, there is no other subsequent event as at the Latest Practicable Date.



# Review Report

(Established in People's Republic of China with limited liability)



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

## INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 44 which comprises the consolidated statement of financial position of Tianjin Tianbao Energy Co., Ltd. (the “**Company**”) as of 30 June 2020 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*

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

28 August 2020

# Unaudited Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	3	<b>201,691</b>	187,399
Cost of sales		<b>(169,347)</b>	(167,328)
<b>Gross profit</b>		<b>32,344</b>	20,071
Other net income	4	<b>612</b>	1,689
Administrative expenses		<b>(13,271)</b>	(9,047)
Impairment losses on trade receivables and contract assets		<b>21</b>	–
<b>Profit from operations</b>		<b>19,706</b>	12,713
Interest income		<b>232</b>	297
Finance costs	5(a)	<b>(4,705)</b>	(3,491)
<b>Profit before taxation</b>	5	<b>15,233</b>	9,519
Income tax	6	<b>(3,446)</b>	(2,382)
<b>Profit for the period</b>		<b>11,787</b>	7,137
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>8,090</b>	7,137
Non-controlling interests		<b>3,697</b>	–
<b>Profit for the period</b>		<b>11,787</b>	7,137
<b>Earnings per share</b>	7		
Basic (RMB)		<b>0.05</b>	0.04
Diluted (RMB)		<b>0.05</b>	0.04

The notes on pages 30 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

# Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Profit for the period</b>	<b>11,787</b>	7,137
<b>Other comprehensive income for the period</b>	<b>–</b>	–
<b>Total comprehensive income for the period</b>	<b>11,787</b>	7,137
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>8,090</b>	7,137
Non-controlling interests	<b>3,697</b>	–
<b>Total comprehensive income for the period</b>	<b>11,787</b>	7,137

The notes on pages 30 to 44 form part of this interim financial report.

# Unaudited Consolidated Statement of Financial Position

At 30 June 2020 – unaudited (Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	<i>8</i>	<b>556,031</b>	344,009
Intangible assets		<b>2,753</b>	2,820
Goodwill	<i>9</i>	<b>537</b>	–
Right-of-use assets	<i>8</i>	<b>74,749</b>	14,989
		<b>634,070</b>	361,818
<b>Current assets</b>			
Inventories		<b>5,717</b>	3,460
Contract assets		<b>493</b>	1,102
Trade and bill receivables	<i>10</i>	<b>42,449</b>	35,453
Other receivables and assets	<i>11</i>	<b>9,883</b>	2,739
Cash and cash equivalents	<i>12</i>	<b>116,344</b>	133,678
Restricted deposits		<b>1,000</b>	2,000
		<b>175,886</b>	178,432
<b>Current liabilities</b>			
Loans and borrowings (current portion)	<i>14</i>	<b>106,254</b>	–
Trade and other payables	<i>13</i>	<b>31,221</b>	31,383
Contract liabilities (current portion)		<b>16,647</b>	22,512
Salary and welfare payables		<b>2,044</b>	2,779
Lease liabilities (current portion)		<b>–</b>	131
Current taxation		<b>2,553</b>	1,195
Dividends payable	<i>16</i>	<b>4,798</b>	–
Current portion of other non-current liabilities		<b>80,000</b>	80,000
		<b>243,517</b>	138,000
<b>Net current (liabilities)/assets</b>		<b>(67,631)</b>	40,432
<b>Total assets less current liabilities</b>		<b>566,439</b>	402,250

# Unaudited Consolidated Statement of Financial Position

At 30 June 2020 – unaudited (Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
<b>Non-current liabilities</b>			
Loans and borrowings (non-current portion)	14	52,554	–
Deferred income		12,654	12,813
Contract liabilities (non-current portion)		6,682	6,925
Deferred tax liabilities		6,842	1,984
Other non-current liabilities	15	81,865	78,558
		<u>160,597</u>	<u>100,280</u>
<b>NET ASSETS</b>		<u>405,842</u>	<u>301,970</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		159,921	159,921
Reserves		145,341	142,049
<b>Total equity attributable to equity shareholders of the Company</b>		<b>305,262</b>	301,970
<b>Non-controlling interests</b>		<u>100,580</u>	–
<b>TOTAL EQUITY</b>		<u>405,842</u>	<u>301,970</u>

The notes on pages 30 to 44 form part of this interim financial report.

# Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company					
	<i>Note</i>	Share capital	Capital reserve	Statutory surplus reserves	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2019</b>		159,921	79,137	10,723	54,654	304,435
<b>Changes in equity for the six months ended 30 June 2019:</b>						
Profit for the period		–	–	–	7,137	7,137
Total comprehensive income		–	–	–	7,137	7,137
Dividends approved in respect of the previous year	16	–	–	–	(12,794)	(12,794)
<b>Balance at 30 June 2019 and 1 July 2019</b>		159,921	79,137	10,723	48,997	298,778
<b>Changes in equity for the six months ended 31 December 2019:</b>						
Profit for the period		–	–	–	3,192	3,192
Total comprehensive income		–	–	–	3,192	3,192
Appropriation to reserves		–	–	985	(985)	–
<b>Balance at 31 December 2019</b>		159,921	79,137	11,708	51,204	301,970

# Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2020</b>		<u>159,921</u>	<u>79,137</u>	<u>11,708</u>	<u>51,204</u>	<u>301,970</u>	<u>-</u>	<u>301,970</u>
<b>Changes in equity for the six months ended 30 June 2020:</b>								
Profit for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,090</u>	<u>8,090</u>	<u>3,697</u>	<u>11,787</u>
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,090</u>	<u>8,090</u>	<u>3,697</u>	<u>11,787</u>
Impact on equity in connection with acquisition of a subsidiary		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,883</u>	<u>96,883</u>
Dividends approved in respect of the previous year	16	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,798)</u>	<u>(4,798)</u>	<u>-</u>	<u>(4,798)</u>
<b>Balance at 30 June 2020</b>		<u>159,921</u>	<u>79,137</u>	<u>11,708</u>	<u>54,496</u>	<u>305,262</u>	<u>100,580</u>	<u>405,842</u>

The notes on pages 30 to 44 form part of this interim financial report.



# Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Cash generated from operations		28,311	14,951
Tax paid		(3,724)	(5,996)
<b>Net cash generated from operating activities</b>		<b>24,587</b>	<b>8,955</b>
<b>Investing activities</b>			
Proceeds from government grants related to assets		408	–
Acquisition of subsidiary, net of cash acquired	17	(58,531)	–
Payment for the purchase of property, plant and equipment		(9,142)	(8,170)
<b>Net cash used in investing activities</b>		<b>(67,265)</b>	<b>(8,170)</b>
<b>Financing activities</b>			
Proceeds from bank loans		40,000	–
Repayment of bank loans		(13,099)	–
Interest paid		(1,915)	–
Capital element of lease rentals paid		–	(335)
Interest element of lease rentals paid		–	(14)
<b>Net cash generated from/(used in) financing activities</b>		<b>24,986</b>	<b>(349)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,692)</b>	<b>436</b>
<b>Cash and cash equivalents at 1 January</b>		<b>133,678</b>	<b>140,400</b>
<b>Effect of foreign exchanges rates changes</b>		<b>358</b>	<b>121</b>
<b>Cash and cash equivalents at 30 June</b>	12	<b>116,344</b>	<b>140,957</b>

The notes on pages 30 to 44 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Tianjin Tianbao Energy Co., Ltd. and its subsidiaries (together, the “**Group**”) since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 22.

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to IFRSs to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. Detailed information on the acquisition of subsidiary is set out in note 17.

## 3 REVENUE AND SEGMENT REPORTING

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

- Electricity dispatch and sale business: selling electricity purchased from the local branch of State Grid to end-users in various industries in Tianjin Port Free Trade Zone (Seaport) and relevant service fee.
- Power generation and supply business: selling electricity to the local branch of State Grid, and providing steam, heating and cooling to the industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport) and Tianjin Port Free Trade Zone (Lingang).
- Others: construction and operation maintenance of industrial facilities, trading of electronic components, photovoltaic power generation and selling.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (continued)

### (a) Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products and items		
– Electricity dispatch and sale	75,300	87,748
– Power generation and supply	118,028	86,775
– Others	8,363	12,876
	<u>201,691</u>	<u>187,399</u>

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

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (continued)

For the six months ended 30 June	Electricity dispatch and sale		Power generation and supply		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	75,300	87,748	118,028	86,775	1,064	10,363	194,392	184,886
Over time	-	-	-	-	7,299	2,513	7,299	2,513
<b>Revenue from external customers</b>	<b>75,300</b>	<b>87,748</b>	<b>118,028</b>	<b>86,775</b>	<b>8,363</b>	<b>12,876</b>	<b>201,691</b>	<b>187,399</b>
Inter-segment revenue	1,066	1,087	-	-	458	-	1,524	1,087
<b>Reportable segment revenue</b>	<b>76,366</b>	<b>88,835</b>	<b>118,028</b>	<b>86,775</b>	<b>8,821</b>	<b>12,876</b>	<b>203,215</b>	<b>188,486</b>
<b>Reportable segment profit (EBITDA)</b>	<b>5,274</b>	<b>8,331</b>	<b>39,763</b>	<b>22,818</b>	<b>2,437</b>	<b>1,609</b>	<b>47,474</b>	<b>32,758</b>
Depreciation and amortisation for the period	2,837	2,982	11,349	9,672	377	33	14,563	12,687
<b>As at 30 June/31 December</b>								
<b>Reportable segment assets</b>	<b>56,474</b>	<b>71,517</b>	<b>529,346</b>	<b>314,569</b>	<b>23,886</b>	<b>16,937</b>	<b>609,706</b>	<b>403,023</b>
<b>Reportable segment liabilities</b>	<b>26,475</b>	<b>32,613</b>	<b>24,733</b>	<b>30,178</b>	<b>14,177</b>	<b>10,617</b>	<b>65,385</b>	<b>73,408</b>

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING *(continued)*

### (c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Revenue</b>		
Reportable segment revenue	203,215	188,486
Elimination of inter-segment revenue	(1,524)	(1,087)
Consolidated revenue	201,691	187,399

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Profit</b>		
Reportable segment profit derived from		
Group's external customers	47,474	32,758
Other net income	45	1,689
Interest income	232	297
Finance costs	(4,705)	(3,491)
Depreciation and amortisation	(14,563)	(12,687)
Unallocated head office and corporate expenses	(13,250)	(9,047)
Consolidated profit before taxation	15,233	9,519

## 4 OTHER NET INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants	607	1,158
Others	5	531
	612	1,689

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>(a) Finance costs</b>		
Interest expense on payments due to shareholders	<b>3,307</b>	3,461
Interest on loans and borrowings	<b>1,383</b>	–
Other interest expense	<b>15</b>	17
Interest on lease liabilities	<b>–</b>	13
	<b>4,705</b>	3,491
<b>(b) Other items</b>		
Amortisation		
– right-of-use assets	<b>405</b>	166
– intangible assets	<b>218</b>	154
Depreciation	<b>14,436</b>	12,846
Purchase of electricity	<b>66,779</b>	75,384
Fuel	<b>48,863</b>	40,107
Outsourcing operation	<b>13,447</b>	9,594

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 6 INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Current tax</b>		
Provision for the period	4,370	3,337
<b>Deferred taxation</b>		
Reversal of temporary differences	(924)	(955)
	<b>3,446</b>	<b>2,382</b>

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before taxation	15,233	9,519
Notional tax on profit before taxation (Note (i))	3,808	2,380
Tax effect of non-deductible expenses	–	2
Others	(362)	–
Actual tax expenses	<b>3,446</b>	<b>2,382</b>

(i) The Group was subject to the statutory income tax rate of 25% for the six months ended 30 June 2019 and 2020.

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2020 of RMB8,090,000 (six months ended 30 June 2019: RMB7,137,000) and the weighted average of 159,921,000 ordinary shares (six months ended 30 June 2019: 159,921,000) in issue. There was no difference between basic and diluted earnings per share as there were no potential dilutive shares during the period.



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 8 RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisition and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired a subsidiary resulting the additions of property, plant and machinery with the fair value as of the acquisition day of RMB219,173,000, detailed information on the acquisition of the subsidiary is set out in note 17. Besides the acquisition of subsidiary, the Group acquired items of plant, machinery and construction in progress with a cost of RMB9,142,000 (six months ended 30 June 2019: RMB1,097,000). There is no disposal of property, plant and equipment during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

### (b) Right-of-use assets

All the lands located in the People's Republic of China ("PRC") are leased from respective governments according to corresponding regulations applied across the country. Land use right was classified to "right-of-use assets".

## 9 GOODWILL

Reconciliation of carrying amount of goodwill:

	At 30 June 2020 RMB'000
<b>Cost</b>	
Balance at 1 January 2020	–
Acquisition through business combination	537
Balance at 30 June 2020	537
<b>Impairment losses</b>	
Balance at 1 January 2020	–
Impairment losses	–
Balance at 30 June 2020	–
<b>Carrying amounts</b>	
Balance at 1 January 2020	–
Balance at 30 June 2020	537

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 10 TRADE AND BILL RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables	39,600	31,427
Bills receivable	2,849	4,026
	<b>42,449</b>	<b>35,453</b>

### Ageing analysis

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:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	41,992	32,704
4 to 6 months	138	1,522
7 to 9 months	284	1,149
10 to 12 months	35	33
Over 12 months	-	45
	<b>42,449</b>	<b>35,453</b>

Trade debtors and bill receivables are generally due within 30 – 90 days from the date of billing.

## 11 OTHER RECEIVABLES AND ASSETS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Value added tax recoverable	6,649	1,092
Deposits with third parties	1,052	1,065
Advance to suppliers	1,471	582
Prepaid income tax	711	-
	<b>9,883</b>	<b>2,739</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 12 CASH AND CASH EQUIVALENTS

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Cash at bank	117,344	135,678
Less: restricted deposits	1,000	2,000
Cash and cash equivalents	<b>116,344</b>	133,678

## 13 TRADE AND OTHER PAYABLES

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Trade payable to third parties	20,824	24,194
Deposit received	4,428	1,267
Payables for value added tax and other taxes	1,512	1,081
Payables for purchase of property, plant and equipment	2,878	4,147
Others	1,579	694
	<b>31,221</b>	31,383

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

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

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Within 3 months	19,136	21,970
4 to 6 months	468	751
7 to 12 months	898	195
Over 12 months	322	1,278
	<b>20,824</b>	24,194

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 14 LOANS AND BORROWINGS

At 31 December 2019 and 30 June 2020, the loans and borrowings were analysed as follows:

	Currency	Nominal interest rate	Year of maturity	Face value RMB'000	Carrying amount RMB'000
Balance at 1 January 2020				–	–
<b>New issues</b>					
Unsecured bank loans	RMB	4.13%	2021	30,000	30,000
<b>Undertaking through business combination</b>					
Secured and guaranteed bank loans	RMB	4.9%	2022	75,000	75,000
Unsecured bank loans	RMB	4.35%-4.9%	2020-2026	66,907	66,907
<b>Repayments</b>					
Secured and guaranteed bank loans	RMB	4.9%		(12,000)	(12,000)
Unsecured bank loans	RMB	4.9%		(1,099)	(1,099)
Balance at 30 June 2020				<u>158,808</u>	<u>158,808</u>

## 15 OTHER NON-CURRENT LIABILITIES

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

According to the supplementary agreement between the Company and the Shareholders entered into in December 2016, the Group scheduled the payment terms as follows: (1) payment to Tianjin Free Trade Zone Investment Company Limited of RMB12,490,000 before June 2018; (2) payment to Tianjin Tianbao Holdings Limited of RMB60,000,000 before December 2018; (3) payment to Tianjin Tianbao Holdings Limited of RMB80,000,000 before December 2020; (4) payment to Tianjin Tianbao Holdings Limited of RMB88,384,000 before December 2021. The payables to Shareholders are interest-free.

The difference between the amount of total payments and their present value (net of income tax) amounted to RMB27,903,000 was recorded in capital reserve as capital contribution from Shareholders for the year ended 31 December 2016.

As of 30 June 2020, the total undiscounted payable to the Shareholders was RMB168,384,000 (2019: RMB168,384,000), and the corresponding present value of the payments was RMB161,865,000 (2019: RMB158,558,000), including RMB80,000,000 (2019: RMB80,000,000) was recorded as current portion of other non-current liabilities.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 16 DIVIDENDS

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.03 per share (six month ended 30 June 2019: RMB0.08 per share)	<b>4,798</b>	12,794

## 17 ACQUISITION OF SUBSIDIARY

In May 2020, the Group acquired 51% of the shares and voting interests in Tianjin Tianbao Lingang Thermal Power Co., Ltd. (formerly named Tianjin Jinneng Lingang Thermal Power Co., Ltd., refer to as "Lingang Thermal Power"). As a result, the Group obtained control of Lingang Thermal Power.

Lingang Thermal Power is principally engaged in generating and selling steam to the industrial and commercial customers in Binhai New District. Taking control of Lingang Thermal Power will enable the Group to extend its power generation and supply business in Tianjin.

In the period from the acquisition date to 30 June 2020, Lingang Thermal Power contributed revenue of RMB34,712,000 and profit of RMB7,546,000 to the Group's results.

### (a) Consideration transferred

The total consideration is paid by cash with the amount of RMB100.88 million and the Company undertook the guarantee for bank loan of Liangang Thermal with the amount of RMB38.25 million from Tianjin Jinneng Binhai Heating Group Co., Ltd. after the acquisition.

### (b) Identifiable assets acquired and liabilities assumed

The above acquisition had the following effect on the Group's assets and liabilities assumed at the date of acquisition:

	<b>At the date of acquisition</b>
	<b>RMB'000</b>
Non-current assets	<b>279,483</b>
Current assets	<b>59,634</b>
Non-current liabilities	<b>(80,489)</b>
Current liabilities	<b>(61,878)</b>
Total identifiable net assets acquired	<b>196,750</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 17 ACQUISITION OF SUBSIDIARY (continued)

### (c) Analysis of the net inflow of cash and cash equivalents in respect of the acquisitions

	At the date of acquisition RMB'000
Cash consideration paid	100,880
Less: Cash and cash equivalents acquired	<u>(42,349)</u>
Net cash outflow	<u>58,531</u>

### (d) Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	At the date of acquisition RMB'000
Total consideration transferred	100,880
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Lingang Thermal Power	96,407
Fair value of identifiable net assets	<u>(196,750)</u>
Goodwill	<u>537</u>

The goodwill is attributable mainly to the synergies expected to be achieved from integration of Lingang Thermal Power into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

## 18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade and bill receivables, other receivables and assets, trade and other payables were not materially different from their fair values.

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	8,726	–
Authorised but not contracted for	<u>1,134</u>	4,800
	<u>9,860</u>	<u>4,800</u>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 20 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Related party balances

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Due from Tianbao Group and its subsidiaries	376	236

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Due to Tianjin Tianbao Holdings Limited	168,384	168,384
Advance received from Tianbao Group's subsidiaries	1,721	2,365
	<b>170,105</b>	<b>170,749</b>

As of 30 June 2020, the balance including the undiscounted payments value to the Shareholders for capital reduction of RMB168,384,000 (RMB168,384,000 as of 31 December 2019).

### (b) Related party transactions

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Sales of goods to</b>		
Subsidiaries of Tianbao Group	3,715	4,911
<b>Purchase of goods from</b>		
Subsidiaries of Tianbao Group	130	142
<b>Services provided to</b>		
Subsidiaries of Tianbao Group	516	527

## 21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Save as the successful completion of the H Share "full circulation" programme, upon which all Domestic Shares had been converted into H Shares and became listed on the Stock Exchange on July 29, 2020, there is no subsequent event as at the Latest Practicable Date.

# Notes to the Unaudited Interim Financial Report

*(Expressed in RMB unless otherwise indicated)*

## **22 IMPACTS OF COVID-19 PANDEMIC**

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact on the Group's business and has put in place contingency measures. The directors of the Group confirmed 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 Group's existing suppliers' inventory and increase monitoring of the business environment of the Group's customers. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause decrease on user's demand of the electricity and steam. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors and the willingness of the customers to procure the Group's generated steam, which in turn may result in impairment losses on trade receivables and property, plant and equipment in future periods.



“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Company”, “our Company”, “we” or “us”	Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in this Report refers to Tianbao Holdings and TFIHC
“CSRC”	The China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Shares”	the ordinary shares 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”	the Company and its subsidiaries
“H Shares”	the overseas listed ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, and International Accounting Standards and Interpretations issued by the International Accounting Standards Board
“Interim Report” or “Report”	the Group’s interim report for the six months ended June 30, 2020
“Konggang Thermal Plant”	the power plant located in Tianjin Airport Economic Zone which is currently held by Tianbao Holdings, one of the Controlling Shareholders of the Company, which operates energy production and supply business
“Latest Practicable Date”	September 11, 2020, being the latest practicable date prior to the printing of this Interim Report for ascertaining certain information contained herein
“Lingang Thermal Power”	Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (天津天保臨港熱電有限公司) (formerly known as Tianjin Jinneng Lingang Thermal Power Co., Ltd.* (天津津能臨港熱電有限公司)), a limited liability company established in the PRC on May 8, 2009, a non-wholly-owned subsidiary of our Company

# Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated on April 16, 2018
“Reporting Period”	from January 1, 2020 to June 30, 2020, being the financial reporting period of this Interim Report
“RMB” or “Renminbi”	the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“TFIHC”	Tianjin Free Trade Zone Investment Holdings Group Co., Ltd.* (天津保稅區投資控股集團有限公司), a wholly-owned subsidiary of Tianjin Port Free Trade Zone State-owned Assets Administration Bureau* (天津港保稅區國有資產管理局) established in the PRC, one of our Controlling Shareholders
“Tianbao Holdings”	Tianjin Tianbao Holdings Limited* (天津天保控股有限公司), a limited liability company established in the PRC on January 28, 1999 and a wholly-owned subsidiary of TFIHC, one of our Controlling Shareholders
“Tianbao Investment”	Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司), a state-owned enterprise established in the PRC on January 18, 2002 and a wholly-owned subsidiary of TFIHC, one of our Shareholders
“Tianjin Tianbao New Energy”	Tianjin Tianbao New Energy Co., Ltd.* (天津天保新能有限公司) (formerly known as Tianjin Baorun International Trading Electrical Engineering Co., Ltd.* (天津保潤國際貿易電氣工程有限公司)), a limited liability company established in the PRC on November 21, 1994, a wholly-owned subsidiary of our Company

\* for identification purpose only