



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

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

Stock Code : 1671

* For identification purposes only

Annual Report 2021

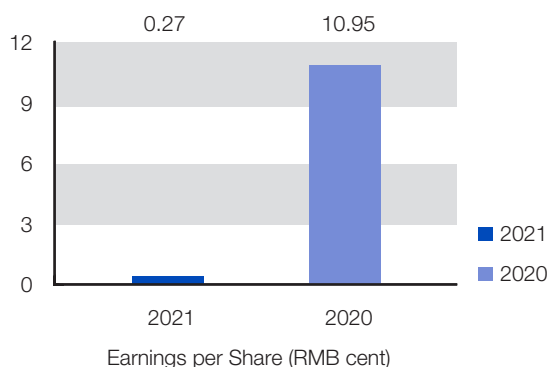
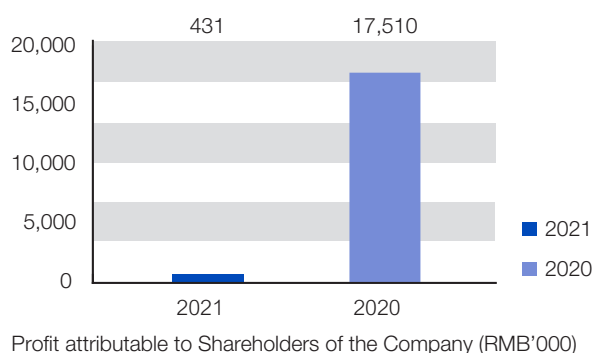
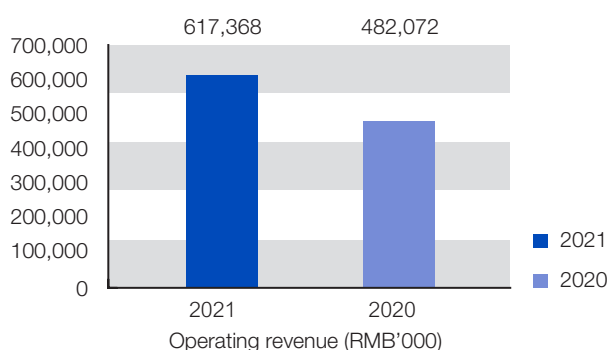


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Financial Highlights

The Board of Directors announces the audited operating results for the year ended December 31, 2021 and a comparison with the audited operating results for the corresponding period of the previous year. For the year ended December 31, 2021, the Group recorded a consolidated operating revenue of RMB617.368 million, representing an increase of 28.1% as compared with RMB482.072 million for the corresponding period of the previous year. The profit attributable to equity shareholders of the Company was RMB0.431 million, representing a decrease of 97.5% as compared with RMB17.510 million for the corresponding period of the previous year. The earnings per Share were RMB0.27 cents, representing a decrease of 97.5% as compared with RMB10.95 cents for the corresponding period of the previous year.



Financial Summary

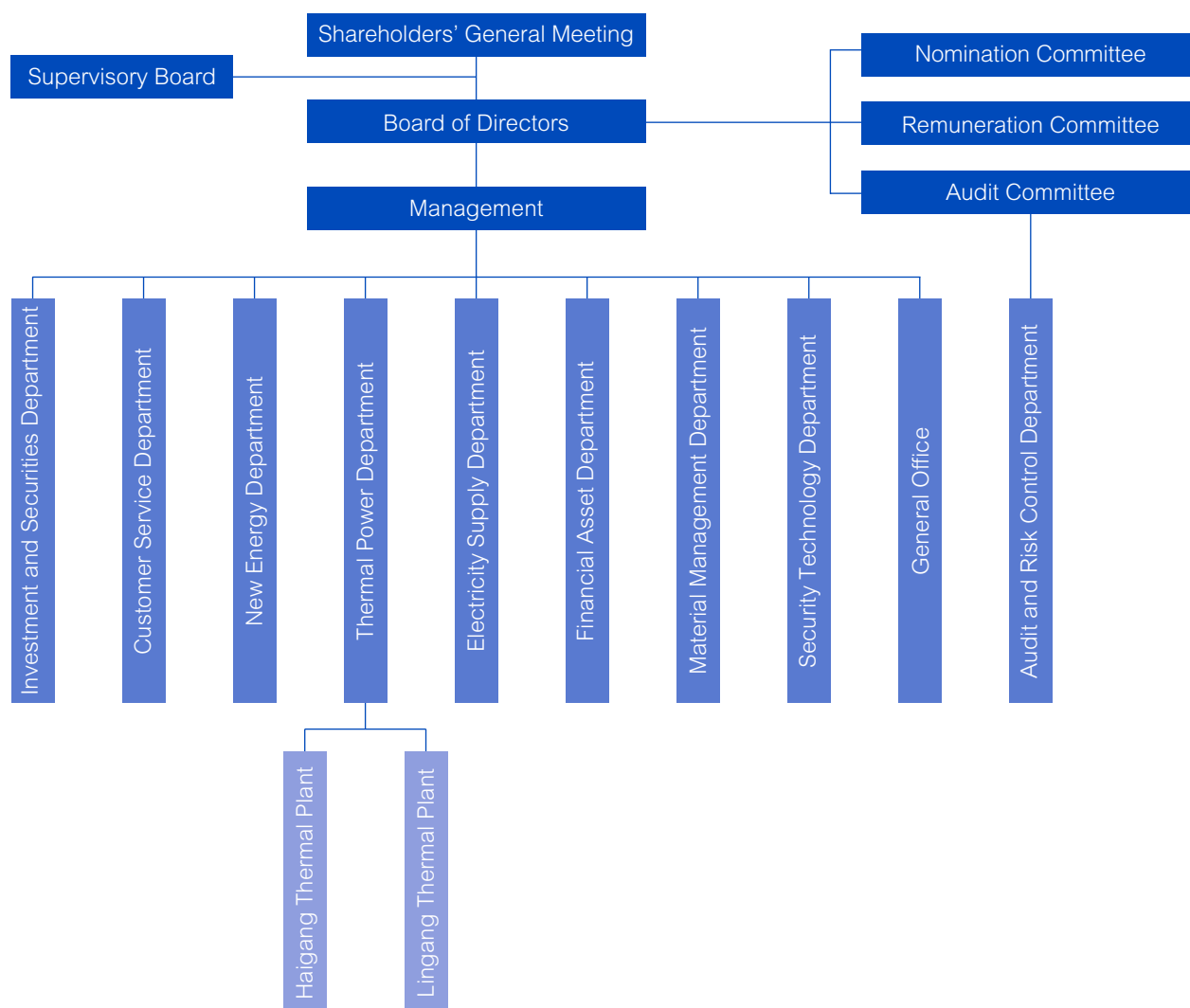
	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000
Revenue	617,368	482,072	373,634	431,113	452,467
Profit from operations	21,752	50,094	20,094	44,120	50,305
Profit before tax	9,023	38,817	14,076	35,152	40,369
Income tax	(2,535)	(9,341)	(3,747)	(8,805)	(10,097)
Profit for the year	6,488	29,476	10,329	26,347	30,272
Attributable to:					
Equity shareholders of the Company	431	17,510	10,329	26,347	30,272
Non-controlling interests	6,057	11,966	-	-	-
Profit for the year	6,488	29,476	10,329	26,347	30,272
Earning per Share Basic (RMB cent)	0.27	10.95	6.46	17.87	26.19
Diluted (RMB cent)	0.27	10.95	6.46	17.87	26.19
	At December 31, 2021 RMB'000	At December 31, 2020 RMB'000	At December 31, 2019 RMB'000	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Total assets	873,552	810,313	540,250	551,191	555,203
Non-current assets	594,758	630,851	361,818	369,755	368,668
Current assets	278,794	179,462	178,432	181,436	186,535
Total liabilities	461,329	391,682	238,280	246,756	310,398
Current liabilities	318,463	276,446	138,000	72,211	143,997
Non-current liabilities	142,866	115,236	100,280	174,545	166,401
Net assets	412,223	418,631	301,970	304,435	244,805
Capital and reserves					
Share capital	159,921	159,921	159,921	159,921	115,601
Reserves	147,196	154,761	142,049	144,514	129,204
Total equity attributable to equity shareholders of the Company	307,117	314,682	301,970	304,435	244,805
Non-controlling interests	105,106	103,949	-	-	-
Total equity	412,223	418,631	301,970	304,435	244,805

The Company was formerly known as Tianbao Electricity Company of Tianjin Port Free Trade Zone* (天津港保稅區天保電力公司) and Tianjin Tianbao Electricity Company Limited* (天津天保電力有限公司), whose establishment was approved by Tianjin Port Free Trade Zone Administrative Committee in 1992. It currently mainly provides the power supply and service guarantee of electricity and heating for the Tianjin Port Free Trade Zone (Seaport) and provides the heating supply and service maintenance for the Grain and Oil Industrial Park of Tianjin Port Free Trade Zone (Lingang). The Company has one wholly-owned subsidiary, Tianjin Tianbao New Energy, which is mainly responsible for providing comprehensive energy services, development and operation of distributed photovoltaic power stations and development of new energy business. The Company also has one non-wholly owned subsidiary, Lingang Thermal Power, which is principally engaged in steam production and supply business for the production process of the enterprises. On April 27, 2018, the Shares of the Company were listed on the Main Board of the Stock Exchange, becoming the first state-owned power operator in Tianjin engaging in co-generation of steam, electricity, heating and cooling listed on the Main Board of the Stock Exchange.

After approximately 29 years of development, the Company has gradually developed into an integrated energy service provider in the Tianjin Port Free Trade Zone industry park. By relying on its professional capabilities and advantages in resources in the energy supply, the Company integrates innovation and aims to meet the needs of the customers in the industry park. The Company integrates and uses a variety of clean and renewable energy including various energy sources such as electricity, heat, cooling and steam to provide integrated energy solutions, so as to meet the overall needs of users, improve the regional business environment, and help achieve the national strategic goal of “peak carbon dioxide emission and carbon neutrality”.

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

The organizational structure of the Company is as follows:



Chairman's Statement

Dear Shareholders,

I hereby present the annual performance of Tianjin Tianbao Energy Co., Ltd. as at and for the year ended December 31, 2021, and provide a brief outlook for the Group for 2022.

In 2021, the world still faced grim and complex challenges in COVID-19 prevention and control, with sporadic outbreaks in some regions of China. Thanks to scientific and targeted prevention and control policies, China achieved continuous economic recovery and significant growth in exports. The demand for electricity in China increased rapidly. Due to the rapid growth of domestic demand for coal as well as international inflation, energy crisis, coal import restrictions and capital speculation, coal prices experienced a significant increase that had been rarely seen in China. As a result, the production cost of the Company increased significantly, causing a serious impact on its production and operation. Faced with the pressure from coal shortage and high price, Tianbao Energy bravely shouldered its enterprise responsibilities, and its employees faced difficulties with steadfast dedication, effectively meeting the energy needs of customers in the industry park. The coal price was decreased towards the end of the year because the state promptly adopted a series of measures to ensure supply and stabilize prices. The operation difficulties of the Company have eased.

Faced with the drastic fluctuation of coal price in 2021, Tianbao Energy withstood the pressure and turned the crisis into opportunities. Through in-depth studies, we have fully learned from the advanced practices of other regions and enterprises and have successfully established a market-oriented pricing mechanism, further deepened the market-oriented reform, improved our market competitiveness, and steadily carried out its reform.

In 2021, China's policy trend towards achieving the target of "peak carbon dioxide emission and carbon neutrality" and building new power systems was intensified. As pointed out at the Central Economic Work Conference, "achieving peak carbon emissions and carbon neutrality is an inherent requirement for high-quality development, which should be firmly promoted" and "the gradual withdrawal of traditional energy sources should be based on the safe and reliable replacement of new energy sources". Faced with the great changes in the energy industry, Tianbao Energy actively implement the 14th five-year strategic plan of the Company, vigorously promoted the gas distributed energy station project, and implemented the smart street lamps contractual energy management project, taking a solid step in the transformation and upgrading of the Company.

Faced with the increasingly urgent pressure of transformation, Tianbao Energy will leverage the opportunities of "peak carbon dioxide emission and carbon neutrality", promote new energy business development and transform into a comprehensive service provider of clean energy in the industry park in 2022. We will complete the capital increase of Lingang Thermal Power and introduction of strategic investors, complete the construction of and put the gas boilers of the gas distributed energy station project of Lingang Thermal Power into operation. We will complete the smart street lamps contract energy management project. We will continue to expand the installed capacity of photovoltaic distribution network, complete the construction of energy storage pilot projects, strengthen the incentive assessment mechanism, and improve the Company's profitability and operating efficiency.

To conclude, I, on behalf of Tianjin Tianbao Energy Co., Ltd., would like to express our sincere gratitude to all Shareholders for your support!

ZHOU Shanzhong

Chairman of the Board

Tianjin, the PRC

March 25, 2022

Dear Shareholders,

The year of 2021 was extraordinary, during which China had retained stable control in epidemic prevention and control, despite the sporadic COVID-19 cases reported across the country. In 2021, China's economy gradually recovered, with its import and export volume exceeding USD6 trillion for the first time and its foreign trade grew rapidly. The demand for electricity increased rapidly across the country in 2021. Due to limited supply of coal, the coal price surged. Many provinces implemented power rationing, and the coal-fired power companies were faced with difficulties.

Facing this complex situation, Tianbao Energy, adhering to the guidance of party construction and focusing on its major tasks, united and led the employees to face difficulties and make practical contributions. We made new breakthrough in business development, and won the tender to participate in the Smart Street Lamps Contract Energy Management Project in the Tianjin Port Free Trade Zone, which is the first contractual energy management project with integrated electricity charge, management and facilities maintenance management contract regarding public lighting facilities in Tianjin. The Company explored the market of new energy vehicles charging and built two sets of 160KW DC charging piles which have been put into operation. This project is the Company's first attempt in the field of automobile charging, and the operation data will be accumulated to lay a foundation for further research and expansion of charging pile business. We actively promoted the reform of state-owned enterprises, tapped the potential for reducing costs and increasing efficiency, strengthened the drive for technological innovation, persisted in promoting the development of the Company with independent innovation, and continuously strengthened the transformation of innovative achievements. We have obtained one computer software copyright and applied for eight utility model patents in 2021. In addition, the Company continued to deepen the construction of management system that integrates informatization and industrialization, and enhanced safety and environmental protection, achieving a good start for the "14th Five-Year Plan".

In 2021, the Group achieved an electricity sales volume of 277.087 million kilowatt hours, steam sales of 1.795 million tons, on-grid energy of 52.744 million kilowatt hours, generated energy of 68.777 million kilowatt hours, and achieved new high in operating income of RMB617.368 million and profit (before tax) of RMB9.023 million.

2022 is the 30th anniversary of the Company and a critical stage for the implementation of the "14th Five-Year Plan" development strategy. The Group will continue to deepen the reform, implement the strategic "14th Five-year Plan" based on the industry development direction and policy guidance, vigorously explore the energy service market and develop new energy business, promote the introduction of strategic investors for Lingang Thermal Power, improve the management mechanism of Lingang Thermal Power, consolidate main business and ensure safe production.

With the theme of promoting high-quality development, we will actively respond to new challenges and seize new opportunities, strive to achieve high-quality, sustainable, safe and low-carbon development, and take solid steps towards becoming a high-quality energy service provider in the industry park.

MAO Yongming

Deputy General Manager

Tianjin, the PRC

March 25, 2022

Management Discussion and Analysis

1. INDUSTRY REVIEW

Although China has been focusing on the development of nuclear power and new energy power generation in recent years, thermal power generation still accounts for a very large proportion of the overall power generated. However, it can be seen from the change of power generation structure in recent years that the proportion of thermal power generation in China is gradually decreasing, while that of wind power, photovoltaic, nuclear and other energy generation is gradually increasing. With the accelerated development of new energy and change in power consumption characteristics, the demand for peak shaving by the system will increase continuously. There are few hydropower stations with adjustable capacity in China, and the proportion of gas-fired power in the overall energy market is low. Therefore coal-fired power is currently the most economical and reliable peak shaving power source. The market position of coal-fired power will gradually change from the traditional position of being the main source of power and electricity supply to being an adjustable power supply that provides reliable capacity, electricity and flexibility. The utilization hours of coal-fired power will continue to decrease.

The “14th Five-Year Plan” initiated in 2021 proposed to deepen the supply-side structural reform and to develop low-carbon electricity for the power industry, which is targeted at achieving clean, efficient and sustainable development of the power industry through efficient utilization of energy, development of clean energy and reduction of pollutant emissions. China has put forward relevant plans in terms of photovoltaic, hydropower, nuclear power, etc., requiring clean energy-based power generation to be able to undertake the role of main power generation.

The Group completed the comprehensive transformation of ultra-low emission and energy conservation for coal-fired units of its thermal power enterprises, which has significantly reduced coal consumption in power generation and pollution emissions. China’s environmental protection departments continue to enhance environmental protection requirements towards cogeneration companies, prompting the development trend of energy conservation, environmental protection and high efficiency in the cogeneration industry. The Group will also actively seek progress, promote development, adjust energy industry structure when appropriate, strengthen industry innovation research, and improve the operational capacity of the Group’s major businesses. The Group shall always pay attention to great opportunities arising from the national energy industry transformation during the “14th Five-Year Plan” period. The transformation towards safe, clean, low-carbon and efficient energy system will become more significant, and smart energy industry will become an important economic growth point and support the transformation towards clean, efficient and low-carbon energy systems, promoting low-carbon development of hydrogen production by coal, and helping to achieve the goal of carbon neutrality.

China’s electric power system reform will continue to deepen, and the market mechanism will continue to improve. According to the Notice of the National Development and Reform Commission on Further Deepening the Market-oriented Reform of the On-grid Price of Coal-fired Power Generation (Fa Gai Jia Ge [2021] No. 1439) (《國家發展改革委關於進一步深化燃煤發電上網電價市場化改革的通知》(發改價格[2021] 1439號)), the on-grid price of all electricity generated by coal-fired will be lifted in an orderly manner, the range of market-based prices will be expanded, all industrial and commercial users will be encouraged to enter the market, and the catalog price for electricity supply of industrial and commercial businesses will be canceled. It targets to maintain stable electricity prices for household, agricultural, and public welfare, give full play to the decisive role of the market in resource allocation, better leverage the role of the government to ensure a safe and stable supply of electricity, promote the optimization and upgrading of the industrial structure, and promote the construction of new power systems, and help achieve the goal of peaking carbon dioxide emissions and ensuring carbon neutrality. This is of great significance to change the situation in the past few years that electricity prices have been falling unilaterally, while electricity prices for industrial and commercial businesses would only increase but not fall. This would alleviate the losses of coal power generation enterprises and improve the market mechanism.

According to the Notice of Tianjin Development and Reform Commission on Matters Related to Deepening the Reform of Electricity Price (Jin Fa Gai Jia Zong [2021] No. 313) (《市發展改革委關於深化電價改革有關事項的通知》(津發改價綜[2021] 313號)), from October 15, 2021, all the coal-fired power generation capacity in Tianjin will enter the market in principle, and the on-grid price will be set within the range of “base price + fluctuation”, in which the base price is RMB0.3655 per kilowatt-hour and the fluctuation shall be no more than 20%. The market transaction price of large energy consumers is not subject to the range of 20% rise. Spot prices of electricity are not subject to the above range. The above policies contributed to the increase of revenue of the Group from the power distribution and sales business, but had no significant impact on the overall performance.

2. BUSINESS REVIEW FOR THE YEAR OF 2021

(1) Initiation of Lingang Thermal Power’s gas distributed energy station project

Lingang Thermal Power has invested in a number of environmental protection technology renovation projects in recent years, and its coal-fired boiler has achieved ultra-low emission standards. As set forth in the 14th Five-Year Strategic Development Plan of the Group, the Group will vigorously expand its clean energy business, and taking into account the guidance of National Development and Reform Commission and the National Energy Administration on the promotion of load and storage integration in power supply networks and the development of multiple energy resources and based on the actual development situation, establish gas distributed energy projects during the 14th Five-Year Plan period. In response to the central government’s policy of “carbon reduction and coal control” and in order to meet the new energy demand of customers in the industrial park in the future, Lingang Thermal Power initiated the gas distributed energy station project during the year of 2021. Upon the completion of the gas distributed energy station project, Lingang Thermal Power will use natural gas instead of coal as a fuel for steam production. As the governmental policies require for the reduction and cessation in use of coal-fired boilers, this project may make up for the gap in the supply of steam for industrial use, thereby effectively safeguarding the continuous stability of power supply for manufacturers in the relevant area. This project will become the first regional distributed energy station to realize combined heat and power system in Tianjin, accelerate the business upgrading of the Company, and meet the future development requirements of the industry.

(2) Kick-off of capital increase of Lingang Thermal Power and introduction of strategic investors

During the year of 2021, the Group promoted the capital increase of Lingang Thermal Power and intended to introduce external investors. The capital increase in Lingang Thermal Power and the introduction of strategic investors will further optimize the equity structure, raise funds for the construction of gas distributed energy station project of Lingang Thermal Power, improve the future market competitiveness of Lingang Thermal Power, give full play to the advantages of shareholders’ resources and facilitate the development of Lingang Thermal Power’s businesses. It is also a reflection of the Company’s compliance with the direction of market-oriented reform and meeting the requirements of the Three-year Action Plan for SOE Reform (2020-2022) to improve the modern enterprise system with Chinese characteristics.

(3) Launch of contractual energy management project

In 2021, the Group won the tender to participate in the smart street lamp contractual energy management project in Tianjin Port Free Trade Zone, in which we will provide contractual energy management services to upgrade and manage the public lighting in Tianjin Port Free Trade Zone. Covering the public road lighting facilities in Tianjin Port Free Trade Zone, the project is the integrated contractual energy management project with electricity charging and facilities management for municipal public lighting facilities in Tianjin. Upon the completion of the project, it is expected that approximately 12 million kWh will be conserved annually and reduction in the emission of CO₂ by approximately 11,000 tons, thereby cohering with the national strategy of “peak carbon dioxide emission and carbon neutrality”.

(4) Safeguarding of the energy supply for the industrial park

Coal-fired power companies were faced with a grim and complex environment in 2021. Due to the continuous recovery of the Chinese economy, as well as overall economic recovery, energy replacement, cold weather, low base and other factors, the demand for electricity increased rapidly. However, due to the limited supply of coal, many provinces across the country issued notices of orderly power consumption or power rationing. At the same time, the sharp increase in coal prices caused a serious impact on coal-fired power enterprises, resulting in a weaker willingness to generate power and the widespread practice of power rationing.

As a regional energy supplier, the Group fully turned on the emergency energy supply mechanism, promptly adjusted and improved the orderly power consumption scheme, and established the orderly power consumption mechanism of alternating peak production in turn, so as to meet the customers' needs to the greatest extent. We strengthened the investigation of power grid security risks, enhanced operation maintenance, and made scientific scheduling of early warning based on reasonable power gap warning, in order to avoid production accident caused by sudden power outage. We ensured the sufficiency of coal stock to meet demand from production, and made scientific and reasonable arrangements for coal procurement and transportation, taking into account the market trends, environmental factors and production demand, in order to ensure the stable production of the Group. During the period of power rationing, the Group effectively safeguarded the stability of regional energy supply by taking various measures to "secure electricity supply", "secure heat supply" and "secure coal supply" based on overall planning and detailed deployment.

(5) Safe production and epidemic prevention and control

In 2021, the Group attached great importance to production safety, strengthened the awareness of the red line of production safety, adhered to the principle of "life first and safety first". By strengthening top-level design and taking multiple measures, the Group implemented the main responsibility for production safety, and all employees participated in the whole process. Controlling the safety production in all aspects of production and operation activities has kept the overall safety situation of the Company stable. The Group did not have any production accident in 2021.

In active response to the call of the state, the Group supported the epidemic prevention and control and nucleic acid screening and testing in Binhai New Area, Tianjin, while making best effort to ensure the energy supply of enterprises and households in the area. Party members and cadres led all the employees to solve difficulties brought by the epidemic for the customers, helping them resume production and improve their epidemic prevention capacity.

3. THE IMPACT OF COVID-19 ON THE GROUP AND ITS RESPONSE

With the gradual recovery of China's economy and the rebound of demand for energy, COVID-19 had no significant impact on the Group's daily operations.

According to the work requirements of Tianjin and Binhai New Area governments on the normalization of the prevention and control of the COVID-19, the Group promptly adjusted the epidemic prevention work rules, implemented measures such as disinfection and ventilation in the workplace, and personal protection, organized all employees and employees of outsourced units to receive vaccination against COVID-19, and strictly checked the "health QR code" and "travel code" of external visitors. The Group dispatched more than 10 employees to participate in the "132 Working Group" of epidemic prevention in Tianjin Port Free Trade Zone to assist its management committee to inspect the epidemic prevention work of the enterprises in the zone. When the Tianjin Port Free Trade Zone Management Committee organised vaccination activity, the special electricity safeguarding work was carried out for vaccination sites.

4. OPERATING RESULTS AND ANALYSIS

According to the Company's statistics, in 2021, sales of steam amounted to 1.795 million tons, representing an increase of 27.8% from 1.404 million tons over the corresponding period of the previous year, mainly due to there were four more months of Lingang Thermal Power's steam sales statistics in 2021 when compared to 2020 as the inclusion of Lingang Thermal Power in the consolidated financial statements of the Group only commenced in May 2020. Sales of electricity amounted to 277.087 million kilowatt-hours, representing an increase of 17.6% from 235.608 million kilowatt-hours over the corresponding period of the previous year, mainly due to the higher electricity demand of users in the area with the recovery from the epidemic this year when compared to the lower electricity demand of users in the area affected by the COVID-19 epidemic and the Sino-US trade war in 2020. During the year, on-grid power generation amounted to 52.744 million kilowatt-hours, representing a decrease of 2.8% from 54.236 million kilowatt-hours over the corresponding period of the previous year.

Taking into account the changing trend of operating income and profit before tax in 2020 and 2021, we have analyzed the indicators which significantly affected the operating income and profit before tax of the Company in 2021, details of which are as follows:

(1) Operating income

In 2021, the Group recorded a consolidated operating income of RMB617.368 million, representing an increase from RMB482.072 million over the corresponding period of the previous year, mainly due to the increase in income from electricity dispatch and sale and power generation and supply.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment increased by 14.2% from RMB162.288 million for the whole year of 2020 to RMB185.267 million for the whole year of 2021, mainly due to the higher electricity demand of users in the area with the recovery from the epidemic this year when compared to the lower electricity demand of users in the area affected by the COVID-19 epidemic and the Sino-US trade war in 2020.

Power generation and supply segment

The income from our power generation and supply segment increased by 35.7% from RMB305.215 million for the whole year of 2020 to RMB414.173 million for the whole year of 2021, mainly due to there were four more months of Lingang Thermal Power's steam sales statistics in 2021 when compared to 2020 as the inclusion of Lingang Thermal Power in the consolidated financial statements of the Group only commenced in May 2020; at the same time, in response to the increase in fuel costs, the Group has established a market-oriented pricing mechanism and the selling price of steam has increased.

Other segments

The income from other segments increased by 23.1% from RMB14.569 million for the whole year of 2020 to RMB17.928 million for the whole year of 2021, mainly due to the increase in facility operation and maintenance services.

(2) Other net income

In 2021, the Group recorded other net income of RMB43.179 million, representing an increase of 1,976.9% as compared with the corresponding period of the previous year of RMB2.079 million, which was primarily due to steam price subsidy granted to the Group in 2021.

(3) Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment increased by 16.5% from RMB157.331 million for the whole year of 2020 to RMB183.280 million for the whole year of 2021, mainly due to the higher electricity demand of users in the area with the recovery from the epidemic this year when compared to the lower electricity demand of users in the area affected by the COVID-19 epidemic and the Sino-US trade war in 2020, resulting in the increased amount of electricity purchased by the Group and higher cost of electricity.

Power generation and supply segment

The costs of our power generation and supply segment increased by 72.4% from RMB241.075 million for the whole year of 2020 to RMB415.552 million for the whole year of 2021, mainly due to there were four more months of Lingang Thermal Power's steam sales statistics in 2021 when compared to 2020 as the inclusion of Lingang Thermal Power in the consolidated financial statements of the Group only commenced in May 2020. Besides, due to multiple factors, domestic coal prices rose rapidly and hit record highs, resulting in a significant increase in fuel costs for the year.

Other segments

The costs of other segments increased by 37.0% from RMB9.048 million for the whole year of 2020 to RMB12.398 million for the whole year of 2021, mainly due to the increase in the facility operation and maintenance services for the year, resulting in an increase in the cost of operation and maintenance services required.

(4) Segment gross profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment decreased by 59.9% from RMB4.957 million for the whole year of 2020 to RMB1.987 million for the whole year of 2021, mainly due to the change of the basic electricity charge collection method during the year from a fixed amount to an on-demand payment by customers, resulting in a decrease in the basic electricity charge revenue in 2021.

Power generation and supply segment

The gross profit from our power generation and supply segment decreased by 102.1% from RMB64.140 million for the whole year of 2020 to RMB-1.379 million for the whole year of 2021, mainly due to the rapid increase of domestic coal prices under the influence of multiple factors, which hit record high, resulting in a significant increase in fuel costs for the year.

Other segments

The gross profit from other segments increased by 0.2% from RMB5.521 million for the whole year of 2020 to RMB5.530 million for the whole year of 2021.

(5) EBITDA

EBITDA decreased by 18.7% from RMB112.256 million for the whole year of 2020 to RMB91.238 million for the whole year of 2021.

(6) Finance costs

In 2021, the Group recorded finance costs of RMB13.281 million, representing an increase of 12.1% as compared with the corresponding period of the previous year of RMB11.847 million, which was primarily due to the increase in interest expense as a result of the expansion of the Group's financing scale.

(7) Fuel costs

In 2021, the Group recorded fuel costs of RMB286.858 million, representing an increase of 129.8% as compared with the corresponding period of the previous year of RMB124.810 million, which was primarily due to there were four more months of Lingang Thermal Power's steam sales statistics in 2021 when compared to 2020 as the inclusion of Lingang Thermal Power in the consolidated financial statements of the Group only commenced in May 2020. Besides, due to multiple factors, domestic coal prices rose rapidly and hit record highs, resulting in a significant increase in fuel costs for the year.

(8) Profit before tax

The profit before tax decreased by 76.8% from RMB38.817 million for the whole year of 2020 to RMB9.023 million for the whole year of 2021, which was mainly due to a sharp decrease in profit before tax as a result of the significant increase in coal prices and a greater increase in fuel costs compared with revenue in 2021.

(9) Income tax expenses

In 2021, the Group recorded income tax expenses of RMB2.535 million, representing a decrease of 72.9% as compared with the corresponding period of the previous year of RMB9.341 million, which was primarily due to the decrease in profits before tax for the year of 2021.

(10) Profit for the year attributed to the parent company

Profit for the year attributed to the parent company decreased by 97.5% from RMB17.510 million for the whole year of 2020 to RMB0.431 million for the whole year of 2021, which was mainly due to a sharp decrease in profit attributed to the parent company as a result of the significant increase in coal prices and a greater increase in fuel costs compared with revenue in 2021.

5. FINANCIAL POSITION

(1) Assets and liabilities

Total assets increased by 7.8% from RMB810.313 million as at the end of 2020 to RMB873.552 million as at the end of 2021, mainly due to the increase in receivables of electricity sales and steam price subsidy. Total liabilities increased by 17.8% from RMB391.682 million as at the end of 2020 to RMB461.329 million as at the end of 2021, mainly due to the increase in borrowings during the year.

As of the end of 2021, our current assets amounted to RMB278.794 million, representing an increase of 55.3% as compared with the end of 2020 of RMB179.462 million, of which cash and cash equivalents amounted to RMB186.141 million (end of 2020: RMB126.916 million), trade and bill receivables amounted to RMB55.339 million (end of 2020: RMB31.836 million), which was mainly the increase in electricity sales receivables. Our current liabilities amounted to RMB318.463 million (end of 2020: RMB276.446 million), of which trade and other payables amounted to RMB100.602 million (end of 2020: RMB47.805 million), and non-current liabilities amounted to RMB142.866 million (end of 2020: RMB115.236 million).

(2) Cash and cash equivalents

As at the end of 2021, the Group recorded cash and cash equivalents of RMB186.141 million in aggregate, representing an increase of 46.7% as compared with the end of the previous year of RMB126.916 million, which was primarily due to the shortening of steam sales settlement period which led to an accelerated receipt of capital.

(3) Gearing ratio

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

At the end of 2021, the Group recorded a gearing ratio of 1.12, representing an increase as compared with the corresponding period of the previous year of 0.94, which was primarily due to the increase in new borrowings during the year.

6. OTHER SIGNIFICANT EVENTS

(1) Capital expenditure

In 2021, cash capital expenditure (inclusive of tax) of the Group was RMB8.591 million, of which expenses for procurement of flue gas monitoring system amounted to RMB1.152 million, expenses of preliminary Gas Distributed Energy Station Project amounted to RMB0.455 million, expenses of de-nitrification quality improvement and upgrading project amounted to RMB2.142 million, expenses of de-plume project amounted to RMB2.68 million, expenses for procurement of reduced-pressure steam turbine equipment modified by steam-electric drive technology for 4# boiler feed pump amounted to RMB0.268 million, expenses of distributed photovoltaic power generation project amounted to RMB1.141 million, and expenses of procurement of other equipment amounted to RMB0.753 million.

In addition, the gas distributed energy station project of Lingang Thermal Power, which involves the procurement of gas boilers, procurement of gas turbines and construction works, has been approved by the Shareholders in the first quarter of 2022 and the Group expects to incur capital expenditure of approximately RMB231.89 million in 2022. For details of the project, please refer to the announcement of the Company dated January 31, 2022 and the circular of the Company dated March 8, 2022.

(2) Liquidity and financial resources

As at December 31, 2021, the Group had cash and cash equivalents amounting to RMB186.141 million in aggregate; loans and borrowings of RMB298.134 million which include short-term borrowings of RMB188.196 million and the non-current portion of long-term borrowings of RMB109.938 million, while secured and guaranteed borrowings amounted to RMB101.934 million and unsecured borrowings amounted to RMB196.200 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.

(3) Material acquisitions and disposals

As of December 31, 2021, there had been no material acquisition and assets disposal of the Group.

(4) Significant investments

As of December 31, 2021, the Group did not have significant investments.

(5) Contingent liabilities

As of December 31, 2021, 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 approximately RMB25.000 million, the Group did not have contingent liabilities.

(6) Loans and borrowings of the Group

As of December 31, 2021, the Group had loans and borrowings of RMB298.134 million which include short-term borrowings of RMB188.196 million and the non-current portion of long-term borrowings of RMB109.938 million, while secured and guaranteed borrowings amounted to RMB101.934 million and unsecured borrowings amounted to RMB196.200 million, all of which were with fixed interest rate.

(7) Other debts of the Group

As of 31 December 2021, the Group had lease liabilities of RMB1.603 million in addition to the loans and borrowings of the Group.

(8) Charges and pledges on the Group's assets

As of December 31, 2021, the Company had pledged its gas supply facilities, equipment and related parts with a value of RMB31.564 million as security for a finance lease with balance amounting to RMB25.234 million as of December 31, 2021, the Company's subsidiary Lingang Thermal Power had pledged its trade receivables as security for a bank loan with balance amounting to RMB25.000 million as of December 31, 2021, and the Company had pledged its 51% equity interests in Lingang Thermal Power as security for a bank loan with balance amounting to RMB41.700 million as of December 31, 2021. A bank loan of the Company with balance amounting to RMB10.000 million was guaranteed by the Company's subsidiary Tianjin Tianbao New Energy as of December 31, 2021.

(9) 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 consisted of H Shares only.

(10) Share option scheme

As of December 31, 2021, the Company had not implemented any share option scheme.

(11) Foreign exchange and exchange rate risk

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

7. RISK FACTORS AND RISK MANAGEMENT

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

(1) Policy risk

At present, the policy risk faced by the Group mainly comes from the power system reform.

In accordance with the overall requirements of "controlling the middle and liberalizing the two ends (the State shall control the price of power transmission and distribution in the middle, and liberalize the on-grid electricity price and sales price)" of the power system reform, the on-grid price of all electricity generated by coal-fired will be lifted in an orderly manner, the range of market-based prices will be expanded, all industrial and commercial users will be encouraged to enter the market, and the catalog price for electricity supply of industrial and commercial businesses will be canceled. It targets to maintain stable electricity prices for household, agricultural, and public welfare, give full play to the decisive role of the market in resource allocation, and better leverage the role of the government to ensure a safe and stable supply of electricity, promote the optimization and upgrading of the industrial structure, promote the construction of new power systems, and help achieve the goal of peaking carbon dioxide emissions and carbon neutrality.

To address the risks mentioned above, the Group has established its comprehensive risk prevention mechanism. There is a specialized department responsible for following up and analyzing the impacts on the Group as a result of the changes in the above-mentioned external policy, so as to enable the raising of warning in a scientific manner, assessing the impacts and providing the corresponding measures in a timely manner.

(2) Material procurement management risk

Coal costs accounted for a large proportion of the Group's operating costs. China's coal price is mainly determined by the market supply and demand relationship. If there is a sharp increase in coal prices, the Group's operating costs will increase, which will adversely affect the Group's profitability.

To cope with the above risks, the Group closely tracked the changes in policies and domestic and foreign coal markets, strengthened the cooperation with competitive suppliers, continuously explored new procurement channels, carried out spot bidding procurement, enhanced fine coal management and strived to control coal costs. At the same time, the steam price was determined by the market. To avoid the Company's profit decreasing due to the large increase of coal price, an agreement on the linkage price of coal and steam was signed with the customer to reduce the corresponding risks.

(3) Safety risk

As a public utility company, the Group's production and operation safety issues will have a significant impact on the normal production of industrial users in the service area. It will affect the efficiency of operation and even cause an accident due to the lack of training and safety trainings and inexperience of the front-line operators or their failure to follow the operating procedures. We would be unable to effectively protect assets or equipment in an emergency due to the lack or loss of fire prevention apparatus and anti-pollution equipment, emergency plan or inadequate drills. If we fail to carry out good inspection and maintenance of assets, such as machinery, equipment and pipelines, it would cause loss to the Group's interests and even affect its normal production and operation.

To address the risks as mentioned above, the responsible departments of the Group have carried out 9 professional skills and safety trainings during the Reporting Period, highlighting the important areas and summarizing technical experience so as to enhance the professional skills of the operators and their safety awareness. We regularly checked the fire prevention apparatus and anti-pollution equipment and kept records. The Group also formulated the equipment emergency response process to regulate the emergency operations, and carried out 33 emergency drills with different hypothetical contexts during the Reporting Period so as to ensure that the employees have the ability to effectively keep themselves and the Group's assets safe in an emergency. The Group also conducted the maintenance of fixed assets on a regular basis, made records of daily maintenance and major overhauls and regularly performed the impairment tests.

(4) Performance appraisal management risk

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

During the year, the Group formulated the Management Measures for the Remuneration and Performance of Deputy Heads and revised the Employee Performance Management Measures. The Company defined performance goals by breaking down the strategic objectives and annual key projects, and formulated performance appraisal indicators according to different functions and post settings to regularly examine and appraise the employees at different levels from different functions. The Group adopted the method of monthly monitoring and quarterly appraisal to engage performance assessment of each functional department and employee every quarter. After the completion of performance appraisal, feedback on the appraisal results will be given. Performance bonus will be given based on the appraisal results and interviews will be conducted with those who fail in the appraisal for continuous improvement.

8. SUBSEQUENT EVENTS

Events subsequent to the Reporting Period are set out in note 31 to the consolidated financial statements in this Annual Report.

9. BUSINESS OUTLOOK FOR 2022

The Group will, based on the “14th Five-Year Plan” development strategy, as well as the development orientation of becoming a comprehensive service provider of clean energy in the industry park, strengthen the Party leadership, deepen the reform of state-owned enterprises, focus on business development, improve economic benefits, seek progress in stability, and forge ahead, in order to make new and greater contributions for the building of Binhai New Area into an ecological, intelligent, livable and beautiful “Binhai City” integrating port, industry and community, and to welcome the 20th CPC National Congress with outstanding achievements.

In 2022, the Group will strive to accomplish the following tasks:

1. To put the Gas Boilers of the gas distributed energy station project into operation

The Group will complete the construction of the gas boilers for the gas distributed energy station project of Lingang Thermal Power in 2022 and completely replace coal with natural gas for steam production by the end of 2022.

2. To complete the capital increase of Lingang Thermal Power and introduction of strategic investors

The Group will continue to promote the capital increase of Lingang Thermal Power and introduction of strategic investors, and provide reliable financial support for the gas distributed energy station project, in order to ensure the smooth progress of the project. Meanwhile, by introducing strategic investors to Lingang Thermal Power, we will redesign the corporate governance structure and organizational structure of Lingang Thermal Power, develop a scientific and modern management operation system, and make an in-depth exploration on the reform of the Group.

3. To vigorously expand new energy business

The Group will, based on the agreement for the smart street lamp contract energy management project, gradually complete the modification and upgrade of the public road lighting facilities in Tianjin Port Free Trade Zone, and complete the commissioning and launch of the smart street lamps system. We will complete phase II of PV power generation project as soon as possible, and the power generation is expected to reach 4 million kWh per year after completion. We will continue to expand the installed capacity of PV distribution network and promote the construction of phase III of PV power generation project.

4. To explore the energy service market

The Company will provide users with comprehensive and customized energy services including market-based electricity transactions, electrical tests and electricity commission maintenance by making full use of the market advantages of regional energy suppliers and combining national industrial policies and industry development trends.

We will take advantage of the opportunity to construct the gas distributed energy station project to carry out investigation and research on market-based pricing mechanisms in other regions, and establish a market-based pricing mechanism after the coal-to-fuel conversion, so as to further deepen market reform.

5. To strengthen the energy consumption control and explore new measures for cost reduction and efficiency improvement

As a key energy consumer, the Group will continue to strengthen the energy consumption control according to the work requirements issued by the government, including total raw coal consumption control, energy “double control”, energy conservation and consumption reduction. We will continue to improve the Group’s thermal pipe network insulation maintenance, so as to improve insulation effect and reduce pipe depreciation. We will replace the bags of boiler dust collectors to reduce system resistance and fan power consumption. We will replace the chemical water ultrafiltration membrane to improve the water production rate and reduce the power consumption of the system.

6. To coordinate epidemic prevention and control and ensure production safety

The Group will promptly adjust the epidemic prevention and control work requirements based on the epidemic development. We will diligently implement daily epidemic prevention, carry out investigation of travel and residence history and vaccination status of local people and verification of visitors to Tianjin, and assist the Epidemic Prevention Office of Tianjin Port Free Trade Area in carrying out epidemic prevention related work. Focusing on the production safety of the gas distributed energy station project of Lingang Thermal Power, the contract energy management project and the photovoltaic construction project, we will build a set of standard, regular and effective safety management system, and improve the standardization level of safe production.

7. To optimize internal control systems

We will improve the classification and hierarchical authorization control in the internal control management system, avoid procedural redundancy, and strengthen daily supervision and control, so as to improve work efficiency. We will combine the construction of the quality management system with that of the institutional system, revise the system and institutional documents, and further optimize responsibilities, standards and procedures.

Human Resources

The Group upholds the principle of people-orientation, attaches great importance to building talented team and strives to create a sustainable and harmonious working atmosphere. The human resources conditions of the Group in 2021 are as follows:

1. OVERVIEW OF HUMAN RESOURCES

As of December 31, 2021, the Group had 63 employees. The education level of employees is generally high, and the holders of bachelor degree or above accounted for 82.5% of the total. The number of employees in each business segment and the age and academic structure of employees are as follows:

1. Business Segment Structure

<u>Function</u>	<u>Number of employees</u>	<u>Percentage</u>
Management, administration, finance	22	34.9%
Marketing	7	11.1%
Procurement	5	7.9%
Engineering and technology	29	46.1%
Total	63	100.0%

2. Age Structure

<u>Age ranges</u>	<u>Number of employees</u>	<u>Percentage</u>	<u>Cumulative percentage</u>
Under 35	7	11.1%	11.1%
36-45	31	49.2%	60.3%
46-55	21	33.3%	93.6%
56 and above	4	6.4%	100.0%
Total	63	100.0%	-

3. Education Structure

<u>Education level</u>	<u>Number of employees</u>	<u>Percentage</u>	<u>Cumulative percentage</u>
Master's degree and above	6	9.5%	9.5%
Bachelor's degree	46	73.0%	82.5%
College and below	11	17.5%	100.0%
Total	63	100.0%	-

4. Gender Structure

Gender	Number of employees	Percentage
Female employees	16	25.4%
Male employees	47	74.6%
Total	63	100%

2. EMPLOYEE INCENTIVES

To cope with its development, the Group, on the basis of the position-oriented accountability system, has established a sound performance appraisal mechanism covering all employees to assess employees quarterly. Guided by assessment and incentive, we enhanced the promotion channel of employees in technical sequence, added special rewards for new project development, continuously optimized the evaluation methods for performance appraisal of all posts, and practically exerted the role of assessment, so as to stimulate the enthusiasm of employees.

3. EMPLOYEES' REMUNERATION

Employees' remuneration includes basic salary and performance-based salary, and the latter is related to both the performance evaluation of the Group and that of the respective employees. During the Reporting Period, we had incurred staff cost (including salary, welfare and bonus) of RMB29.822 million.

4. EMPLOYEES' TRAININGS

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

In 2021, the Group carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel according to different layers and segments so as to improve the professional capacity and management level of the employees. In 2021, the Company organized 4 safety production trainings for all employees, and 28 professional skills trainings for the employees from different departments involving work standards, continuing education, finance, taxation, legal and information system.

5. EMPLOYEES' BENEFITS

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

Employees of the Group are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group contributes to the employees' retirement benefit scheme, the amount of which is calculated according to a certain proportion based on the applicable average wage and according to the scope agreed by the local municipal government. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity, are recognised as expenses when incurred. Forfeited contributions could not be utilized to reduce the existing level of contribution, thus, as of December 31, 2021, there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

6. EMPLOYEE DIVERSITY

The Group is committed to gender equality by providing fair recruitment, training and promotion opportunities for all employees. By the end of 2021, women represented over 25% of the Group's total workforce. The Group continues to make progress in nurturing talented female leaders across all management levels. In addition, the Company is committed to fostering a working environment that is professional, inclusive and non-discriminatory for employees to unleash their potential. In our workplaces, differences are understood, appreciated and encouraged. Each employee, without regard to religion, age, gender or gender identity, disability, sexual orientation, is provided with fair opportunity on the Group's diverse platform.

For further information regarding encouragement of workforce diversity such as recruitment, talent management and talent cultivation, please refer to the paragraph headed "4. Professional Team" in the section headed "Environmental, Social and Governance Report" of this annual report.

EXECUTIVE DIRECTORS

Mr. ZHOU Shanzhong (周善忠), aged 43, is currently the chairman of the Board and executive Director and chairperson of the nomination committee of the Company, takes charge of overall work of the branch committees, the Board and the safety committee of the Company, and acts as the secretary to the Board. From August 2018 to October 2019, Mr. ZHOU served as the head of corporate management department and the head of parallel car management department of Tianbao Holdings, one of the controlling shareholders of the Company. Mr. ZHOU worked in Tianbao Holdings as the head of corporate management department (safety supervision department) from September 2015 to August 2018. From January 2017 to November 2017, Mr. ZHOU also served as a Director of the Company. From October 2014 to September 2015, he worked in Tianbao Holdings as the deputy head of the asset management department. From July 2013 to October 2014, he served as the vice general manager of Tianbao Investment, one of the shareholders of the Company. From May 2011 to July 2013, he served successively as the assistant to the general manager and the vice general manager of Tianjin Tianbao Jiajun Investment Co., Ltd. (天津天保嘉郡投資有限公司). From January 2006 to May 2011, he worked in Tianbao Holdings successively as an investment specialist in the investment department, a senior investment supervisor in the investment and development department, an assistant to the head of corporate management department and a deputy project manager and investment management of the Taiping Model Town (太平示範鎮) project. He was a director of Tianjin Tianbao Financial Management Co., Ltd. (天津天保財務管理有限公司) from June 2016 to November 2018. From July 2014 to November 2019, Mr. ZHOU has been serving as a director of Tianjin Aviation Logistics Development Co., Ltd. (天津航空物流發展有限公司). From November 2017 to November 2019, Mr. ZHOU had also served as an employee director of TFIHC and Tianbao Holdings, respectively, both of which are the controlling shareholders of the Company. He had also served as the general manager of Tianjin Port Free Trade Zone Land Development and Investment Co., Ltd. (天津港保稅區土地開發招商公司) from March 2018 to November 2019, and a non-independent director of Tianjin Tianbao Infrastructure Co., Ltd. (天津天保基建股份有限公司) ("**Tianbao Infrastructure**"), a company listed on the Shenzhen Stock Exchange (stock code: 000965), from August 2017 to November 2019.

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

Directors, Supervisors and Senior Management

Mr. MAO Yongming (毛永明), aged 52, is currently an executive Director, a member of the remuneration committee and the deputy general manager of the Company. He acted as the general manager from December 2021 to March 2022 and has been an authorised representative of the Company under the Listing Rules. He is responsible for the Company's party affairs, labor union, mass organization, administrative management, human resource management, corporate management, corporate reform, informatization, power supply and distribution business, new energy business, and in charge of the electricity supply department, new energy department and general office. Mr. MAO has been the executive director and manager of Tianjin Tianbao New Energy and the deputy general manager of Lingang Thermal Power since May 2020. Mr. MAO joined the Company in April 1997. He was appointed as the vice general manager in December 2014 and was further re-appointed for the same position in January 2017 after the Company was converted into a joint stock limited liability company. He worked successively in the Company as an electrical engineer in the electricity supply department from April 1997 to April 2007; head of the electricity supply department from April 2007 to December 2011; vice manager and head of the electricity supply department from December 2011 to August 2013; assistant to general manager and head of the electricity supply department from August 2013 to December 2014.

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

Mr. XING Cheng (邢城), aged 58, is currently an executive Director of the Company. Mr. XING has been the executive director of Tianjin Tianbao Thermal Electricity Company Limited (天津天保熱電有限公司) ("**Tianbao Thermal**") since December 2021. Mr. XING served as the general manager of the Company from February 2016 to December 2021, and concurrently served as the chairman of the board of directors and general manager of Lingang Thermal Power from May 2020 to January 2022. Mr. XING joined the Company on February 17, 2016. Mr. XING has rich experience in thermodynamics. Mr. XING joined Tianbao Thermal in December 2006 as an assistant to the general manager and was promoted to the vice general manager in September 2008, responsible for the operation of thermoelectricity generation. Mr. XING left Tianbao Thermal in February 2016. He was the head of the thermal department of Tianjin Tianbao Public Facility Co., Ltd. (天津天保公用設施有限公司) between December 2004 and December 2006, responsible for the operation of thermal power. From September 1992 to December 2004, he worked at Tianjin Port Free Trade Zone Tianbao Thermal Co., Ltd. (天津港保稅區天保熱力公司), responsible for production and general operation.

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

NON-EXECUTIVE DIRECTORS

Mr. WANG Xiaotong (王小潼), aged 57, is currently a non-executive Director of the Company. Since October 2019, Mr. WANG has been the head of the enterprise management department and head of parallel car management department and the head of the enterprise management department (parallel car management department) of Tianbao Holdings, respectively. Mr. WANG has been serving as the general manager of Tianjin Port Free Trade Zone Land Development and Investment Co., Ltd. (天津港保稅區土地開發招商公司) since November 2019. Mr. WANG had been the general manager of Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) ("**Tianbao Logistics**") from August 2015 to October 2019. He served as the head of the enterprise management department (security supervision department) of Tianbao Holdings and the manager of Tianjin Konggang International Logistics Joint Stock Co., Ltd. (天津空港國際物流股份有限公司) ("**Konggang Logistics**") from October 2014 to August 2015. He acted as the deputy head and head of the asset management department of Tianbao Holdings, as well as the manager of Konggang Logistics from August 2013 to October 2014. He worked in Tianbao Logistics as the vice general manager from January 2011 to August 2013, during which he was also the general manager and manager of Konggang Logistics. He also served as the chairman and general manager Tianjin Tianyi Smart Property Service Co., Ltd. (天津天易智慧物業服務有限公司) (formerly known as Tianjin Tianbao Property Service Co., Ltd. (天津天保物業服務有限公司)) from November 2011 to

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June 2012. He acted as the vice general manager of Tianjin Tianbao Municipal Company Co., Ltd. (天津天保市政有限公司) and the general manager of Konggang Logistics between September 2008 and January 2011. He served as the head of the business department and assistant to general manager of Tianbao Logistics, as well as the manager of the comprehensive logistic department from March 2003 to September 2008. Mr. WANG has concurrently served as a supervisor of TFIHC and Tianbao Holdings since October 2020. Mr. WANG has been serving as a director of Tianbao Infrastructure, since November 2019. Mr. WANG served as a director of Tianjin Aviation Logistics Development Co., Ltd. (天津航空物流發展有限公司) from November 2019 to January 2021.

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

Ms. DONG Guangpei (董光沛), aged 41, is currently a non-executive Director and a member of the audit committee of the Company. Ms. DONG has been the executive director of Tianbao Investment since October 2019 and its general manager since January 2020. Ms. DONG served as the investment commissioner, investment manager, head of investment review department, assistant to the general manager and vice general manager of Tianbao Investment from January 2011 to January 2020. Ms. DONG served as the head of sales department of Tianjin Binhai Kaiyuan Property Development Co., Ltd. (天津濱海開元房地產開發有限公司) from January 2010 to December 2010, the head of sales department of Tianjin Tianbao Property Development Co., Ltd. (天津天保房地產開發有限公司) from May 2005 to December 2009, the head of sales department of Tianjin Hefu Huihuang Real Estate Marketing and Planning Co., Ltd. (天津合富輝煌房地產營銷策劃有限公司) from December 2004 to May 2005, and the head of sales management department of Tianjin Shunchi Rongxin Real Estate Co., Ltd. (天津順馳融信置地有限公司) from March 2004 to November 2004. Ms. DONG has concurrently served as a director of TFIHC and Tianbao Holdings from February 2021 to February 2022. She has also been serving as a director of Tianjin Binhai Industry Fund Management Co., Ltd. (天津市濱海產業基金管理有限公司) since August 2020. Since June 2020, Ms. DONG has been serving as a non-executive director of Bank of Tianjin Co., Ltd., a company listed on the Stock Exchange (stock code: 1578). Ms. DONG has been the Chairman of Airbus (Tianjin) Jigs and Tools Company Limited (空中客車(天津)工裝夾具有限公司) and the director of Hong Kong Bao Chuang Investment Limited since September 2019. Since December 2018, Ms. DONG has been serving as a supervisor of Tianbao Infrastructure and a director of Bohai Securities Co., Ltd. (渤海證券股份有限公司). Ms. DONG served as a director of Hong Kong Baorong Development Limited (香港保融發展有限公司) between April 2015 and September 2019 and an executive director of Tianjin Tianbao Binhai Investment Services Co., Ltd. (天津天保濱海投資服務有限公司) between December 2014 and September 2019.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Wai Dune (陳維端), aged 69, is currently an independent non-executive Director and the chairperson of the audit committee of the Company and the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 39 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. CHAN is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. CHAN is currently serving various public positions such as the executive vice chairman of the Hong Kong Federation of Guangzhou Associations and a member and a standing committee member of China People's Political Consultative Conference of the Guangzhou Municipal Committee. Mr. CHAN was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region.

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

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

Mr. HAN Xiaoping (韓曉平), aged 64, is currently an independent non-executive Director, the chairperson of the remuneration committee and a member of the nomination committee of the Company. He established China Energy Net Consulting Co., Ltd. (北京中能網訊諮詢有限公司) in 2000 and has been serving as its managing director and chief researcher since then. Mr. HAN has been an independent non-executive director of GCL Energy Technology Co., Ltd. (協鑫能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002015) since June 2019. Mr. HAN has also been an independent non-executive director of Longitech Smart Energy Holding Ltd., a company listed on the Stock Exchange (stock code: 01281) since June 2016 and served as an independent non-executive director of Beijing Jingneng Clean Energy Co. Ltd., a company listed on the Stock Exchange (stock code: 00579) from October 2014 to June 2021. In 1995, Mr. HAN co-founded Beijing Qunying Investment Co., Ltd. (北京群鷹投資有限公司), principally engaged in project investment and asset management, and served as its deputy chairman. Mr. HAN is also actively involved in the power and energy industry and holds positions in various organizations such as deputy director of China Energy Research Society Distributed Energy Professional Committee (中國能源研究會分佈式能源專委會).

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

Ms. YANG Ying (楊瑩), aged 42, is currently an independent non-executive Director, and a member of the audit committee, remuneration committee and nomination committee of the Company. She has been a senior partner of Shanghai Allbright Law Offices (Tianjin) (上海錦天城(天津)律師事務所) since June 2015. Ms. YANG was an executive chief of the Tianjin Bencheng Law Firm (天津本誠律師事務所) from July 2012 to June 2015. She has been the host of the television show "Law Lecture" (法律講堂), broadcasted on channel CCTV-12 and the guest lawyer of the television show "Hotline-12" (熱線12) from 2010 to 2015. From February 2006 to February 2010, Ms. YANG was a practising lawyer in several law firms in PRC, including Tianjin Jinbo Law Firm (天津津博律師事務所) and Beijing Zhong Lun W&D (Tianjin) Law Firm (北京中倫文德(天津)律師事務所).

Ms. YANG obtained her doctorate degree in management from the University of Tianjin (天津大學) in PRC in February 2009. She was also awarded the Hexi District Youth Foundation Outstanding Progress Award (河西青聯優秀進步獎) for the years 2012 and 2013. Ms. YANG has served as a supervisor of the Tianjin business environment since January 2021 and a decision consulting expert of the Tianjin Development and Reform Commission since December 2020. She was listed as a Tianjin Municipal Government General Office Legal Adviser in October 2016.

SHAREHOLDER REPRESENTATIVE SUPERVISORS

Mr. PENG Chong (彭冲), aged 44, is a shareholder representative Supervisor of the Company and the chairperson of the Supervisory Board. Since August 2020, Mr. PENG has served as the senior supervisor of the risk management department and the deputy head of the planning and finance department of Tianbao Holdings. Mr. PENG served as the chief financial officer of the Company from January 2017 to August 2020, an executive Director of the Company from March 2017 to August 2020, a member of the remuneration committee of the Company from March 2017 to January 2020, and from February 2019 to August 2020, the authorized representative of the Company under the Listing Rules and the authorized person of the electronic trading system, concurrently acting as the secretary to the Board. From August 2013 to December 2016, Mr. PENG was the head of the financial management department of Tianjin Tianbao Financial Management Co., Ltd. (天津天保財務管理有限公司), overseeing financing management matters of TFIHC and its subsidiaries (excluding the Group). From November 2010 to August 2013, he was the deputy head of the planning and finance department of Tianbao Thermal, responsible for financial management. Mr. PENG joined Tianjin Tianbao International Logistics Group Co., Ltd. (天津天保國際物流集團有限公司) as the chief accountant in March 2004, and resigned as the deputy head (financial) in November 2010, in charge of accounting and financial management.

Since December 2021, Mr. PENG has been the chairman and director of Tianjin Binhai Aviation Technology Service Co., Ltd. (天津濱海航產技術服務有限公司) and he has served as a director of Hong Kong Baorong Development Limited (香港保融發展有限公司) since November 2021. Since September 2021, he has been the chairman of the supervisory board of Tianjin Tianbao Finance Co., Ltd. (天津天保財務有限公司), a supervisor of Tianjin Aviation Logistics Development Co., Ltd. (天津航空物流發展有限公司) and a supervisor of Tianjin Binhai New Distinct Pioneer Culture Media Investment Co., Ltd. (天津濱海新區先鋒文化傳媒投資有限公司). Mr. PENG has been the chairman of the supervisory board of Tianjin Port Free Trade Zone Land Development and Investment Co., Ltd. (天津港保稅區土地開發招商有限公司) since August 2021. Mr. PENG has served as the employee supervisor of TFIHC and Tianbao Holdings since October 2020. Mr. PENG has also been a supervisor of Tianjin Lingang Construction and Development Co., Ltd. (天津臨港建設開發有限公司) since May 2016.

Mr. PENG obtained a bachelor's degree in economics and with a major in auditing from Nankai University (南開大學) in June 1998. He is also a senior accountant accredited by the Tianjin Human Resources and Social Security Bureau. He was awarded the "Personal Award in Finance Work 2007" (2007年度財務工作先進個人) by Tianbao Holdings in April 2008, "Personal Award in Finance Education 2010" (2010年度財務後續教育先進個人) by Tianbao Holdings in April 2011, "Labor Award of Binhai New Area 2015" (2015年度濱海新區“五一”勞動獎章) by the Tianjin Binhai New Area Labour Union (天津市濱海新區總工會) in April 2016 and the honor of "Labour Model" awarded by the Tianjin Municipal Party Committee and the Municipal Government in December 2020.

Mr. SHAO Guoyong (邵國永), aged 43, is currently a shareholder representative Supervisor of the Company. Mr. SHAO has been the head of risk management department in Tianjin Tianbao Commercial Factoring Co., Ltd. (天津天保商業保理有限公司) and the head of risk management department in Tianjin Binhai New Area Tianbao Microcredit Co., Ltd. (天津濱海新區天保小額貸款有限公司) since April 2018. He joined the Company on January 19, 2017. From January 2015 to April 2018, Mr. SHAO served as the deputy head of the risk management department in Tianjin Tianbao Commercial Factoring Co., Ltd. (天津天保商業保理有限公司). He joined Tianjin Tianbao Leasing Co., Ltd. (天津天保租賃有限公司) as the head of the legal department from June 2012 to January 2015. From January 2007 to May 2012, he worked as a practicing lawyer in Tianjin Guopeng Law Firm (天津國鵬律師事務所).

Directors, Supervisors and Senior Management

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

EMPLOYEE REPRESENTATIVE SUPERVISOR

Ms. JIAO Dongxu (矯東旭), aged 37, is an employee representative Supervisor of the Company. Ms. JIAO has served as the deputy head of the audit and risk control department since July 2020. She joined the Company in July 2008, and served as the administrator of the three remotes (remote control, remote signaling, and telemetry) of the power supply department from July 2008 to March 2020 and the Party administrator of the general office from March 2020 to July 2020.

Ms. JIAO obtained a bachelor's degree in electrical engineering from Northeast Electric Power University in Jilin Province in July 2008.

SENIOR MANAGEMENT

Mr. ZHOU Shanzhong (周善忠), aged 43, is currently the chairman of the Board and executive Director and chairperson of the nomination committee of the Company, and concurrently acts as the secretary to the Board. Please refer to the above section headed "Executive Directors" for the biographical details of Mr. ZHOU.

Mr. WANG Geng (王廣), aged 36, has been the general manager of the Company since April 2022 and is being appointed as an executive Director of the Company. Mr. WANG was a training management manager of Xinneng Vocational Training School (Tianjin) Co., Ltd.* (新能職業培訓學校(天津)有限公司) from September 2020 to March 2022. From July 2019 to September 2020, Mr. WANG was a business manager of the education segment of CGN New Energy Investment (Shenzhen) Co., Ltd. Beijing Branch New Energy Centre* (中廣核新能源投資(深圳)有限公司北京分公司新能源學院). From June 2017 to July 2019, he was successively an employee, deputy manager of the technical centre and deputy manager of the strategic development department of SPIC (Tianjin) Distributed Energy Co., Ltd.* (國電投(天津)分佈式能源有限公司). From January 2017 to June 2017, Mr. WANG was successively an employee and a Tianjin new energy project development manager of SPIC (Beijing) New Energy Investment Co., Ltd.* (國家電投集團(北京)新能源投資有限公司). From November 2016 to January 2017, he was a manager of the strategy department of Shangen Photovoltaic (Tianjin) Co., Ltd.* (尚恩光電(天津)有限公司). From August 2012 to November 2016, Mr. WANG was an employee of the low carbon business consultancy department of Tianjin Tianle International Project Consultancy and Design Company* (天津天樂國際工程諮詢設計公司). From July 2009 to August 2012, Mr. WANG was an employee of the marketing and development department of Tianjin Jinneng Project Management Co., Ltd.* (天津市津能工程管理有限公司).

Mr. WANG obtained a master's degree in business administration from Tianjin University in January 2022.

Directors, Supervisors and Senior Management

Mr. MAO Yongming (毛永明), aged 52, is an executive Director, a member of the remuneration committee and the deputy general manager of the Company. He acted as the general manager from December 2021 to March 2022. Please refer to the above “Executive Directors” for biographical details of Mr. MAO.

Mr. YAO Shen (姚慎), aged 50, is the deputy general manager of the Company. He is responsible for the Company’s policy research, market analysis, customer services, legal affairs, construction management, system construction, risk control, audit, discipline inspection and supervision, and is in charge of the customer service department and audit and risk control department. Meanwhile, he has been serving as the deputy general manager of Lingang Thermal Power since May 2020. He was also the director of Tianjin Tianbao New Energy from September 2014 to January 2017. Mr. YAO joined our Group on July 5, 1994. He has more than 27 years of experience in electricity generation. He joined the Company in July 1994 as a technician in the engineering technology department from July 1994 to October 2003 and head of the engineering technology department from October 2003 to October 2007. Mr. YAO also worked in Tianjin Tianbao New Energy as a vice manager, and subsequently a manager, from October 2007 to December 2016. He served as the Company’s head of the production technology department from January 2017 to January 2019 after the Company was restructured into a joint stock limited liability company. He was appointed as the vice general manager of the Company in November 2018.

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

Mr. LIU Lu (劉露), aged 50, is the deputy general manager of the Company. Having joined the Group in December 2021, Mr. LIU is responsible for the Company’s production safety, environmental protection management, production management of thermal power plants, pipe network operation, and technical management. He is in charge of the thermal power department, safety technology department, and the daily work of Lingang Thermal Power. Mr. LIU has concurrently served as the chairman and general manager of Lingang Thermal Power since January 2022. Mr. LIU served as the deputy general manager of Tianbao Thermal from August 2018 to December 2021. From January 2007 to August 2018, he served as the project engineer and the deputy head of the engineering technology department of Tianbao Thermal, the vice director and the director of Haigang Thermal Plant, the director of Konggang Thermal Plant, and the deputy head and the head of the pipe network operation department. From April 2005 to December 2006, he was the boiler manager of Tianjin Konggang Thermal Power Co., Ltd. (天津空港熱電有限公司). From January 2003 to April 2005, he was the supervisor of the boiler and calcination workshop of Knauf Gypsum Board (Tianjin) Co., Ltd. (可耐福石膏板(天津)有限公司). From March 1999 to October 2002, he was the head of the Taoxiangyuan heating station of Tianjin Wanlong Group Shuntong Heating Power Company (天津市萬隆集團順通熱力公司). From August 1994 to March 1999, he was a technician in the heating headman area of the Tianjin Second Building Section of the Tianjin Railway Sub-administration.

Mr. LIU graduated from the branch of Tianjin University in July 1994, majoring in thermal power engineering. Mr. LIU was awarded the Tianjin Labor Award in 2007, and the title of “Outstanding Member of the Communist Party of Tianjin” in 2016.

Directors, Supervisors and Senior Management

Mr. ZHANG Yubo (張玉波), aged 52, is the deputy general manager and the chief financial officer of the Company. Mr. ZHANG joined the Group in August 2020. He is responsible for the Company's strategic management, investment management, market value management, state-owned property management, information disclosure, capital operation, three committees operation, budget management, capital management, tax management, asset management, procurement and bidding management, supplier management, materials management, and is in charge of the investment and securities department, the financial assets department and the material management department. Mr. ZHANG has been serving as the deputy general manager of Lingang Thermal Power since October 2020. Mr. ZHANG served as the vice general manager of Tianjin Tianbao Municipal Company Co., Ltd. (天津天保市政有限公司) from September 2019 to August 2020. He served as an assistant to the general manager of Tianjin Tianbao Municipal Company Co., Ltd. from August 2018 to September 2019. Mr. ZHANG served as an assistant to the general manager of Tianjin Tianbao Asset Management Co., Ltd. (天津天保資產經營管理有限公司) from September 2013 to August 2018, and as a staff member and an assistant to the general manager of Tianjin Tianbao Asset Management Co., Ltd. from June 2012 to September 2013. From January 2007 to June 2012, he served as the deputy head of the general management department of Tianjin Tianbao Municipal Company Co., Ltd. From January 2000 to January 2007, he served as the planning statistics supervisor and the deputy head of finance department of Tianjin Tianbao Public Facility Co., Ltd. (天津天保公用設施有限公司). From April 1994 to December 1999, he served as the planning statistics supervisor of Tianjin Port Free Trade Zone Construction Services Company (天津港保稅區建設服務總公司). Mr. ZHANG was a staff member of Tianjin No. 6 Construction Engineering Company (天津市第六建築工程公司) from July 1992 to April 1994.

Mr. ZHANG graduated from Tianjin Chengjian University (天津城市建設學院) in July 1992 with a bachelor's degree in construction management engineering.

Mr. FENG Wei (馮巍), aged 54, has been serving as the head of the Company's thermal power department since March 2020, and has concurrently served as an employee director and the head of thermal power department of Lingang Thermal Power from May 2020. He is responsible for the operation and power production in the Haigang Thermal Plant and Lingang Thermal Plant. Mr. FENG joined the Company on March 21, 2016. Mr. FENG began his career in Shaanxi Weinan Thermal Power Plant (陝西渭南熱電廠) as a staff from December 1988 to February 1989. He studied the operation of boilers in Xi'an Electric Power School (西安電力學校) from February 1989 to August 1989 and thermal power engineering of thermal energy and power engineering in the Northwest Electric Power Workers Secondary Specialized School (西北電力職工中等專業學校) from September 1989 to June 1992. He went back to Shaanxi Weinan Thermal Power Plant and worked for the boiler department from July 1992 to March 2003, as a boiler technician and later a specialized supervisor. He joined Shaanxi Huayang Thermal Power Group (陝西華陽熱電集團) as a head of power generation department from March 2003 to April 2008. Mr. FENG then worked in Tianbao Thermal as a boiler specialist from April 2008 to December 2009, deputy head of the production and operation department from December 2009 to December 2011, and deputy head of the enterprise management department from December 2011 to July 2013. He then served as the factory director of the Konggang Thermal Plant from November 2013 to August 2014 and of Haigang Thermal Plant from September 2014 to March 2016. He was appointed as the factory director of Haigang Thermal Plant from March 2016 to March 2020 by the Company after the Company completed the integration of Haigang Thermal Plant into our operations.

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

Directors, Supervisors and Senior Management

Mr. PAN Xiushan (潘秀山), aged 54, has been serving as the head of the Company's electricity supply department since March 2020, and has concurrently served as a supervisor of Tianjin Tianbao New Energy since May 2020. Mr. PAN is responsible for power system planning and management, power grid construction and operation management, management of power grid equipment and personnel, maintenance management of power grid equipment, power metering management, etc.. Mr. PAN worked in the Company from May 1, 1998 to January 2017 during which he served successively as a regulator from May 1998 to November 2009, chief regulator from December 2009 to November 2014, and the head of electricity supply department and chief regulator from December 2014 to January 2017, responsible for the compliance matters and operation of electricity supplies, respectively. He was reappointed as the manager of Tianjin Tianbao New Energy from January 2017 to March 2020 after the Company was restructured into a joint stock limited liability company.

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

Ms. WANG Hua (王華), aged 48, has been serving as the head of customer service department of the Company since March 2020. She is responsible for the sales and marketing of electricity and heating as well as customer service matters. Ms. WANG joined the Company on May 1998 as a regulator. Thereafter she served successively as deputy head of the safety and monitoring department from June 2012 to February 2016, head of the safety and monitoring department from February 2016 to January 2017 in charge of production safety matters of the Company. She was reappointed as the marketing centre director of the Company from January 2017 to March 2020 after the Company was restructured into a joint stock limited liability company.

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

Mr. QI Song (齊頌), aged 49, has been serving as the head of security technology department of our Company since March 2020. He is responsible for the safety management, environmental protection management, equipment management, energy system management, production process improvement, scientific and technological project development and application, etc.. He joined the Group on July 5, 1995 as a staff in the production technology management from July 1995 to September 2007 and head of engineering technology department from October 2007 to February 2016, responsible for matters including power planning, bidding and tendering and electrical engineering. In March 2016, he was appointed as the head of production technology department, responsible for power planning, bidding and tendering and environmental protection. He was head of electricity supply department of the Company from January 2017 to March 2020 after it was restructured into a joint stock limited liability company.

Mr. QI has been an associate constructor approved by Tianjin Job Title Office (天津市職稱工作辦公室) since November 2005. He completed a professional course in industrial automation at Tianjin Polytechnic Institute (天津理工學院) in the PRC in July 1995.

COMPANY SECRETARY

Mr. LAU Kwok Yin (劉國賢), aged 36, is a company secretary of the Company and now an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He was appointed as a joint company secretary of the Company on May 30, 2018 and a company secretary of the Company on February 28, 2019. He has over 10 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong (香港大學), and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

Report of the Board of Directors

The Board of Directors of the Company now presents the Group's annual report for the year of 2021 (the "**Annual Report**") and the audited financial statements prepared in accordance with the IFRSs for the year ended December 31, 2021 (the "**Financial Statements**") to Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock company in the PRC with limited liability on February 28, 2017. The H Shares of the Company were listed on the Main Board of the Stock Exchange on April 27, 2018 and all the Domestic Shares had been converted into H Shares and were listed on the Main Board of the Stock Exchange on July 29, 2020.

Basic information of the Company is set out in "Corporate Information" on pages 187 to 188 of this Annual Report.

PRINCIPAL BUSINESS

The Group is a power operator in the Tianjin Port Free Trade Zone (Seaport and Lingang). The Group is engaged in cogeneration of steam, electricity, heating and cooling. The Group's operations comprise (i) power generation and supply; (ii) electricity dispatch and sale; (iii) development and operation of distributed photovoltaic power generation stations and (iv) contractual energy management, energy conservation management services, vehicle charging sales, electric vehicle charging infrastructure operation, and wind power generation technology services. The Group's power operations enable us to provide one-stop and comprehensive power services to our customers in Tianjin Port Free Trade Zone (Seaport and Lingang) and neighboring areas. Details of the principal subsidiaries of the Company are set out in note 13 to the financial statements.

RESULTS

The audited results of operations of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 108 to 109 of this Annual Report. The financial position of the Group for the year ended December 31, 2021 is set out in the consolidated statement of financial position on pages 110 to 111 of this Annual Report. The consolidated cash flow of the Group for the year ended December 31, 2021 is set out in the consolidated cash flow statement on pages 113 to 114 of this Annual Report.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in the Management Discussion and Analysis on pages 8 to 19 of this Annual Report.

BUSINESS REVIEW

During the Reporting Period, the Group continued to expand its diversified industrial layout with power supply as the main business and value-added services as a supplement, incurred full effort to promote the "Green + Environmental Protection" concept, and committed to expanding new businesses of green production and ultra-low emissions. The Company has actively kept an eye on the opportunities arising from the national strategies and energy industry, so as to develop a long-term development strategy that can strengthen the sustainability of the Group's business. A review of the business of the Group during the year and a discussion on the Group's future business development are set out on pages 9 to 10 and pages 18 to 19 of this Annual Report. A description of possible main risks and uncertainties that the Group may face is set out on pages 16 to 17 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 11 to 13 of this Annual Report. To the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Group's environmental policies and performance is set out in the Environmental, Social and Governance Report on pages 65 to 102 of this Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

SHARE CAPITAL

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 of December 31, 2021, the total share capital of the Company was 159,920,907 H Shares, with par value of RMB1.00 each. Since the listing of the Shares on the Main Board of the Stock Exchange, the Company had not issued any new Shares in exchange for cash.

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 year ended December 31, 2021.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

For the year ended December 31, 2021, no convertible securities, options, warrants and other similar rights were issued and granted by the Company or its subsidiaries, nor any conversion rights or subscription rights were exercised pursuant to any convertible securities, options, warrants and other similar rights issued and granted by the Company or its subsidiaries at any time.

DEBENTURES IN ISSUE

Neither the Company nor any of its subsidiaries issued any debentures during the year ended December 31, 2021.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on April 27, 2018, with a financing scale of approximately HK\$84.21 million and net proceeds of HK\$41.18 million after deducting the underwriting commission and other estimated expenses in connection with the public offering (the "IPO Proceeds"), of which HK\$25.62 million was expected to be used for technology and equipment upgrades and HK\$15.56 million would be used for the establishment of Tianbao Electricity Sales Company.

As the technology and equipment upgrades have been fully completed and the remaining IPO proceeds of approximately HK\$4.10 million have not been utilized through cost savings, and the profit margin of the proposed electricity sales business has reduced significantly as a result of changes in the circumstances for the establishment of Tianbao Electricity Sales Company since the Company's listing in April 2018 due to various reasons, the Group has decided to change the partial use of the IPO Proceeds after approval by the second extraordinary general meeting of 2021 convened on November 30, 2021. All the unutilized IPO proceeds (i.e. approximately HK\$19.66 million or 47.74% of

Report of the Board of Directors

the IPO Proceeds) will be used by the Group for the commencement of the Smart Street Light Contractual Energy Management Project in the Tianjin Port Free Trade Zone, providing contractual energy management services to upgrade and manage the public lighting in Tianjin Port Free Trade Zone. The Group will assist with, among other things, (i) replacing traditional high energy consumption street lamps with high-quality energy-saving lamps that have high lighting efficiency, low power consumption and long-life; and (ii) establishing a smart city lighting management system that could adjust the lighting of each street lamp based on actual needs, which will reduce overall energy consumption and enhance the municipal energy management. Approximately HK\$10.00 million of the remaining IPO Proceeds was expected to be utilized by December 31, 2021 and the remaining HK\$9.66 million to be fully utilized by December 31, 2022. Please refer to the Company's announcement dated October 29, 2021 and the circular dated November 10, 2021 for more details.

The Group has completed the signing of the lighting equipment and construction bidding contracts in 2021, and has carried out the related work. However, due to the failure of the counterparty to issue the letter of guarantee and invoice in time, the relevant contractual payment terms and the conditions for payment by the Group have not been met, and the Group was unable to make the corresponding payment before December 31, 2021, thereby the relevant IPO Proceeds have not been utilised. The construction of the Smart Street Lighting Contract Energy Management Project in the Tianjin Port Free Trade Zone is progressing smoothly and it is expected that the Group will fully utilize all the remaining IPO Proceeds (i.e. approximately HK\$19.66 million) by December 31, 2022.

The unutilized IPO Proceeds have been deposited into the bank account opened by the Group as short-term and demand deposits.

EQUITY-LINKED AGREEMENT

For the year ended December 31, 2021, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. No permitted indemnity provision was made by the Company for the year ended December 31, 2021 and no permitted indemnity provision was in force as at the Latest Practicable Date.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders of the Company did not pledge any of their Shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended December 31, 2021.

CHARGES AND PLEDGES ON THE GROUP'S ASSETS

For the year ended December 31, 2021, the Company has pledged its gas supply facilities, equipment and related parts with a value of RMB31.564 million as security for a finance lease with balance amounting to RMB25.234 million as of December 31, 2021, the Company's subsidiary Lingang Thermal Power has pledged its trade receivables as security for a bank loan with balance amounting to RMB25.000 million as of December 31, 2021, and the Company has pledged its 51% equity interests in Lingang Thermal Power as security for a bank loan with balance amounting to RMB41.700 million as of December 31, 2021.

LOAN ARRANGEMENTS GRANTED BY THE GROUP TO ENTITIES

For the year ended December 31, 2021, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company has no affiliated companies and the Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended December 31, 2021 which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific responsibility of its Controlling Shareholders nor breach the terms of any loan agreements for the year ended December 31, 2021.

SHARE OPTION SCHEME

As of December 31, 2021, the Company had not adopted any share option scheme.

PRE-EMPTIVE RIGHTS

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

DIVIDEND POLICY

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

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

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

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

Report of the Board of Directors

FINAL DIVIDEND

As coal prices in China has substantially increased due to multiple reasons, the production costs of the Group has increased significantly and profit attributable to equity Shareholders of the Group is relatively low. In order to maintain the sustainable and long term profitable development of the Company, the Board has resolved not to declare a final dividend for 2021 (2020: RMB0.05 per Share).

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

Pursuant to the PRC Individual Income Tax Law, the PRC Regulations for Implementation of the Individual Income Tax Law and other relevant laws and regulations, the foreign individuals who are the holders of H Shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H Shares, which shall be withheld and paid by such domestic enterprises on behalf of such individual H Shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) effective from May 13, 1994 (the “**1994 Notice**”) grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company has obtained the record-filing receipt for the incorporation of foreign-invested enterprises and has completed registration processes with relevant industrial and commercial administration in November 2018, the foreign individual non-resident Shareholders who hold the Company’s H Shares and whose names appear on the register of members of H Shares of the Company (the “**Individual H Shareholders**”) are not required to pay PRC individual income tax when the Company distributes the dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the dividends (if any) to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

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

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

The Company was not aware of any Shareholders that had waived or agreed to waive any dividend arrangement for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholders’ entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from April 29, 2022 to May 5, 2022 (both days inclusive), during such periods no transfer of H Shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM, holders of H Shares of the Company must lodge transfer documents with the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on April 28, 2022.

Report of the Board of Directors

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in consolidated statements of changes in equity, of which details of reserves available for distribution to Shareholders are set out in consolidated statement of changes in equity. The Company's reserves available for distribution to ordinary Shareholders as at December 31, 2021 included the retained profits of approximately RMB48.123 million (2020: RMB48.785 million).

DONATIONS

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

BANK BORROWINGS AND OTHER BORROWINGS

The Group had loans and borrowings of RMB298.134 million which include short-term borrowings of RMB188.196 million (including long-term borrowings due within one year of RMB43.196 million) and non-current portion of long-term borrowings of RMB109.938 million, while secured and guaranteed borrowings amounted to RMB101,934 million and unsecured borrowings amounted to RMB196.200 million, all of which were with fixed interest rates.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and senior management of the Company for the year ended December 31, 2021 and up to the date of this report is illustrated below.

Name	Title in the Group	Date of appointment/ re-election
ZHOU Shanzhong	Executive Director and chairman of the Board of the Company Secretary to the Board of the Company	December 9, 2019/ January 17, 2020 August 28, 2020
MAO Yongming	Executive Director of the Company Acting general manager of the Company (<i>Note 1</i>) Deputy general manager of the Company Executive director and manager of Tianjin Tianbao New Energy Deputy general manager of Lingang Thermal Power	January 17, 2020 December 7, 2021 January 19, 2017 May 8, 2020 May 15, 2020
XING Cheng	Executive Director of the Company General manager of the Company (<i>Note 1</i>) Director, chairman of the board of directors and general manager of Lingang Thermal Power (<i>Note 1</i>)	March 24, 2017/ January 17, 2020 January 19, 2017/ January 17, 2020 May 15, 2020
DONG Guangpei	Non-executive Director of the Company	November 1, 2019/ January 17, 2020

Report of the Board of Directors

Name	Title in the Group	Date of appointment/ re-election
WANG Xiaotong	Non-executive Director of the Company	January 17, 2020
CHAN Wai Dune	Independent non-executive Director of the Company	January 17, 2020
HAN Xiaoping	Independent non-executive Director of the Company	April 4, 2018/ January 17, 2020
YANG Ying	Independent non-executive Director of the Company	April 4, 2018/ January 17, 2020
PENG Chong	Chairperson of the Supervisory Board of the Company (Note 2)	October 22, 2021
XUE Xiaofang	Chairperson of the Supervisory Board of the Company (Note 2)	January 19, 2017/ January 17, 2020
SHAO Guoyong	Supervisor of the Company	January 19, 2017/ January 17, 2020
JIAO Dongxu	Supervisor of the Company (Note 3) Deputy head of audit and risk control department of the Company	January 11, 2022 July 31, 2020
YANG Kui	Supervisor of the Company (Note 3) Director of the general office of the Company Director of the general office of Lingang Thermal Power	January 19, 2017/ January 17, 2020 March 4, 2020 January 13, 2021
WANG Geng	General manager of the Company	April 1, 2022
YAO Shen	Deputy general manager of the Company Deputy general manager of Lingang Thermal Power	November 12, 2018 May 15, 2020
ZHANG Yubo	Deputy general manager of the Company Chief financial officer of the Company Deputy general manager of Lingang Thermal Power	August 28, 2020 December 7, 2021 October 16, 2020
LIU Lu	Deputy general manager of the Company Director, chairman of the board of directors and general manager of Lingang Thermal Power	December 30, 2021 January 17, 2022
FENG Wei	Head of thermal power department of the Company Employee director of Lingang Thermal Power Head of thermal power department of Lingang Thermal Power	March 4, 2020 May 15, 2020 May 15, 2020

Report of the Board of Directors

Name	Title in the Group	Date of appointment/ re-election
PAN Xiushan	Head of electricity supply department of the Company Supervisor of Tianjin Tianbao New Energy	March 4, 2020 May 8, 2020
WANG Hua	Head of customer service department of the Company Head of customer service department of Lingang Thermal Power	March 4, 2020 May 15, 2020
QI Song	Head of security technology department of the Company Head of security technology department of Lingang Thermal Power	March 4, 2020 May 15, 2020

Notes:

- (1) Mr. XING Cheng has resigned as general manager of the Company on December 7, 2021 due to job arrangements, and ceased to be a director, the chairman and the general manager of Lingang Thermal Power on January 17, 2022; and Mr. MAO Yongming was appointed as the acting general manager of the Company from December 7, 2021 to March 31, 2022.
- (2) Ms. XUE Xiaofang has retired as a shareholder representative Supervisor and the chairperson of the Supervisory Board of the Company on October 22, 2021 due to the reach of her retirement age; and Mr. PENG Chong was appointed as a shareholder representative Supervisor and the chairperson of the Supervisory Board of the Company on the same day.
- (3) Ms. JIAO Dongxu was elected as the employee representative Supervisor of the second session of the Supervisory Board at the staff general meeting held on January 11, 2022, and Mr. YANG Kui ceased to serve as Supervisor and Director of the general office of the Company, and Director of the general office of Lingang Thermal Power due to job arrangements on the same day.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on pages 23 to 31 of this Annual Report.

Report of the Board of Directors

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

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

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

During the year ended December 31, 2021, the emoluments of the senior managements of the Company (other than executive Directors) are set out as below:

Remuneration (HK\$)	Number of individuals
0 to 1,000,000	7

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

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

After the end of the year of 2021 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest directly or indirectly.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year of 2021, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses.

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

As at December 31, 2021, no Director, Supervisor or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at December 31, 2021, to the knowledge of the Directors, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of H Shares/ underlying H Shares held (share) <i>(Notes 2)</i>	Approximate percentage of total share capital (%) <i>(Note 3)</i>
Tianbao Holdings <i>(Note 1)</i>	Beneficial owner	109,606,538(L)	68.54
TFIHC <i>(Note 1)</i>	Interest of a controlled corporation	115,600,907(L)	72.29
YUAN Andy Yun Nan	Beneficial owner	12,880,000(L)	8.05

Notes:

1. Tianbao Holdings is interested in 109,606,538 H Shares, and Tianbao Investment is interested in 5,994,369 H Shares. Since Tianbao Holdings and Tianbao Investment are wholly-owned subsidiaries of TFIHC, TFIHC is deemed to be interested in the H Shares held by Tianbao Holdings and Tianbao Investment by virtue of the SFO.
2. The letter "L" denotes the relevant person's long position in such Shares.
3. The calculation is based on the total number of 159,920,907 H Shares in issue as at December 31, 2021.

Report of the Board of Directors

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2021.

CONTRACT OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

The Group did not conduct any non-exempt one-off connected transaction during the year ended December 31, 2021.

CONTINUING CONNECTED TRANSACTIONS

The Group had conducted certain non-exempt continuing connected transactions with TFIHC and TFEI during the year.

Connected transactions under	Connected persons	Annual caps for 2021 RMB'000	Actual transaction amount in 2021 RMB'000
1. Renewed Construction, Technical Support and Maintenance Services Framework Agreement	TFIHC	8,000	1,718
2. Landscape Lighting Equipment Maintenance and Management Agreement	TFEI	6,520	4,372

Renewed Construction, Technical Support and Maintenance Services Framework Agreement

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

The Company entered into a renewed construction, technical support and maintenance services framework agreement (the "**Renewed Construction, Technical Support and Maintenance Services Framework Agreement**") with TFIHC on November 25, 2020, pursuant to which the Group provides certain types of construction, technical support and maintenance services to Tianbao Group, including construction, spare parts services, training, maintenance, operation preparation services, technical studies and expert support services.

The Renewed Construction, Technical Support and Maintenance Services Framework Agreement is valid from January 1, 2021 to December 31, 2023. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Renewed Construction, Technical Support and Maintenance Services Framework Agreement.

The related service fees are agreed and based on actual costs and expenses incurred in providing the relevant services on normal commercial terms after arm's length negotiations and on normal commercial terms between the relevant parties with reference to fees in the open market, which shall be no less favourable than the price for similar transactions between the Company and independent third parties. For the years ended December 31, 2021, 2022 and 2023, the annual cap for total fees payable to the Group from Tianbao Group under the Renewed Construction, Technical Support and Maintenance Services Framework Agreement was RMB8.0 million, RMB8.0 million and RMB8.0 million, respectively.

Landscape Lighting Equipment Maintenance and Management Agreement

The Company and TFEI holds 51.0% and 49.0% equity interest in Lingang Thermal Power, respectively. As a result, TFEI is a connected person of the Company at the subsidiary level under the Rule 14A.07 of the Listing Rules.

The Company entered into the Landscape Lighting Equipment Maintenance and Management Agreement with TFEI on July 15, 2021, pursuant to which the Company shall provide inspection, maintenance and management services on landscape lighting equipment and related systems to TFEI, including the routine inspection, repair and maintenance of landscape lighting equipment and intelligent monitoring terminals and the decoration of festive lighting equipment in Tianjin Port Free Trade Zone (Seaport) and certain areas of Tianjin Port Free Trade Zone Airport Economic Zone, and the layout arrangement of festive lighting equipment in Tianjin Port Free Trade Zone (Lingang).

The Landscape Lighting Equipment Maintenance and Management Agreement is valid from July 15, 2021 to December 31, 2021. The maximum aggregate transaction amount for the term of the Landscape Lighting Equipment Maintenance and Management Agreement shall not exceed approximately RMB6.52 million. The Company has taken into account the normal commercial terms, operational efficiency of the Company and estimated workload when participating in the relevant public tender and proposed competitive service unit price. The Company won public the tender and the tender price was finalized as the service fee upon consideration and approval of the comprehensive tender proposal and competitive service unit price by TFEI. The service fee is determined on normal commercial terms with reference to fees in the open market, which shall be no less favourable than the price for similar transactions between the Company and independent third parties.

Payments made by TFEI to the Company were based on the actual costs and expenses incurred by the Company, in which 75% of the sum was paid on a quarterly basis based on actual workload with the remaining 25% of the sum was retained and settled upon expiration of the term of the Landscape Lighting Equipment Maintenance and Management Agreement and confirmations of the quality of services.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 29 to the financial statement is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules, nor are they connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Management of connected transactions and internal control

The Group has adopted the following internal control and corporate governance measures to ensure that continuing connected transactions comply with the requirements of the Listing Rules: (i) as part of the Group's internal control measures, the implementation of continuing connected transactions of the Group and the actual number and amount of relevant materials, products and services were monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with independent third parties; (ii) the relevant operational divisions of the Group reported regularly to senior management with respect to the actual performance of the transactions with Tianbao Group and/or TFEI; (iii) pursuant to the Corporate Governance Code and Corporate Governance Report in accordance with Appendix 14 of the Listing Rules, the Directors, including the independent non-executive Directors, were able to seek independent professional advice in respect of the relevant transactions from external parties in appropriate circumstances; (iv) the Group engaged auditors to perform the relevant assurance procedures regarding the continuing connected transactions; and (v) the Group duly disclosed in its annual reports and accounts the transactions with Tianbao Group during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Shareholders as a whole.

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

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

- (1) carried out in the ordinary course of business of the Group;
- (2) made on normal commercial terms; and
- (3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Company's Shareholders as a whole.

Confirmation of the auditors

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended December 31, 2021 that in respect of these transactions:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

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

COMPLIANCE WITH THE NON-COMPETITION DEED

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

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

Report of the Board of Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the total purchases from the five largest suppliers of the Group accounted for 78% of the total purchases during the year. The purchase from the largest coal supplier accounted for 39% of the total volume of fuel purchased during the year.

For the year ended December 31, 2021, the total sales to the five largest customers of the Group accounted for 53% of the total sales during the year. The sales to the largest customer accounted for 16% of the total sales during the year.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Group always strives to maintain a high level of corporate governance and has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended December 31, 2021. Please refer to the section "Corporate Governance Report" in this Annual Report for details.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

PUBLIC FLOAT

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

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's 2021 annual results and the audited financial statements for the year ended December 31, 2021 prepared in accordance with the IFRSs.

INDEPENDENT AUDITORS

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

In June 2021, the 2020 annual general meeting approved the reappointment of KPMG as the auditor of the Company's 2021 IFRSs financial statements until the date of conclusion of the 2021 annual general meeting of the Company.

In March 2022, the Board of Directors proposed to engage KPMG as the auditor of the Company's 2022 IFRSs financial statements from the date of conclusion of the 2021 annual general meeting of the Company to the date of conclusion of the 2022 annual general meeting of the Company. This proposal shall be effective after the approval by the 2021 annual general meeting of the Company.

FINANCIAL SUMMARY

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

By order of the Board

Tianjin Tianbao Energy Co., Ltd.

ZHOU Shanzhong

Chairman of the Board

Tianjin, the PRC

March 25, 2022

Report of the Supervisory Board

In 2021, all members in the Supervisory Board, in strict compliance with the PRC Company Law and other laws, regulations, rules and directives and the relevant provisions of the Articles of Association, the Rules of Procedure of the Supervisory Board and the Listing Rules, had been performing its supervisory duties on the Directors and senior management's fulfilling of their respective responsibilities in the Company and giving full play the Supervisory Board's role of supervision, aiming at guarding the long-term benefits of the Company and the interests of all of our Shareholders. We hereby report the main works we have done during the Reporting Period as follows:

I MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held four meetings in 2021. The convening of the meetings, the signing of the resolutions and the exercise of the Supervisors' rights were in compliance with the relevant provisions of the PRC Company Law, the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Board. During the Reporting Period, the Supervisory Board has considered and confirmed the contents of the annual report and annual results announcement for the year ended December 31, 2020; the contents of the interim report and the interim results announcement for the six months ended June 30, 2021; reviewed and approved the 2020 environmental, social and governance (ESG) report and the report of the Supervisory Board; reviewed and approved the proposal of profit distribution plan in 2020; the proposal of renewing the Company's auditors in 2021; the proposal of evaluation of Directors, Supervisors, and senior management in 2020; the proposal of "14th Five-Year" strategic development plan of the Company; the proposal of remuneration plan of Directors in 2021; the proposal of the remuneration plan of Supervisors in 2021; the proposal of the remuneration plan of senior management in 2021; the proposal on replacing shareholder representative Supervisors and the proposal on election of chairperson of the second session of the Supervisory Board. Besides, members of the Supervisory Board attended all the previously held Board meetings, provided suggestions and opinions on the meeting's subject and its supervisory duties, and conducted proper supervision over the procedures and substance of each meeting held, which enabled the Shareholders' legal rights have been exercised and each of the meetings has been held legally and orderly.

II PRESENT AT/ATTEND MAJOR MEETINGS

In 2021, the Supervisors presented at three general meetings and attended nine Board meetings. By attending those meetings, the Supervisors not only sought to understand the operation and management of the Company, but also actively participated in the consideration and discussion of proposals to provide opinions and suggestions, and effectively supervised procedures for convening these meetings, and the discussion of subjects the meetings.

III ROUTINE EXAMINATION AND RESEARCH

In 2021, the Supervisory Board watched closely the compliance of operation of the Company to ensure that internal operation of the Company always respects related systems and regulations of the Listing Rules.

IV INDEPENDENT OPINION AND SPECIAL EXPLANATIONS

The Supervisory Board has mainly conducted the following works:

1. By supervising duty performance of Directors and senior management of the Company and the legality of the operation of the Company, the Supervisory Board was of the view that the Board of the Company was able to make decisions according to the law and in strict compliance with requirements such as the PRC Company Law, the Articles of Association and the major decision making processes for its operation is legal and valid. The Company further completed and optimized internal management system and internal control mechanisms including Articles of Association, Rules of Procedure of the General Meeting, Rules of Procedure of the Board, Working Rules of the General Manager, Working Rules of the secretary to the Board, Comprehensive Budget Management Measures, Administrative Measures on Guarantees, Financing Management Measures and Internal Control Manual. The Company disclosed important information on the Company in a timely manner according to securities regulatory and management requirements so that the information was disclosed in a regulated manner, and the securities trading system for the informed parties of insider information was conducted well; the Company also adopted Appendix 10 of the Listing Rules headed “Model Code for Securities Transactions by Directors of Listed Issuers” as its model code for securities transactions by Directors, Supervisors and personnel in possession of inside information of the Company. Directors and senior management of the Company have all performed their duties in accordance with related laws and regulations, the Articles of Association and resolutions of the general meetings and meetings of Directors, devoted to their duties while forging ahead and adhered to incorruptibility and self-discipline. Besides, no actions which violated laws and regulations, the Articles of Association, or harmed the interests of the Company or Shareholders have ever been found during the execution of their duties for the Company.
2. By communicating with the accounting firm in charge of providing audit and review services to the Company, the Supervisory Board reviewed financial statements of the Company, considered periodical reports of the Company and the audit report submitted by accounting firm, and periodically attended to the report prepared by internal audit department of the Company on the conduct of internal audit work, and carried out effective supervision and inspection on the financial management and operation of the Company. The Supervisory Board was of the view that during 2021, the Company had sound financial management system and mechanism, regulated management and reasonable expenses. The Company’s 2021 financial statements were audited by KPMG who has issued the standard audit report with an unqualified opinion that the 2021 financial statements prepared by the Company has fairly reflected the financial condition and operating results of the Company.
3. The Supervisory Board supervised the utilization of the proceeds by the Company. The Supervisory Board was of the view that the Company was able to manage and utilize the proceeds according to national laws and regulations and the commitments made by it in the Prospectus and the announcement of Partial Change of the Use of Proceeds from the Initial Public Offering dated October 29, 2021, and the Supervisory Board will continue to supervise and inspect the utilization of such proceeds.
4. The Supervisory Board supervised the Company’s connected transactions and was of the view that connection transactions of the Company were carried out according to the provisions of the PRC Company Law, the Listing Rules and the Articles of Associations, as well as the Administrative Rules on Connected Transactions, the pricing of connected transactions is fair and has not breached the principles of openness, fairness and impartiality, and no acts which harmed the interests of the Company and minority Shareholders of the Company have been identified.

Report of the Supervisory Board

5. The Supervisory Board made a special explanation of the internal control of the Company and was of the view that during 2021, the internal control systems of the Company have been constantly improved and internal control evaluation has made solid progress with overall performance continuously improving, thus internal control targets can be realized reasonably.

In 2022, which is the Company's 30th anniversary, the Supervisory Board will carry out its duties in supervising, strictly comply with relevant provisions of the PRC Company Law, the Articles of Association, the rules of procedure of the Supervisory Board and the Listing Rules, adhere to the principle of integrity, pay attention to major issues such as investments, related party transactions, and information disclosure of the Company by taking various approaches, supervise the Company, Directors and senior management, closely watch the production, operation and management condition of the Company, pay attention to important decisions and actions of the Company, inspect and supervise the Company's construction and operation condition in risk management, internal control, financial management and other aspects, and strengthen the self-construction of the Supervisory Board to strengthen supervision, so as to play its due role of contributing its efforts to the economic efficiency growth of the Company and firmly safeguard the interests of the Shareholders and the Company.

Chairperson of the Supervisory Board

PENG Chong

Tianjin, the PRC

March 25, 2022

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 of the Listing Rules.

The Directors consider that the Company has complied with all code provisions as set out in the Corporate Governance Code during the Reporting Period.

With effect from January 1, 2022, Appendix 14 has been renamed and the structure has been rearranged (the “**Amended Corporate Governance Code**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors, Supervisors and relevant employees of the Company. Upon making specific enquiries to all of the Directors, Supervisors and relevant employees of the Company, all Directors, Supervisors and relevant employees confirmed that during the Reporting Period, each of the Directors, Supervisors, and relevant employees has strictly complied with the required standards set out in the Model Code.

The Company is not aware of any incident of non-compliance of the Model Code committed by any Director, Supervisor or relevant employee during the Reporting Period.

BOARD OF DIRECTORS

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

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

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

The Board of the Company consists of the following Directors:

Executive Directors

Mr. ZHOU Shanzhong (周善忠) (*Chairman of the Board*)

Mr. MAO Yongming (毛永明) (*Deputy general manager*)

Mr. XING Cheng (邢城)

Non-executive Directors

Mr. WANG Xiaotong (王小潼)

Ms. DONG Guangpei (董光沛)

Independent non-executive Directors

Mr. CHAN Wai Dune (陳維端)

Mr. HAN Xiaoping (韓曉平)

Ms. YANG Ying (楊瑩)

Corporate Governance Report

Biographical information of the Directors is set out in the section headed “Directors, Supervisors and Senior Management” on pages 23 to 31 of this Annual Report.

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

According to Article 133 of the Articles of Association, the Board should consist of nine Directors. Mr. PENG Chong’s resignation as an executive Director on August 28, 2020 after the conclusion of the Board meeting resulted in the Company’s failure to comply with the provisions of Article 133 of the Articles of Association. However, Mr. PENG Chong’s resignation has not resulted in the number of Board members being lower than the minimum quorum required by the PRC Company Law, and has not affected the Board’s operation in accordance with applicable Chinese laws and regulations.

The Company will appoint a new Director according to the relevant rules and regulations of the PRC and the relevant election procedures under the Articles of Association. Furthermore, the Company is in the process of identifying suitable candidates to fill in relevant positions. Further announcement(s) will be made by the Company in relation to such appointments as and when appropriate.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The positions of the chairman of the Board and the general manager of the Company are held separately. During the Reporting Period, the role of chairman of the Board of the Company is held by Mr. ZHOU Shanzhong, and Mr. MAO Yongming is the acting general manager. The chairman of the Board is responsible for presiding over and governing the Board so as to create the conditions for the effective performance of the Board as a whole and effective contributions by individual Directors and to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The general manager has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended December 31, 2021, the Board has complied with relevant requirements of the Listing Rules, and has appointed at least three independent non-executive Directors (representing at least one-third of our Board), with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

RE-ELECTION OF NON-EXECUTIVE DIRECTORS AND DIRECTORS

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 (code provision B.2.2 of the Amended Corporate Governance Code) states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

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

For the year ended December 31, 2021, the Board held nine meetings to deal with various important matters of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

In August 2021, the Company provided on-site training for all Directors and Supervisors. Such training session covered a wide range of relevant topics including Directors' responsibilities regarding material transactions, financial information, subsidiaries, role of directors and minutes of meetings, key objectives of the independence and diversity of the Board. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors and Supervisors for their reference and studying. Each of the Directors and Supervisors has completed the aforementioned trainings.

In addition, the management has provided monthly updates to Board members so that the Directors may keep abreast of the Group's affairs and have a better understanding to assess the Group's performance, financial position and prospects.

BOARD COMMITTEES

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

Members of each Board committee comprise independent non-executive Directors and the list of the chairperson and members of each Board committee are set out under "Corporate Information" on page 187 of this Annual Report.

AUDIT COMMITTEE

The audit committee currently comprises three members, namely Mr. CHAN Wai Dune (chairperson), Ms. YANG Ying and Ms. DONG Guangpei, with the majority being independent non-executive Directors (including one independent non-executive Director with accounting expertise). None of the members of the audit committee is a former partner of the Company's existing auditors. The primary responsibilities of the audit committee are to review and supervise our Group's financial reporting process, risk management and internal control system. The terms of reference of the audit committee are available on the Stock Exchange's website and the Company's website.

During the year ended December 31, 2021, the audit committee held three meetings to review the annual results announcement and annual report for the 2020, the interim financial results announcement and interim report for the 2021, revision of the company's internal control manual, report on the work of risk management, internal control and internal audit, and other matters of importance. For the work and reports of the audit committee on the risk management and internal control of the Company, please see the paragraph headed "Risk Management and Internal Control" in this section.

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

Corporate Governance Report

REMUNERATION COMMITTEE

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

During the year ended December 31, 2021, the remuneration committee held two meetings. The remuneration committee reviewed remuneration matters such as the evaluation of Directors, Supervisors and senior management in 2020, remuneration plan of Directors, Supervisors and senior management in 2021 and assessed the performance of each of the executive Directors during the Reporting Period and provided advices to the Board on these matters.

NOMINATION COMMITTEE

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

During the year ended December 31, 2021, the nomination committee held three meetings. The nomination committee reviewed the structure, personnel and composition of the Board of Directors, and evaluated the independence of independent non-executive Directors. The nomination committee also conducted a comprehensive investigation on the occupation, education, title, detailed work experience of all the vice general manager and chief financial officer candidates, and underwent a qualification review for candidates according to the requirements and advised the Board of Directors on these matters.

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

BOARD DIVERSITY POLICY

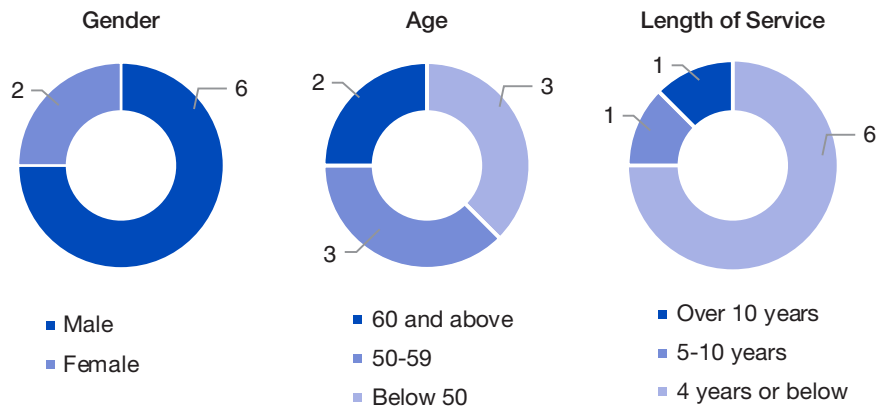
The Board has adopted the Board Diversity Policy with effect from December 2018. The Company recognizes the importance of diversity of the Board members to corporate governance and the Board effectiveness.

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

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

BOARD DIVERSITY

We are fully aware that a diverse Board will help to ensure the sustainable development of the Group and better assume corporate and social responsibilities. As of the Latest Practicable Date, the diversity of the Board of the Company is shown as follows:



In addition, the Company's nomination committee shall make nomination and recommendation to the Board for appointment and re-election of the Directors after taking into consideration analysis of the Board's skills, ensuring the Board can maintain different skills needed for the business on a continuous basis. All members of the Board have extensive experience in energy industry or company operation, among which, four Directors are experts in energy industry, five Directors have extensive experience in investment or related fields to assist the exploration of investment opportunities for the Group, two Directors also serve as the board member of other listed companies with the benefit of introducing good practical experience to the Group, two Director(s) have rich experience in risk and compliance governance, and two Director(s) have extensive experience in public administration and social activities. Members of the Board can also provide the Group with professional supervision, advice and experience in accounting, legal and other areas.

In addition, we intend to maintain and enhance the diversity of our Board. We will seek for external potential candidates as Directors as and when appropriate, and nominate and select our Directors based on the requirements of gender diversity under the Listing Rules, our nomination policy and Board Diversity Policy, which ensures that we can obtain diversified opinions and benefits from different Directors.

For the employee diversity of the Group, please refer to the section headed "Human Resources" of this Annual Report.

Corporate Governance Report

NOMINATION POLICY

The nomination policy of the Company is as follows:

- (1) the nomination committee shall review at least once a year the number, composition and organizational structure of the Board (including the skills, knowledge base, work experience and diversity of the Board members), and advise on personnel changes of the Board to consolidate the Company's development strategy;
- (2) the nomination committee shall consider the criteria and procedures for selecting Directors, general manager and other senior management members and make recommendations thereon to the Board, develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background and previous experience;
- (3) the nomination committee shall identify individuals suitably qualified to become the Board members and make recommendations to the Board on the nomination of individuals suitable for directorships, having due regard to the Company's Board Diversity Policy, the requirements in the Articles of Association regarding the appointment of directors of the Company, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experience, independence and gender diversity; and
- (4) the nomination committee shall review the independence of independent non-executive Directors with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the nomination committee or the Board. If a proposed independent non-executive Director will be holding his/her seventh (or more) listed company directorship, the nomination committee shall assess his/her ability to devote sufficient time to the Board matters.

NOMINATION PROCEDURES

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

- (1) the Board office and the nomination committee shall actively communicate with the relevant departments of the Company to assess the demand of re-election for new Directors and senior management members and prepare written materials;
- (2) the nomination committee may extensively seek for candidates for Directors and senior management within the Company, the Company's subsidiaries/associated corporations/joint ventures as well as in the recruitment market;
- (3) the nomination committee identifies individual(s) suitably qualified to become the Board member(s), having due regard to the relevant requirements, including but not limited to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate. The nomination committee shall obtain information of the occupation, academic qualifications, job title, detailed work experience and all the part-time positions of the preliminary candidates and prepare written materials;
- (4) to seek for the written consent from the nominated candidates on the proposed nomination; otherwise, such nominated candidates shall not be considered as candidates for Directors, general manager and senior management members;
- (5) to convene nomination committee meetings to review the qualifications of the preliminary candidates according to the job descriptions of Directors, general manager and senior management members;
- (6) to submit proposals and relevant materials to the Board in respect of the candidates for Directors, the re-election of Directors and the candidates for senior management members within reasonable time prior to the election of new Directors, the re-election of Directors and senior management members; and
- (7) to carry out other follow-up work according to the decision(s) and feedback of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code (code provision A.2.1 of the Amended Corporate Governance Code).

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

Corporate Governance Report

ATTENDANCE RECORDS OF DIRECTORS AND MEMBERS OF BOARD COMMITTEE

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended December 31, 2021 is set out in the table below:

Name of Director	Attendance/number of meetings during the term of office				
	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' General Meeting
ZHOU Shanzhong	9/9			3/3	3/3
XING Cheng	9/9				3/3
MAO Yongming	9/9		2/2		3/3
WANG Xiaotong	9/9				3/3
DONG Guangpei	9/9	3/3			3/3
CHAN Wai Dune	9/9	3/3			3/3
HAN Xiaoping	8/9 ^{Note}		2/2	3/3	3/3
YANG Ying	9/9	3/3	2/2	3/3	3/3

Note: Mr. HAN Xiaoping was not able to attend the 14th meeting of the second session of the Board of the Company in person due to health reason and has appointed Mr. ZHOU Shanzhong as his proxy to attend and vote on his behalf.

In addition to regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period, mainly discussing the construction, production and planning of the gas distributed energy station project of Lingang Thermal Power.

RISK MANAGEMENT AND INTERNAL CONTROL

To comply with the requirements of risks management for listed companies, establish and improve the risk control and management system, process and warning mechanism as necessary for the operation and management of listed companies to ensure effective identification of risks, the Group, based on adjustments of internal organization, further conducted internal control and risks management, including amendments on various processes, rules and regulations, as well as strengthening the identification and collection of risks facing the Group for the year, and approved (after approval by the Audit Committee) the new version of internal control and management manual. Details of risk management and significant risks (including but not limited to ESG risks) faced by the Company, please refer to the paragraph headed "Risk Factors and Risk Management" set out in the section headed "Management Discussion and Analysis" of this Annual Report. Accordingly the integrity, reasonableness, and the implementation of the internal control measures by various departments of the Group have been organized and reviewed to effectively control the possibility of the occurrence of such risks. By introducing advanced risk management concepts and tools, improving the internal control system and meeting the regulatory requirements for risk management and internal control, the Group's risk management and control capabilities are enhanced as a whole so as to continuously enhance its core competitiveness.

The Board fully understands its responsibilities for risk management and internal control systems, and for reviewing their effectiveness. The systems aim to manage rather than eliminate the risks of the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The major internal control policies established by the Company include budget control, operation activities analysis, financial reimbursement and approval control, credit and borrowing control. The management has confirmed to the Board and the audit committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2021.

As a functional department of the Company's, the audit and risk control department is responsible for the Company's internal audit. In 2021, it supervised and inspected the quality and procedure of the Company's financial statements, audited the soundness and effectiveness of the Company's internal control, and assisted independent auditors to complete the annual financial audit. Specifically, the work includes: checking the internal control for the Company's business process, and the integrity of the internal control design; and assisting the independent auditor to complete the inventory and letter confirmation procedures.

The Board reviews the Company's risk management and internal control systems annually. The Board, as supported by the audit committee and the audit and risk control department reviewed the management report, the internal audit findings as well as the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2021, and considered that such systems are effective and adequate and there are no significant areas of concern. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources, as well as those relating to the Company's ESG performance and reporting. With regard to the ESG performance for the Reporting Period, please refer to the section headed "Environmental, Social and Governance Report" of this Annual Report.

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

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

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 103 to 107 of this Annual Report.

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

AUDITORS' REMUNERATION

The remuneration of the Company's external auditors for the year ended December 31, 2021 amounted to RMB1.226 million. During the Reporting Period, the Group did not request any non-audit services from the Company's external auditors and therefore no service fee was paid.

COMPANY SECRETARY

Mr. LAU Kwok Yin served as the company secretary of the Company during the Reporting Period and as of the Latest Practicable Date. For the year ended December 31, 2021, Mr. LAU Kwok Yin has received no less than 15 hours of relevant professional training on reviewing the requirements under the Listing Rules and other compliance. The principal contact person in the Company of Mr. LAU Kwok Yin was Mr. MAO Yongming, an executive Director.

SHAREHOLDERS' RIGHTS

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

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

Email: tianbaonengyuan@tjtbny.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONS

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

THE ARTICLES OF ASSOCIATION

Pursuant to the completion of the H share "full circulation" of the Company and based on the provisions and relevant requirements in laws and regulations, including, among others, the Company Law of the PRC, the Board, after referring to the actual situation of the Company and its operation and development needs, proposed to amend the Articles of Association of the Company in accordance with principles of prudence, suitability and necessity. Such amendments have been approved by Shareholders on June 10, 2021 by special resolution, ordinary resolution and ordinary resolution, respectively. Details of such amendments are set out in the Company's circular to the Shareholders dated April 23, 2021. In addition, the Company also amended the Articles of Association on October 22, 2021, which expanded the Company's business scope. Details of such amendments are set out in the circular to the Shareholders dated September 30, 2021. An updated version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

1 ABOUT THIS REPORT

1.1 Overview

This report is the fourth environmental, social and governance report (hereinafter referred to as the “**Report**”) issued by Tianjin Tianbao Energy Co., Ltd. (hereinafter referred to as the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”, “**Tianbao Energy**” or “**We**”). This Report outlines our strategies, work and performance with regard to the environmental, social and governance (hereinafter referred to as “**ESG**”).

1.2 Reporting scope

This Report covers the power generation and supply business of the Group, which covers the period from January 1, 2021 to December 31, 2021 (hereinafter referred to as “**this Year**”, “**Reporting Period**” or “**2021**”), and collects policy documents for environmental and social areas as disclosed in the annual report. The scope of disclosure of KPIs for the social area is consistent with the annual report, and that for the environmental area is limited to Lingang Thermal Plant and Haigang Thermal Plant, where our principal business is conducted (unless otherwise specified).

1.3 Reporting standard

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the “**Guide**”) in Appendix 27 of the Listing Rules. This Report has complied with all the “comply or explain” provisions in the Guide and has been prepared in accordance with the four reporting principles in the Guide: “Materiality”, “Quantitative”, “Balance” and “Consistency”.

Materiality: The materiality of the Group’s ESG matters is determined by the Board of Directors (the “**Board**”), and the process and criteria for the communication with stakeholders and the identification of materiality issues are disclosed in this Report.

Quantitative: The statistical standards, methods, assumptions and/or calculation tools, and sources of conversion factors related to quantitative KPIs in this Report are described in the Definitions hereof.

Balance: This Report presents impartially the performance of the Group during the Reporting Period to avoid any choice, omission or presentation that may unduly affect the decision or judgment of the reader.

Consistency: The statistical methods for the disclosure of figures in this Report are consistent with previous years unless otherwise specified.

1.4 Reporting approval

This Report was approved by the Board on March 25, 2022 after confirmation by the management.

1.5 Reporting feedback

The Group is committed to establishing more detailed and sound sustainable development strategies. If you have any enquiry or comment on this Report, please feel free to call or write to us through the following contact information:

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

2 SUSTAINABLE DEVELOPMENT MANAGEMENT

2.1 Company culture

Company's goal: advanced management, excellent service, safety and reliability, outstanding efficiency, harmonious development

Company's spirit: diligent in learning, good at innovation, courageous to challenge, willing to contribute

Company's vision: to become a leading power supply company in China

Company's mission: to provide efficient and comprehensive power services for the society, so that employees can show their value in life

2.2 Board statement

To further facilitate the effective implementation of the Group's ESG matters and promote sustainable development, we established an ESG Working Group directly led by the Board this Year, so as to more effectively supervise the Group's ESG matters. The Board is fully responsible for the Group's ESG strategy, policy and reporting.

Under the leadership of the Board, the ESG Working Group conducted a materiality assessment this Year to understand the concerns and requirements of stakeholders to determine the Group's ESG management policies, strategies, priorities and goals. The Group has established relevant ESG goals. The Board and the ESG Working Group shall hold meetings regularly to discuss and consider various ESG issues, track and review ESG-related performance and progress toward goals. The goals can demonstrate the achievements from Tianjin Tianbao's ESG policies and management system, and will improve the relevant policies according to the progress of the goals. In the future, we will review the progress against relevant goals to improve sustainability.

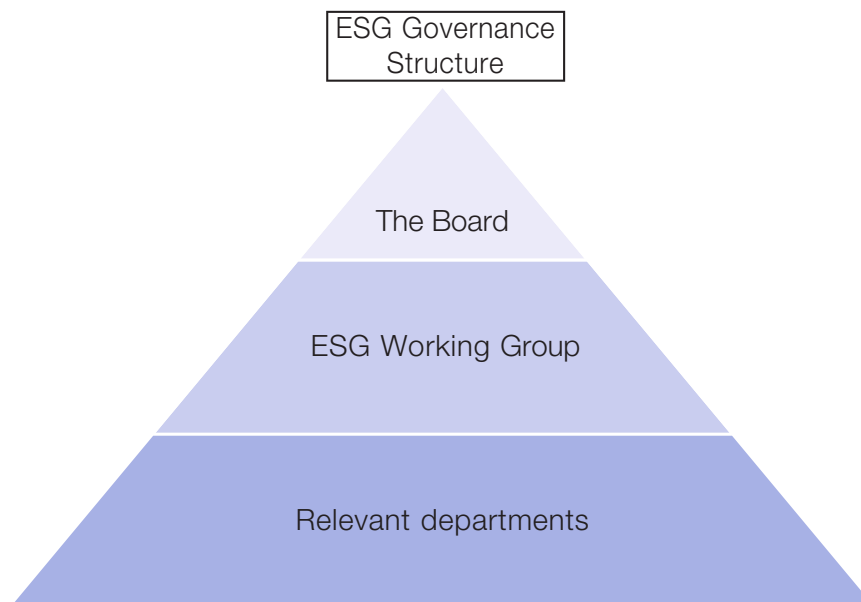
2.3 Sustainable development policy

The Board is responsible for coordinating the sustainable development of the Group and actively participates in the monitoring, identification, evaluation, and management of ESG matters to ensure business continuity, while making every effort to integrate ESG principles into our business management approaches to contribute to the environment and society.

As a responsible corporate citizen, we have formulated different policies regarding ESG to promote and manage matters related to social responsibilities, so as to guide the Group and our business partners to put sustainable development into practice. For details of policies and measures and our sustainable development performance in various aspects, please refer to the corresponding sections of this Report.

2.4 Sustainable development structure

We have integrated the concept of sustainable development into our operations and have formulated a number of policies to promote sustainable development. During the Year, we established an ESG Working Group to assist the Board in more effective oversight of the Group's ESG matters. Our ESG governance structure is as follows:



The Board, as the Group's highest decision-making authority on ESG, is responsible for negotiating and approving the Group's ESG management guidelines, strategies, plans, objectives and annual work, including assessing, prioritizing and managing significant ESG matters, risks and opportunities, as well as reviewing the annual ESG reports and approving disclosures.

Our ESG Working Group is led directly by our General Manager and Deputy General Manager as Deputy Team Leader who are responsible for identifying ESG-related risks and opportunities, formulating ESG work objectives and measures, coordinating and organizing communication with stakeholders and major analysis, continuously tracking and reviewing ESG-related performance and objective progress, ensuring that all ESG matters are properly managed and implemented, and reporting to the Board regularly.

As the executive level supporting the ESG Working Group, relevant departments of the Group are composed of relevant personnel from the Customer Service Department, Thermal Power Department, Electricity Supply Department, General Office, Audit and Risk Control Department, Security Technology Department, Financial Asset Department, Resources Management Department, Investment Securities Department and New Energy Department. They are responsible for collecting and reporting ESG internal policies, systems and performance indicators and reporting to the ESG Working Group on a regular basis.

Environmental, Social and Governance Report

2.5 Communication with stakeholders

Our key stakeholders include customers, investors/shareholders, employees, business partners, suppliers, government/regulatory agencies, communities and the public. We firmly believe that our long-term interests and sustainable development are based on the support and trust of our stakeholders. The Company actively maintains a close and harmonious relationship with stakeholders to listen to stakeholders and respond appropriately to their needs for long-term success.

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

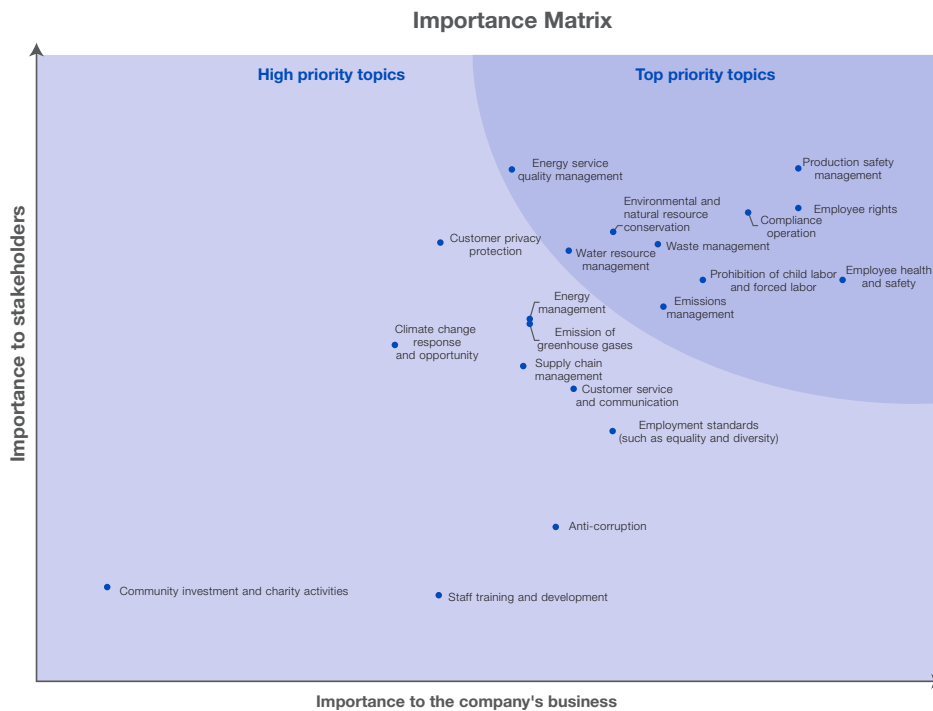
Key stakeholders	Main communication channels
Customers	<ul style="list-style-type: none"> • Customer satisfaction survey and feedback form • Customer service center • Customer relationship manager visits • Product and service complaint hotline • Daily operations/communications • Phone/E-mail/WeChat
Investors/shareholders	<ul style="list-style-type: none"> • Annual general meetings and other shareholders' meetings • Interim report and annual report, performance announcement • Corporate newsletters, such as meeting notices • Company website • Information disclosure
Employees	<ul style="list-style-type: none"> • Employee training • Channels through which employees express their opinions (e.g. forms, suggestion boxes, communication meetings, intranet, etc.) • Job performance appraisal/interview
Business partners	<ul style="list-style-type: none"> • Meeting • Visit • Phone/WeChat
Suppliers	<ul style="list-style-type: none"> • Supplier/contractor evaluation system • WeChat
Government/regulatory agencies	<ul style="list-style-type: none"> • Information disclosure • Compliance report
Communities and the public	<ul style="list-style-type: none"> • Public welfare activities/community service activities

2.6 Materiality Assessment

To allocate resources more efficiently and facilitate the smooth implementation of the ESG, the Group referred to international standards such as the Hong Kong Stock Exchange Guide and the materiality map of Sustainability Accounting Standards Board (SASB), and invited internal and external stakeholders to participate in an online questionnaire covering areas such as efficient energy and governance, professional teams, green operations and social responsibility, which will enable us to better understand the expectations of all stakeholders so as to identify important ESG topics of the Group.

The online questionnaire covers a total of 20 important ESG topics. Each important topic will be rated by each stakeholder. The Group prioritizes important ESG topics based on questionnaire feedback from stakeholders to ensure that the assessment results are accurate and objective. After analysis, the Group has prioritized 20 important ESG topics, including 10 top priority topics and 10 high priority topics.

The following important ESG topics have been approved and confirmed by the Board.



Environmental, Social and Governance Report

Top priority topics	High priority topics
Production safety management	Energy management
Employee rights	Emission of greenhouse gases
Employee health and safety	Employment standards (such as equality and diversity)
Compliance operation	Customer service and communication
Prohibition of child labor and forced labor	Customer privacy protection
Waste management	Supply chain management
Environmental and natural resource conservation	Anti-corruption
Emissions management	Climate change response and opportunity
Energy service quality management	Staff training and development
Water resource management	Community investment and charity activities

In response to stakeholder concerns, this Report sets out the Group's policies, measures and performance in relation to important ESG topics during the Reporting Period. In addition, we will review the relevant ESG policy and make appropriate adjustments in the future to meet the expectations of stakeholders.

2.7 Risk management

We have established a comprehensive risk management system consisting of the business function department, risk management function department and internal audit and supervision department. The Board conducts overall monitoring to understand and master all major risks faced by Tianbao Energy and its risk management. Each functional department will identify potential risks and past risk events, carry out risk assessment, formulate and implement relevant risk response strategies and solutions, early warning indicators, etc. The system details the monitoring of risk change and the implementation of risk response measures, promptly start the emergency plan in case of major risk event and report to the responsible leader, and inform the Financial Asset Department and the Audit and Risk Control Department about the occurrence and control of risks. The Audit and Risk Control Department will organize and carry out risk assessment regularly. The assessment adopts a combination of qualitative and quantitative methods, ranking risks from two dimensions: possibility of occurrence of risks and degree of impact on operation and development objectives, and evaluating 4 grades of material risk, significant risk, medium risk and low risk, to determine the focus and management priority, so as to implement the subsequent risk response.

In addition, the Group hopes to play the role of internal audit in strengthening internal control, improving organizational risk management and economic benefits, safeguarding the rights and interests of investors, ensuring audit quality and considering the actual situation of the Company. When conducting internal audit activities, the internal auditors shall perform the duties of internal audit and guide and serve the departments of internal audit based on facts and adhering to the professional spirit of impartiality.

The Group will promptly track the implementation of risk management, adjust the risk response measures in a timely manner based on the monitoring and evaluation results and changes in internal and external environment, constantly improve the working mechanism and promote the optimization and upgrading of the overall risk management system.

3 EFFICIENT ENERGY AND GOVERNANCE

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

2021 annual performance	
Electricity generation: 68,777,000 kWh	Production of steam: 1,992,516 tons
Total heating area: 0.373 million square meters	Total cooling area: 0.1778 million square meters

3.1 Employee and production safety management

To standardize and strengthen safety production, ensure employee safety and the effective construction and operation of risk management mechanism, and improve risk prevention ability and operation management, the Group has formulated Comprehensive Risk Management Measures, Internal Auditing Management Measures and Internal Control Manual. The Board actively takes various measures to monitor, identify, assess and manage risks to safe production. At the annual Board meeting, the Board of Directors requires the general manager to report the production safety situation of the whole year in the General Manager's Report, which will be considered by the Board of Directors.

Tianbao Energy adheres to the concept of safety management, formulates a complete safety management system, implements a series of employee occupational health and safety management measures and carries out various safety trainings. We are committed to providing a healthy and safe working environment for our employees to avoid work-related injuries or occupational hazards. During the Reporting Period, Tianbao Energy has complied with the Electricity Law of the People's Republic of China, Safe Production Law of the People's Republic of China, Fire Prevention Law of the People's Republic of China, Special Equipment Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Regulation on Emergency Responses to Work Safety Accidents, Administrative Measures on Emergency Plan for Production Safety Accidents, Tianjin Safe Production Regulations, and other relevant national and local laws and regulations. In addition, Tianbao Energy formulated the Safety Production Management System, Fire Safety Management Measures, Occupational Health Management Measures, Management Measures for Safety Facilities and Safety Signs, Safety Education and Training Measures, and Management Measures for Labor Protection Articles.

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To improve safety-related professional skills and management of employees at all levels and standardize safety training, employees shall receive three levels of safety education of the company, department and team before taking up their posts.

Safety Education and Training Measures for Tianjin Tianbao Energy Co., Ltd.		
Level	Organization Department	Safety Education
Company	Security Technology Department	<ul style="list-style-type: none"> – Self and mutual rescue, first aid methods, evacuation and site emergency handling – Use and maintenance of safety equipment and facilities and personal protective equipment – Fire safety training
Department	Relevant departments	<ul style="list-style-type: none"> – “Four New” safety education (new process, new technology, new material, new equipment and facilities) – Safety production rules and regulations and labor discipline of the department – Work environment, post and risk factors as well as safety responsibilities and operation skills of the type of work engaged in
Team	Team organization	<ul style="list-style-type: none"> – Accident prevention measures and safety precautions – Special equipment safety knowledge – Knowledge on safe production of hazardous chemicals, and on safety precaution of chemicals easy to make toxic and explosive substances – Fire safety knowledge, use of fire fighting equipment and devices – Basic skills such as emergency repair and learning relevant accident cases

In addition, employees in the energy industry are more vulnerable to occupational disease hazards and occupational diseases than the general occupational groups or lead to the aggravation of their own diseases. We shall prevent, control and eliminate occupational diseases and protect employees' health and relevant rights and interests thereof.

Environmental, Social and Governance Report

Occupational Health Management Measures for Tianjin Tianbao Energy Co., Ltd.	
Organization Department	Aspects of occupational health management
Security Technology Department	<ul style="list-style-type: none"> – Prepare a procurement plan and cost budget for labor protection articles – Supervise the detection of occupational hazards – Supervise relevant departments to implement occupational disease prevention – Do a good job in publicity and education of occupational disease prevention – Be responsible for collection, analysis and arrangement of occupational health data, supervise and inspect the safety management of all departments, relevant parties and external employees – Submit the occupational disease hazard project to the superior supervision and management department of safety production for filing, and keep the filing receipt
Relevant departments	<ul style="list-style-type: none"> – Departments involved in occupational disease hazards shall be responsible for supervising relevant parties to implement occupational health examination and establishing relevant accounts, etc. – Functional departments shall supervise outsourcing units to organize relevant employees to carry out pre-job, on-post and post-leaving occupational health examinations – Functional departments shall supervise outsourcing units to provide pre-job occupational health training and regular on-post occupational health training for employees exposed to occupational hazards, popularize occupational health knowledge and improve the protection awareness and ability of the employees – Implement the maintenance and overhaul system of occupational hazard protection facilities and the requirements of “Three Simultaneities” (design, construction, production and use simultaneously)
Team organization	<ul style="list-style-type: none"> – Each outsourcing unit shall truthfully inform the workers of the possible occupational disease hazard factors, consequences, protective measures and treatment in the workplace when signing or changing labor contracts with the employees – Outsourcing units enter inspection results into the Occupational Health Surveillance File – Provide qualified protective articles for employees, and promptly report and properly dispose of occupational diseases or suspected cases once found

Environmental, Social and Governance Report

The Group specially establishes the Safety Guidelines of the Thermal Power Department to improve the staff's occupational safety awareness on preventions of accidents, occupational diseases and fire. We also regularly hold drills of fire accidents and emergency evacuation, and carry out special trainings on the dangers that may be encountered at work and the self-protection measures.

In July of this year, the Energy Thermal Power Plant held an emergency evacuation drill for dormitory buildings, to make the staff familiar with the emergency evacuation route of dormitories, effectively master the basic consciousness and skills of disaster prevention and escape, improve their self-rescue and self-care ability for sudden disasters such as the fire and earthquake, so as to minimize the loss of safety accidents, and accumulate practical experience such as the emergency organization for mass evacuation.



Emergency evacuation drill for dormitory buildings

The Group had no lost days due to work injury during this Year, and there has been no work-related death in the past three years including this Year.

During the Reporting Period, Tianbao Energy has complied with the Electricity Law of the People's Republic of China, Safe Production Law of the People's Republic of China, Fire Prevention Law of the People's Republic of China, Special Equipment Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Regulation on Emergency Responses to Work Safety Accidents, Administrative Measures on Emergency Plan for Production Safety Accidents, Tianjin Safe Production Regulations, and other relevant national and local laws and regulations.

3.2 Quality management system

The Company's predecessor, Tianbao Electricity Company, passed the third-party audit and certification of ISO9001 quality management system in 1998. Over the past 20 years, the Group has undergone several conversions of ISO9001 standard and implemented GB/T19001-2016/ISO 9001:2015 standard on January 10, 2018. The Company's general manager organizes management review every year, and formally evaluates the on-going suitability and effectiveness of quality policy, quality objective, risk control and quality management system to ensure that the quality management system is always operating effectively. The Company continued to pass the third-party audit of ISO9001 quality management system in 2021.

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



Quality Management System Certification Certificate

Environmental, Social and Governance Report

In order to establish the Company's quality management standards, on August 21, 2020, the Company completed the revision and release of the Tianbao Energy Quality Management Manual, and specified the Company's quality management system in accordance with the Plan, Do, Check, Act (PDCA) quality management cycle method in detail.

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

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

The Group attaches great importance to the maintenance and protection of intellectual property rights, and designates relevant department to record and manage all intangible assets such as patents and copyrights it holds. We pay close attention to the trend of intellectual property rights related to the Group to protect the intellectual property rights of the Group. If there is any malicious infringement, we will, after all facts are ascertained, demand the infringer to bear compensation and legal liabilities in accordance with the law to prevent others from infringing intellectual property rights. In 2021, the Group held 26 new utility model patents, 6 computer software copyrights and 1 new software copyright in total.

Besides, the Company passed the GB/T23331-2012 energy management system certification in 2019, passed the new standard ISO50001-2018 certification in 2021, and completed the annual supervision and audit, and the certificates have been valid.

3.3 Customer service

The Company adheres to the principle of customer first. We specially formulated the Customer Service Management System and set up a professional customer service team to respond to customers' opinions and suggestions on products and services in a timely manner, so as to guarantee the product and service quality of Tianbao Energy to customers. In addition to the hotline, customers can also communicate with our customer service through the Company website and WeChat. For customer complaints about products and services, the Company makes the following responses.

Handling process of customer complaints & tip-offs:

1)	Customer Service Department	Record customer's opinions and advices, enquiries, complaints and tip-offs, emergency repair and rescue, views, praises and other issues raised in visits and calls through the Customer Service Worksheet and Satisfaction Questionnaire
2)	Customer Service Department	Sort and organize recorded information and then send it to relevant functional departments involved
3)	Relevant functional departments	Arrange relevant personnel to investigate, analyze the reasons, and take corresponding corrective actions, and feed the processing results back to the Customer Service Department
4)	Customer Service Department	Feed the processing results back to the customers, seek their satisfaction with the processing results and record in the Customer Service Worksheet, and Satisfaction Questionnaire

In order to ensure the quality of customer service, the Company has arranged the General Manager and Deputy General Manager in charge to supervise the implementation of customer service, coordinate and solve customer complaints, opinions and suggestions, and review the complaints & tip-offs. Handling results will be given within 72 hours for all work sheets. Once the complaint is verified, the person responsible for the report will be disqualified from the annual merit evaluation. Where the content of complaints & tip-offs violates discipline inspection requirements, it shall be handled according to the Company's disciplinary inspection decision. Where it is suspected of breaking the law, it will be immediately transferred to the judicial organs for investigation.

In addition, the Customer Service Management System stipulates that questionnaires shall be issued to the customers every December for summary and analysis, to issue the customer satisfaction assessment report, so as to obtain the needs and expectations of customers and understand the direction for improvement of the Group. The analysis results will be sent to the leaders of the Company and all departments, and each department shall try to solve the problems analyzed and summarized in the report.

In 2021, Tianbao Energy simplified the steps for power application and utilization, and significantly shortened the time of power availability and the time and cost of new installations and capacity expansion for customers, so as to better satisfy the needs of customers and provide higher quality services to customers.

During the Reporting Period, the Group did not receive any complaints from customers. If any complaints are received, we will promptly investigate and handle them according to the procedures specified in the Customer Service Management System.

3.4 Supplier risk management

Tianbao Energy serves as a power enterprise in Tianjin City. Material and service providers run through all links of the enterprise's production and operation, which is a crucial part for the Group to provide safe and reliable energy services. Our raw material suppliers mainly render the supply of coal, bulk materials (ammonia, magnesium oxide, limestone, diesel, etc.), waste recycling, ash removal and production equipment and materials. In addition, we outsource some of the operation and maintenance service requirements of the Lingang Thermal Power Plant to third party professional service providers. The following table lists suppliers by geographical region:

Region	Supplier(s)
Tianjin	32
Shandong	5
Beijing	3
Shaanxi	3
Xiamen	2
Dalian	2
Shanxi	2
Jiangsu	2
Henan	2
Shanghai	1
Inner Mongolia	1
Ningbo	1
Guangxi	1
Hebei	1
Hubei	1
Chongqing	1

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To strengthen the safety management of entrusted external parties and ensure the safe and stable development of the Company, we hereby formulate the Interim Measures for Safety Management of Entrusted External Parties. All entrusted external parties (contractors and suppliers) shall have corresponding qualifications, and shall be included in the list of qualified suppliers of the Company (pursuant to the Company's Related Party Management System) only after completion of qualified supplier evaluation through the procedures specified in the Related Party Management System of Tianjin Tianbao Energy Co., Ltd. The qualification evaluation shall be conducted through public bidding procedures for the entrusted external parties selected through public bidding. We will conduct examination through inquiry of National Enterprise Credit Information Publicity System, etc. Suppliers shall not pass the qualification evaluation if they were punished by government authorities for production safety accidents or other illegal behaviors in production safety within three years. In case of any major or especially serious safety production accident, the supplier shall not pass the qualification evaluation permanently. For qualified suppliers, the qualification, credit, production safety, service quality, etc. shall be continuously evaluated every year to decide the renewal. In addition, the Group implemented the provisions on the supplier review and procurement control process in the policies such as Related Party Management System, Management System for Tendering, Comparison and Selection, Materials (Services) Procurement Management System, and Coal Purchasing System for all procurement activities.

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

Coal serves as the most important part of Tianbao Energy's services and one of the Group's largest raw materials. Both the Board of Directors and the management have taken different measures to monitor, identify, assess and manage procurement related risks. The Audit and Risk Control Department of the Group, as the executive department of the audit committee of the Board of Directors, reviewed the compliance of the procurement contract before its execution, and organized relevant departments to conduct three times on-site sampling on the procurement of raw coal by the Group and submit them for inspection, and formed an Investigation Report and Recommendation on Management. According to the Coal Purchasing System, we also entrust a professional consulting company with relevant qualifications to review and determine the qualified coal suppliers that are short-listed, to ensure that their production processes comply with the laws and regulations and environmental protection standards of the place where they operate. Afterwards, qualified suppliers are selected through open tendering, bidding comparison and selection, and direct entrustment in accordance with the Management System for Tendering, Comparison and Selection and Materials (Services) Procurement Management System. Before the purchased coal is used for production, the Group will sample and accept it according to the requirements of the Coal Purchasing System, and submit it to a qualified third party for inspection to ensure that the coal quality meets the standard of coal used for production.

The Group adopts a variety of fuel procurement strategies to diversify fuel sources by selecting suppliers from different cities so as to obtain a stable fuel supply with competitive prices and ensure a stable supply of electricity.

Suppliers are also required to sign a letter of commitment to comply with the requirements of social corporate responsibility and environmental protection, including the prohibition of child and forced labour, the elimination of discrimination against employees and the provision of a safe working environment. When purchasing products and services, we shall comply with relevant environmental laws, regulations and requirements while minimizing the negative impact on the natural environment. Our purchasing personnel will conduct on-site investigation when necessary.

3.5 Privacy and cybersecurity

The Group attaches great importance to protecting the data privacy of customers and partners, and strictly abides by the Contract Law of the People's Republic of China and other relevant laws and regulations of China. Regardless of whether the cooperation is established, any member of the Group shall not reveal or improperly use trade secrets of others. In accordance with the provisions of the Power Supply and Utilization Contract, Cooling Supply Contract, and Heating Supply Contract, the Group stipulates that any employee is prohibited from revealing confidential information of customers to other companies, media, networks, organizations and individuals. If an employee violates this regulation and causes losses to the customer, he or she will be punished according to relevant regulations.

The General Office is the competent department of the Company's information security management and data security, and plays a role of resisting information security risks and preventing potential information safety and data security hazards. We have formulated relevant specifications and systems, such as the Measures for Information Data Management and Measures for Information Security Management, to maintain the information security of customers and partners. The General Office shall provide guidance and supervision to the safety of the information system and equipment managed by the offices of each department, educate and manage the staff to strictly implement information safety management, and submit the inspection information regularly based on the relevant requirements of information management of holding companies.

3.6 Incorruptibility

Tianbao Energy attaches great importance to the construction of incorruptibility, creates an enterprise atmosphere with honest and integrity, actively establishes supervision mechanisms, and focuses on the cultivation of incorruptible atmosphere so as to create a healthy management mode.

During the Reporting Period, we have observed the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Provisions on the Honesty and Integrity of Leading Personnel in State-owned Enterprises, and other relevant laws and regulations, asked officers in mid-level management and above to sign the Letter of Undertaking the Main Responsibility of Building an Honest and Clean Party so as to implement a responsibility system for such building. At the same time, directors of the Group and employees at different levels participated in integrity education and the anti-corruption training. Directors and employees have strengthened their awareness of integrity risks via watching precautionary and educating videos and reading precautionary materials.

We formulated the Code of Conduct for Employees to regulate the execution of such behavioral norms and standards and conducted training education and inspection in a timely manner. We earnestly gave play to the supervisory role of all employees in the Group via opening reporting channels, setting complaint mailboxes in positions around working areas plus exposing tip-off phone numbers and email addresses so as to create a positive corporate culture prioritizing honesty and integrity first.

During the Reporting Period, the Group did not receive any whistle-blowing or investigation concerning corruption cases.

4 PROFESSIONAL TEAM

Our employees are the important cornerstones of our growth and success. We attract and recruit the best talent to build teams that perform well and to promote a diverse and inclusive environment for all employees. We are committed to investing in our employees, provide them with a meaningful career path to become a leading diverse team, so as to support our overall growth strategy and facilitate the achievement of business objectives.

4.1 Recruitment

The human resources administrator of our General Office will predict and analyze the supply and demand of human resources based on the internal and external information of the Company, formulate scientific and reasonable human resources development goals and implementation strategies, and then adjust the needs according to the Company's planning scheme and strategy to prepare the human resources planning for the next year.

During the Reporting Period, the Group strictly abode by the Labor Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China, the Provisions on the Implementation of Labor Contract System in Tianjin, the Law of the People's Republic of China on the Protection of Minors, the Provisions of Prohibition on Child Labor and other laws and regulations, and formulated the Professional Technology Series, the Comprehensive Management System of Human Resources, the Administrative Measures for Attendance and Vacation and the Performance Appraisal Management Measures, which clearly listed various systems such as human resource planning, post setting and adjustment, recruitment, resignation, retirement, family planning, job and staff appointment, labor contract, salary distribution, insurance, accumulation fund, welfare expenses, etc., so as to provide a safe, inclusive and fair working environment for employees and eliminate discrimination factors such as age, gender, origin, race and cultural background.

In addition, the employees of the Group shall have reached the legal employment age. The Group shall strictly check the personal information of the applicant during recruitment, and verify the identity information of the applicant through various means such as checking the ID card to prevent child labor. If the applicant is found to fill in false personal information, they will be rejected by the Group. During the Reporting Period, there were no cases of child labor or forced labor in the Group.

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During the Reporting Period, the Group had 63 employees, all of whom were registered in Tianjin. The relevant statistics are as follows:

Indicator	Unit	Year 2021
Total number of employees	persons	63
By gender		
Female employees	persons	16
Male employees	persons	47
By employment type		
General employees	persons	40
Middle management	persons	14
Senior management	persons	9
By age group		
Under 35	persons	7
36-45	persons	31
46-55	persons	21
56 and above	persons	4
By geographical region		
Northern China	persons	63

4.2 Talent management

Tianbao Energy is grateful to all employees for their unremitting contributions to the Group. To safeguard their well-being in the workplace and retain the best talent, we have established an Integrated Human Resource Management Measures to handle employment-related management tasks. In the measures, we have a clear management process to help employees understand the post setting, recruitment, dismissal, pay and benefits issuance, etc., so as to ensure that employees enjoy legitimate labor rights and establish and secure equal labor relations. Besides, the Company develops the Administrative Measures for Attendance and Vacation to implement a work scheme which includes five-day work week and welfare holidays like national statutory holidays, paid annual leave, sick leave, marriage leave, bereavement leave, maternity leave, paternity leave, etc. Furthermore, overtime working is not advocated in the Group in principle. However, in case of any exceptions, employees shall be given corresponding compensation in accordance with overtime working treatment regulations and such overtime working shall not be over 36 hours per month. If any violations or forced labor occur, the Company will hold the relevant personnel accountable as per relevant legal provisions and its policies.

4.3 Talent cultivation

The energy industry and transformation require professionals, so training and development are extremely important to the business of Tianbao Energy. The Group provides continuous education and training programs and diversified internal and external training opportunities to constantly improve the skills and knowledge as well as professional quality of management and other employees. We believe that talent cultivation will help the Group maintain competitiveness in the market and promote long-term growth of our business.

To inspire the enthusiasm and creativity of employees and adapt to the requirements of market changes and internal management, the Company specially formulated the Administrative Measures for Staff Training, which stipulate the management responsibility, procedure and scope of staff training, the enforcement and assessment of training programs, etc. This Year, we organized various training activities including professional skills training, safe production and management training, quality management training, etc., improving the professional skills and safe production management level of employees.

In 2021, the Group carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel, the trainings were layered and segmented so as to improve the professional capacity and management level of the employees. In 2021, the Group provided 28 internal and external professional skills training for most of its employees, involving different orientations and categories, covering departments of Security Technology Department, Electricity Supply Department, Customer Service Department, Audit and Risk Control Department, Investment Securities Department, Financial Asset Department, General Office and New Energy Department.

During the Reporting Period, the related statistics of staff training in the Company were as follows:

Indicator	Unit	Year 2021
Employee training performance by gender		
Percentage of female employees	%	25.40
Percentage of male employees	%	74.60
Average training hours for female employees	hours	19.80
Average training hours for male employees	hours	20.00
Employee training performance by employment type		
Percentage of general employees trained	%	63.49
Percentage of middle management trained	%	22.22
Percentage of senior management trained	%	14.29
Average training hours for general employees	hours	23.52
Average training hours for middle management	hours	38.31
Average training hours for senior management	hours	47.22

* Figures for individual items may add up slightly different from the totals due to rounding.

4.4 Fighting against the pandemic together

The COVID-19 pandemic has continued to spread worldwide since 2020, and the Group has taken a series of necessary health precautions to mitigate the potential impact of the pandemic.

The COVID-19 pandemic severely affected the economy and society. The Group has responded positively, acted quickly and adjusted the prevention and control strategy. Tianbao Energy adheres to the principle of “Putting Prevention First and Combining Prevention with Control, Following Laws, Being Scientific and Accomplishing Hierarchical Classification”, combines regular prevention and control with emergency treatment, and firmly prevents the rebound of the pandemic according to the requirements of “Timely Detection, Rapid Handling, Precise Control and Effective Treatment”, to be as prepared as possible for the pandemic prevention and control on a regular basis.

The Security Technology Department shall organize the procurement and storage of pandemic prevention materials such as masks, hand sanitizers, disinfectants, non-contact thermometers, etc., and regularly distribute masks to employees. The Security Technology Department shall also be responsible for carrying out publicity and education of COVID-19 pandemic prevention and control, advocating good hygiene habits and healthy lifestyles such as frequent hand washing, wearing a mask, frequent ventilation and cough etiquette, improving employees’ self-protection awareness and health accomplishment, and guiding employees to develop a good habit of regular pandemic prevention.

5 GREEN OPERATION

As a comprehensive energy service provider in the park, Tianbao Energy aims to meet the needs of customers in the park. Looking forward to the future, the Group utilizes a combination of clean energy and renewable energy including solar energy, air energy, hydroenergy, geothermal energy and natural gas, and provides comprehensive energy solutions that integrate electricity, heat, cold, steam and other kinds of energy, to meet the needs of customers in the park and boost regional development. We also hope to secure clean, low-carbon and efficient energy for customers.

During the Reporting Period, the Group did not (i) violate any laws or regulations relating to emissions of waste gases and greenhouse gases, discharges to water and land, generation of hazardous and non-hazardous wastes; (ii) experience any major incident affecting the environment and natural resources; or (iii) receive any environmental penalty or notice of litigation.

5.1 Energy saving and environmental protection – a leading domestic power supply enterprise

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

5.2 Environmental protection management system

The Group has established Measures for the Implementation of Environmental Protection Management to clarify the scope and procedures of environmental protection, formulate measures and steps for environmental protection, control various emissions and wastes, effectively dispose wastes, minimize the impact on the environment and ensure that all environmental protection practices conform to laws and regulations.

The administrative department shall be responsible for examining and approving the detailed rules for environmental protection management; organize and hold annual management review meetings on the effectiveness, applicability and sufficiency of the detailed implementation rules, and put forward update opinions; provide necessary human, financial and material resources to ensure the continuous and effective operation of the implementation rules for environmental protection management of the Company, preside over the investigation, analysis and handling of major environmental accidents, and decide major improvement measures.

The deputy general manager in charge shall be responsible for leading the supervision of environmental protection technologies of the Company; implement relevant regulations and requirements of the State and higher authorities on the supervision of environmental protection technologies; examine and approve the implementation rules and measures for environmental protection supervision of the unit and provide human, financial and material support for carrying out the supervision of environmental protection technologies.

The Security Technology Department and Thermal Power Department shall take charge of reviewing the implementation rules for environmental protection management, formulating operating procedures and systems for environmental protection supervision and equipment operation management, and organizing the supervision of manual and automatic monitoring of waste gas, wastewater, noise and other pollution sources.

As the Group is in the power production industry, it inevitably generates wastewater, pollutants and wastes, resulting in environmental pollution such as water pollution and air pollution near the thermal power plant, which may lead to ecological damage and exacerbation of global warming. We will continue to pay attention to the impact of our business activities on the environment and natural resources, control the use of energy (such as coal, electricity, etc.) and water resources, the emission of pollutants and greenhouse gases, as well as the generation of hazardous and non-hazardous wastes in the process of producing heat and electricity, to protect the environment ecology, biodiversity, reduce pollution and greenhouse gas emissions. During the Reporting Period, the Group observed the Environmental Protection Law of the People's Republic of China, which stipulates that all units and individuals have the obligation to protect the environment, and shall prevent and reduce environmental pollution and ecological destruction. By strictly controlling fuel quality and improving production technology, the average emission levels of sulfur dioxide, nitrogen oxides and flue gas were lower than the ultra-low emission standards stipulated by laws and regulations.

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Contents of Detailed Implementation Rules of Environmental Protection Management

Contents of environmental protection management:

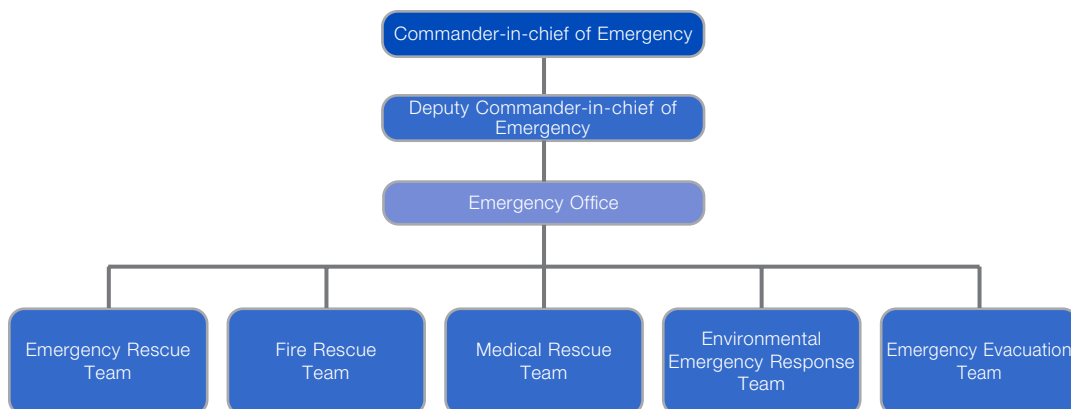
- Detailed implementation rules of air pollutant control and management
- Detailed implementation rules of wastewater drainage control and management
- Detailed implementation rules of solid waste management
- Household waste treatment
- Detailed implementation rules of noise control and management

Contents of technical supervision on environmental protection:

- Supervision on fuel and raw materials
- Technical supervision on dust removers
- Technical supervision on desulphurization and de-nitrification facilities
- Supervision on wastewater treatment facilities
- Supervision on noise control facilities
- Technical supervision on ashes (slags) storage sites and comprehensive utilization facilities
- Supervision on flue gas online detectors
- Supervision on pollutant discharge
- Supervision on wastewater drainage
- Monitoring of noise
- Supervision on ashes and slags

In addition, Tianbao Energy established an Emergency Environmental Protection Department and an Emergency Environmental Protection Office led by the General Manager plus five emergency working teams, with emergency rescue tasks being completed by the inter-coordination of various functional departments.

The structure of the headquarter of the Emergency Environmental Protection Department is as follows:



5.3 Management of pollutants and wastes

The Thermal Plant in Tianbao Energy generates air pollutants, wastewater, oil, ashes, slags and other wastes during its production process. In 2021, the Group strictly observed the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Environmental Protection Tax Law of the People's Republic of China, the Measures for Pollutant Discharge Licensing (Provisional) and other relevant laws and regulations, and controlled and reduced the discharge of pollutants and wastes by controlling the quality of coal we use, utilizing automated coal crushing technology and strict desulfurization, de-nitrification and de-dusting procedures.

The Group added the recovery system for residual heat from flue gas (dewhiting heat pump) in 2017 to realize heat energy reuse. The Environmental Protection Tax Law of the People's Republic of China that has been implemented on January 1, 2018 stipulates that enterprises shall pay taxes on air pollutants, water pollutants, solid wastes and noise pollution generated by them. In order to ensure a stable and standard-compliant hourly emission concentration of flue gas pollutants generated by its Thermal Plant plus the reduction of environmental protection tax paid on such basis, the Group continued to implement the Reward and Punishment Plan for Environmental Protection in Tianjin Tianbao Energy Co., Ltd. (Trial) (the "**Reward and Punishment Plan**") in 2021. For the thermal plant outsourced to external units, this Reward and Punishment Plan examines the emissions of smoke, SO₂ and NO_x from these plants during the operation period operated by those units. Besides, assessment criteria, plans, reward and punishment systems are also regulated in this plan in a detailed way.

In 2021, the Group's discharge volume of polluting substances met the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008), the Emission Standard of Air Pollutants for Thermal Power Plants (GB12/810-2018), the Integrated Wastewater Discharge Standard (DB12/356-2018) and other national and local technical standards about pollution emissions. Our pollution emissions during the Reporting Period were much lower than the standards of ultra-low emission of SO₂, NO_x and smoke of 35/50/10 mg/m³ set by the Implementation Plan of the Standards of Ultra-Low Emissions and Energy-saving Equipment Upgrade for Coal-Fired Power Plants jointly issued by the Ministry of Ecology and Environment of the People's Republic of China, the National Development and Reform Commission of the People's Republic of China and the National Energy Administration in December 2015, meeting the ultra-low emission standard set by the State. We also complied with the Emission Standard of Air Pollutants from Boilers in Tianjin (DB12 151-2020). Our tap water came from Tianjin qualified suppliers and we had no problem getting a suitable source of water.

Upon the completion of the equity acquisition of Lingang Thermal Power, the Group carried out technological upgrade for the production equipment of Lingang Thermal Plant, and completed denitrification quality improvement and upgrading of five boilers. After the upgrading, Lingang Thermal Plant achieved ultra-low emission standard, with its emission level of air pollutants as coal power units is comparable to those of gas-fired units (which are perceived as more environmentally friendly).

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The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste sets out related provisions on the prevention and control of environmental pollution by hazardous wastes and solid wastes respectively. In 2021, the Group observed the above mentioned legal regulations and implemented the Detailed Implementation Rules of Environmental Protection Management to conform to the separate collection and safe disposal of solid wastes. As for the hazardous wastes of waste mineral oil and waste oil tanks generated during its production process, the Group, in accordance with the Administrative Measures for Hazardous Waste Transfer Forms and other related regulations, hired a third party with the qualification of collecting, storing and disposing hazardous wastes issued by government environmental protection department for the collection, safe transport and proper disposal of waste oil and waste oil tanks. As for stove ashes, slags, MgO residues and other non-hazardous waste generated during its production process, the Group signed cooperative agreements with qualified third parties to collect, transport, recycle and harmlessly dispose such ashes and slags and apply reusable parts for building material production to reduce the generation of wastes.

The Company specially formulated the Measures for the Prevention and Control of Hazardous Waste Pollution in accordance with the principle of "Putting Prevention First and Combining Prevention with Control" and "Three Simultaneities" for environmental protection, to realize planning, implementation and development simultaneous of production construction and environmental protection, so as to align economic benefits with social benefits and environmental benefits.

Responsible department	Main responsibilities
Leading Team	<ul style="list-style-type: none"> - Make decisions, supervise and coordinate environmental protection work of the Company - Formulate preventive measures and emergency plans for hazardous waste pollution accidents - Carry out accident drills regularly
Security Technology Department	<ul style="list-style-type: none"> - Take overall leadership responsibility for the prevention and control of hazardous waste pollution of the unit - Cooperate with the production department to deal with emergency accidents, safely and effectively handle the recovery and discharge of hazardous wastes, and put an end to environmental pollution accidents - Be responsible for the inspection and assessment of the work
Thermal Power Department	<ul style="list-style-type: none"> - Manage the prevention and control of hazardous waste pollution - Specify responsible units to implement goals and tasks
Relevant departments	<ul style="list-style-type: none"> - All plants and departments shall incorporate the prevention and control of hazardous waste pollution into their management. - Strictly abide by the environmental protection laws, regulations, standards and requirements promulgated by the State and local people's governments - Actively participate in the construction of environmental protection projects related to the Company, and accept the guidance and supervision of Environmental Safety Department in business

5.4 Energy saving and emission reduction of greenhouse gases

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

The Group formulated its energy saving goals in 2021. To achieve its goals, the Company constantly improves its energy management structure construction and implements three-level management of company, department and team:

Organization Department	Main Responsibilities
Energy-saving Leading Group	The general manager of the Company is its leader, the heads of each department and the energy management personnel are its members. An energy-saving meeting is held in every quarter to summarize the implementation of energy-saving work and existing problems, analyze and discuss new technical measures for energy-saving, exchange energy-saving experience, and deploy the next major tasks in energy-saving.
Full-time Energy-saving Management Department	Be responsible for the allocation and assessment of energy-saving targets, control of power consumption, formulation of product energy consumption quota, submission of energy statistical reports, planning of power-related work and etc.
Energy-saving Group in All Departments	Implement power management plan, promote the publicity of energy saving and consumption reduction among front-line staff, and execute evaluation criterion. Check the daily energy waste situation in their respective departments and supervise staff to work in accordance with energy management process. The allocation, standing books, maintenance, inspection report and other related work of energy monitoring equipment in each department.

Based on the construction and operation of the energy management system, the Company regularly issues the Energy-saving Situation Analysis Report of Tianjin Tianbao Energy Co., Ltd. to summarize, record and analyse the Group's energy-saving management and results. The Group completed energy-saving reconstruction during the Reporting Period. For the circulating water recovering the residual heat for heating project of the heat exchange station of Haigang Thermal Plant, we reduced the steam consumption by using the desalinated water heated by the heat pump unit to exchange heat with the backwater of the large network of the heat exchange station, realizing an energy saving equivalent to 121.61 tons of standard coal.

The Group is committed to energy-saving. In the future, we will strengthen the operation and management measures of thermal power plants, optimize the operation method and communicate with users in the area served by the Group in a timely manner, so as to predict the steam consumption and adjust the operation mode of boilers to reduce emissions.

5.5 Plans for sustainable development goals

Tianjin Tianbao belongs to the energy industry. Due to the gradual increase of domestic energy demand in recent years, the Group has improved its energy consumption and water resources, while fluctuated in performance in sustainable development goals. However, during the Reporting Period, we set medium- and long-term management goals to improve energy efficiency and reduce waste and greenhouse gas emissions on the basis of 2020 and enhance water efficiency on the basis of 2021. The Group will actively follow up on the progress of environmental goals and explore more opportunities. In the future, we will set more concrete quantitative environmental goals, directing to nurturing the environment and cherishing natural resources.

5.6 Tackling climate change

To cope with the significant impact of frequent occurrence of extreme weather arising from climate changes, the Group has developed climate change risk response plans. The Board is responsible for leading departments to implement ESG policies and ESG management through the planning of the ESG governance structure and strategy. Based on the characteristics of the energy industry, combined with the Group's situation and strategic objectives, we have identified the climate change risks and assessed the risk levels. During the Year, Tianjin Tianbao was not affected by the following risks.

Regarding Tianbao Energy, the physical risks arising from climate change can directly damage the Company's assets and indirectly lead to a supply chain disruption. The risks may also result in health, safety and environmental incidents and increased operating costs. The transformation risk may impact the finance of the Group to different degrees and even pose a reputation risk to the Group, causing fierce competition in the retail market and fluctuations in the energy market.

To mitigate the risks, we have adopted different countermeasures, including identifying and assessing physical risks caused by climate change, to formulate measures and emergency plans to ensure employee safety, including the Flood Prevention Plan, Special Emergency Plan for Gale Weather, Emergency Plan for Gale Cooling and Heavy Snowfall in Agent Maintenance Business. In addition, we provided trainings regarding extreme weather to employees and conduct regular drills to enhance their crisis awareness. The Group also has an emergency response team, to take protective measures and construction plans depending on extreme weather conditions, and operate and maintain relevant equipment and facilities to maintain daily operations.

The thermal power department adopts energy conservation measures or equipment to reduce energy consumption. Tianbao Energy will add backup electricity storage equipment, such as back-up generators, and strengthen safety monitoring of high-risk facilities in the coming years. In addition, we will enhance contact with suppliers to develop contingency plans in advance so as to deal with potential fuel shortages.

Facing the transformation risks, we adopt various fuel procurement strategies, diversify fuel sources to obtain stable fuel supply with competitive price, accelerate the elimination of backward production capacity, reduce coal consumption and strengthen the R&D of green or renewable energy (such as photovoltaic and wind power) technologies, with an aim to transform to a clean energy enterprise. In addition, we will strengthen cooperation with local governments to promote more green energy projects. We will formulate energy conservation plans internally, and monitor and analyze regularly energy consumption data to improve energy performance.

6 SOCIAL RESPONSIBILITIES

As a supporting energy company in Tianjin, Tianbao Energy has been actively fulfilling its social responsibilities and supporting the communities where we operate to strengthen the resilience and development of the communities.

In November of this Year, the Party Branch of Tianbao Energy held the signing ceremony for the co-construction of Party building work with Huarongli Community, Hangzhoudao Subdistrict, Binhai New Area, and carried out the Party day activity themed “I Do Practical Things for the Masses” centering on the co-construction of Party building work. During the activity, Party members of Tianbao Energy played an exemplary role in publicizing and explaining fire prevention knowledge for community residents, giving full play to their professional advantages, assisting Party committee staff of Huarongli Community to explain electricity safety knowledge to merchants in the jurisdiction by means of visits. Residents and merchants were grateful to the Party members for their initiative to help solve problems.



Party day activity themed “I Do Practical Things For the Masses”

During the Reporting Period, 23 employees of the Group participated in public welfare activities, which lasted for 33 hours.

Looking forward to the future, the Group will continue to fulfill its social responsibilities and devote resources to the community’s public welfare to return to society through diversified channels.

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APPENDIX 1: SUMMARY OF INFORMATION ON SUSTAINABLE DEVELOPMENT

Indicators	Unit	Haigang Thermal Plant	Lingang Thermal Power Plant
Emissions of air pollutants¹			
SO ₂	ton	9.76	6.66
NOx	ton	22.23	28.51
Particulate Matter	ton	2.22	1.78
Water consumption			
Total water consumption	ton	1,098,609.00	1,476,067.00
Water consumption of unit power supply	kg/kWh	1.50	/
Water consumption of unit heat supply	tons/GJ	0.41	0.52
Wastewater discharge	ton	398,363.00	342,308.60
Recycling of industrial water	ton	295,462.00	/
Waste²			
Non-hazardous waste generation	kg	25,000.00	35,620.00
Non-hazardous waste generation of unit power supply	g/kWh	0.03	/
Non-hazardous waste generation of unit heat supply	kg/GJ	0.01	0.01
Hazardous waste generation	ton	1.00	0.90
Hazardous waste generation of unit power supply	g/10MWh	13.64	/
Hazardous waste generation of unit heat supply	g/GJ	0.38	0.32

¹ Monitoring data from the company.

² Hazardous waste contains waste oil and de-nitrification catalyst; non-hazardous waste covers stove ashes and slags, which are recycled and reused by third parties.

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Indicators	Unit	Haigang Thermal Plant	Lingang Thermal Power Plant
Emissions of greenhouse gases³			
Emissions of fossil fuel combustion (scope 1) ⁴	tCO ₂ e	313,923.69	351,827.71
Emissions from purchased electricity (scope 2)	tCO ₂ e	4,421.65	9,477.72
Total emissions of greenhouse gases	tCO ₂ e	318,345.34	361,305.43
Greenhouse gas emissions of unit power supply	tCO ₂ e/10MWh	4.34	/
Greenhouse gas emissions of unit heat supply	kg CO ₂ e/GJ	119.65	127.45
Energy consumption			
Electricity consumption in comprehensive plants	kWh	24,711,230.80	15,534,694.00
Electricity consumption in working areas	kWh	2,041,771.00	/
Electricity consumption of unit power supply	kWh/10MWh	0.01	/
Electricity consumption of unit heat supply	kWh/GJ	9.29	5.48
Diesel oil consumption	ton	38.79	/
Coal consumption	ton	143,186.25	156,374.00

³ The calculating method is in compliance with the Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from China's Power Generation Enterprises (provisional) issued by the National Development and Reform Commission of the PRC.

⁴ Fossil fuel contains fixed equipment fuels and motor vehicle fuels.

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Social category	Unit	Year 2021
Employment management		
Total number of employees	persons	63
Total number of employees by gender		
Female employees	persons	16
Male employees	persons	47
Total number of employees by employment type		
General employees	persons	40
Middle management	persons	14
Senior management	persons	9
Total number of employees by age group		
Under 35	persons	7
36-45	persons	31
46-55	persons	21
56 and above	persons	4
Total number of employees by geographical region		
North China	persons	63

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Social category	Unit	Year 2021
Employee turnover rate⁵		
Total employee turnover rate	%	7.94
Employee turnover rate by gender		
Female	%	12.50
Male	%	6.38
Employee turnover rate by age group		
Under 35	%	0.00
36-45	%	3.23
46-55	%	9.52
56 and above	%	50.00
Employee turnover rate by geographical region		
North China	%	7.94
Employee training⁶		
Employee training performance by gender		
Percentage of female employees	%	25.40
Percentage of male employees	%	74.60
Average training hours for female employees	hours	19.80
Average training hours for male employees	hours	20.00

⁵ Calculation of employee turnover rate: number of employees turnover / number of employees at the end of the year x 100%

⁶ Breakdown for employees in relevant categories = $T(x) / T * 100$

T(x) = Employees in the specified category, x, who took part in training

T = Employees who took part in training

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Social category	Unit	Year 2021
Employee training performance by employment type		
Percentage of general employees trained	%	63.49
Percentage of middle management trained	%	22.22
Percentage of senior management trained	%	14.29
Average training hours for general employees	hours	23.52
Average training hours for middle management	hours	38.31
Average training hours for senior management	hours	47.22
Occupational health and safety		
Work-related fatalities in 2021	persons	0
Work-related fatalities in 2020	persons	0
Work-related fatalities in 2019	persons	0
Lost days due to work injury	days	0

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APPENDIX 2: INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE PUBLISHED BY THE HONG KONG STOCK EXCHANGE

Indicator		Chapter and Section	
A. Environmental category			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5 Green operation 5.3 Management of pollutants and wastes 5.4 Energy saving and emission reduction of greenhouse gases
	A1.1	The types of emissions and respective emissions data.	Appendix 1: Summary of information on sustainable development
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of information on sustainable development
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of information on sustainable development
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of information on sustainable development
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	5.5 Plans for sustainable development goals
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.5 Plans for sustainable development goals

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Indicator			Chapter and Section
A2: Resource Utilization	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5 Green operation 5.2 Environmental protection management system
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of information on sustainable development
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of information on sustainable development
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.5 Plans for sustainable development goals
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.5 Plans for sustainable development goals
	A2.5*	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
A3: Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Appendix 1: Summary of information on sustainable development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.2 Environmental protection management system
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.6 Tackling climate change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.6 Tackling climate change

* In the power generation and supply business, we provide steam, electricity, heating and cooling for our customers. Based on the nature of this business, packaging materials are not applicable.

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Indicator		Chapter and Section	
B. Social category			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4 Professional team 4.1 Recruitment 4.2 Talent management
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix 1: Summary of information on sustainable development
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Summary of information on sustainable development
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.1 Employee and production safety management
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1: Summary of information on sustainable development
	B2.2	Lost days due to work injury.	Appendix 1: Summary of information on sustainable development
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.1 Employee and production safety management

Environmental, Social and Governance Report

Indicator			Chapter and Section
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Talent cultivation
	B3.1	The percentage of employees trained by gender and employee type (e.g. senior management, middle management).	Appendix 1: Summary of information on sustainable development
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Summary of information on sustainable development
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Recruitment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Recruitment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Recruitment

Environmental, Social and Governance Report

Indicator			Chapter and Section
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.4 Supplier risk management
	B5.1	Number of suppliers by geographical region.	3.4 Supplier risk management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.4 Supplier risk management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.4 Supplier risk management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.4 Supplier risk management
B6: Product Responsibility**	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	3.2 Quality management system 3.5 Privacy and cybersecurity
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Customer service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.2 Quality management system
	B6.4	Description of quality assurance process and recall procedures.	3.2 Quality management system The recall procedures are not applicable to the Group
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.5 Privacy and cybersecurity

** In the power generation and supply business, we provide steam, electricity, heating and cooling for our customers. Based on the nature of this business, product advertising, product labeling, and product recycling are not applicable.

Environmental, Social and Governance Report

Indicator			Chapter and Section
B7: Anticorruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.6 Incorruptibility
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	3.6 Incorruptibility
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	3.6 Incorruptibility
	B7.3	Description of anti-corruption training provided to directors and employees.	3.6 Incorruptibility
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6 Social responsibilities
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	6 Social responsibilities
	B8.2	Resources contributed (e.g. money or time) to the focus area.	6 Social responsibilities



Independent auditor's report to the shareholders of Tianjin Tianbao Energy Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Tianjin Tianbao Energy Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 108 to 183, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Assessing impairment of property, plant and equipment and right-of-use assets for properties	
<i>Refer to note 1(i)(ii) of the significant accounting policies and accounting estimates to the consolidated financial statements, note 10 and note 14 to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>For the year ended 31 December 2021, the Group recorded an increase in cost and decrease in gross profit due to the significant increase in the Group's procurement costs of coal, which is caused by the shortage of domestic coal supply in 2021.</p> <p>As at 31 December 2021, the carrying amount of the net assets of the Group was more than its market capitalisation.</p> <p>The Group's property, plant and equipment and right-of-use assets for properties have a net book value amounting to RMB588,672,000 as at 31 December 2021, which accounted for 67% of the Group's total assets.</p> <p>Management considered that there were indicators that the Group's property, plant and equipment and right-of-use assets for properties relating to the Group's electricity dispatch and sale business and power generation and supply business may be impaired as at 31 December 2021.</p> <p>Electricity dispatch and sale business in Seaport, power generation and supply business in Seaport and power generation and supply business in Tianjin Tianbao Lingang Thermal Power Co., Ltd. have been identified as three separate cash-generating units ("CGUs") for impairment assessment purpose.</p>	<p>Our audit procedures to assess potential impairment of property, plant and equipment and right-of-use assets for properties included the following:</p> <ul style="list-style-type: none"> - assessing management's identification of indications of potential impairment and considering whether there are any other indicators not already identified by management based on our knowledge of the business, and the current market conditions, our industry knowledge and other information obtained during the audit; - assessing management's identification of the CGUs, the allocation of assets to each CGU, the use of the value in use model for determining the recoverable amounts and the methodology adopted in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;

Assessing impairment of property, plant and equipment and right-of-use assets for properties	
<i>Refer to note 1(i)(ii) of the significant accounting policies and accounting estimates to the consolidated financial statements, note 10 and note 14 to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>For those CGUs where an indicator of impairment was identified, management compares the carrying amounts of the property, plant and equipment and right-of-use assets for properties allocated to each CGU with the respective recoverable amounts, which are estimated by calculating their value in use based on a discounted cash flow forecasts, to determine the amount of impairment loss, if any.</p> <p>The impairment assessment involves significant degree of management judgement, particularly in relation to the key assumptions adopted, including selling prices, fuel price, revenue growth rates, the discount rate applied in the discounted cash flow forecast and the remaining useful economic lives.</p> <p>We identified assessing potential impairment of property, plant and equipment and right-of-use assets for properties held by the Group as a key audit matter because the impairment assessments include a number of assumptions and estimates which require the exercise of significant management judgement and are inherently uncertain and could be subject to management bias.</p>	<ul style="list-style-type: none"> - challenging the key assumptions and estimates used in the discounted cash flow forecast as at 31 December 2021, including those relating to future sales, future operating costs and the discount rates applied, which included involving our internal valuation specialists to assist us in comparing these key assumptions and estimates with external benchmarks (including the discount rate applied in the discounted cash flow forecast and the remaining useful economic lives and price volatility of the relevant assets of similar companies in the same industry) and in considering the key assumptions and estimates based on our knowledge of the Group and the industry in which it operates; and - performing sensitivity analysis of the key assumptions adopted by management to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions.

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

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

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

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

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

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chu Man Wai.

KPMG

Certified Public Accountants

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

25 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021 (Expressed in Renminbi "RMB")

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	617,368	482,072
Cost of sales		<u>(611,230)</u>	<u>(407,449)</u>
Gross profit		6,138	74,623
Other net income	4	43,179	2,079
Administrative expenses		<u>(27,565)</u>	<u>(26,608)</u>
Profit from operations		21,752	50,094
Interest income		552	570
Interest expense		<u>(13,281)</u>	<u>(11,847)</u>
Profit before taxation	5	9,023	38,817
Income tax	6(a)	<u>(2,535)</u>	<u>(9,341)</u>
Profit for the year		6,488	29,476
Profit Attributable to:			
Equity shareholders of the Company		431	17,510
Non-controlling interests		<u>6,057</u>	<u>11,966</u>
Profit for the year		6,488	29,476
Earnings per share	9		
Basic (Cents)		<u>0.27</u>	<u>10.95</u>
Diluted (Cents)		<u>0.27</u>	<u>10.95</u>

The notes on pages 115 to 183 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(g).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (Expressed in RMB)

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Profit for the year		6,488	29,476
Other comprehensive income for the year		—	—
Total comprehensive income for the year		6,488	29,476
Attributable to:			
Equity shareholders of the Company		431	17,510
Non-controlling interests		6,057	11,966
Total comprehensive income for the year		6,488	29,476

The notes on pages 115 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021 (Expressed in RMB)

	Note	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	10	516,577	553,325
Right-of-use assets for properties	14	72,095	73,865
Intangible assets	11	2,455	3,124
Deferred tax assets	24(b)	1,844	–
Other receivables and assets	18	1,250	–
Goodwill	12	537	537
		594,758	630,851
Current assets			
Inventories	15	10,071	11,802
Contract assets	16(a)	44	28
Trade and bill receivables	17	55,339	31,836
Other receivables and assets	18	24,599	7,880
Cash and cash equivalents	19	186,141	126,916
Restricted deposits		2,600	1,000
		278,794	179,462
Current liabilities			
Trade and other payables	20	100,602	47,805
Loans and borrowings	21	188,196	115,509
Contract liabilities	16(b)	22,660	22,442
Salary and welfare payables		4,575	3,110
Current taxation	24(a)	2,299	2,403
Lease liabilities	22	131	79
Current portion of other non-current liabilities	25	–	85,098
		318,463	276,446
Net current liabilities		(39,669)	(96,984)
Total assets less current liabilities		555,089	533,867

The notes on pages 115 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021 (Expressed in RMB)

		At 31 December 2021	At 31 December 2020
	Note	RMB'000	RMB'000
Non-current liabilities			
Loans and borrowings	21	109,938	80,099
Lease liabilities	22	1,472	1,148
Deferred income	23	19,912	21,821
Contract liabilities	16(b)	5,952	6,438
Deferred tax liabilities	24(b)	5,592	5,730
Other non-current liabilities	25	-	-
		<u>142,866</u>	<u>115,236</u>
NET ASSETS		<u>412,223</u>	<u>418,631</u>
CAPITAL AND RESERVES			
Share capital	26(b)	159,921	159,921
Reserves	26(c) (d)	147,196	154,761
Total equity attributable to equity shareholders of the Company		307,117	314,682
Non-controlling interests		105,106	103,949
TOTAL EQUITY		412,223	418,631

Approved and authorised for issue by the board of directors on 25 March 2022.

Name: **Zhou Shanzhong**
Position: Director

Name: **Mao Yongming**
Position: Director

The notes on pages 115 to 183 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 (Expressed in RMB)

	Attributable to equity shareholders of the Company						Total equity RMB'000
	Share capital	Capital reserve	Statutory surplus reserves	Retained profits	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2020	159,921	79,137	11,708	51,204	301,970	-	301,970
Changes in equity for 2020:							
Profit for the year	-	-	-	17,510	17,510	11,966	29,476
Total comprehensive income	-	-	-	17,510	17,510	11,966	29,476
Impact on equity in connection with acquisition of a subsidiary	-	-	-	-	-	96,883	96,883
Dividends approved in respect of the previous year	-	-	-	(4,798)	(4,798)	(4,900)	(9,698)
Appropriation to reserves	-	-	1,051	(1,051)	-	-	-
Balance at 31 December 2020 and 1 January 2021	159,921	79,137	12,759	62,865	314,682	103,949	418,631
Changes in equity for 2021:							
Profit for the year	-	-	-	431	431	6,057	6,488
Total comprehensive income	-	-	-	431	431	6,057	6,488
Dividends approved in respect of the previous year	-	-	-	(7,996)	(7,996)	(4,900)	(12,896)
Appropriation to reserves	-	-	815	(815)	-	-	-
Balance at 31 December 2021	159,921	79,137	13,574	54,485	307,117	105,106	412,223

The notes on pages 115 to 183 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021 (Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		9,023	38,817
Adjustments for:			
Impairment (reversal)/loss of assets		(29)	648
Depreciation in property, plant and equipment		41,514	35,131
Amortisation in intangible assets and right-of-use assets for properties		2,520	1,740
(Profit)/loss on disposal of property, plant and equipment		(1,237)	44
Interest expense		13,232	11,419
Exchange losses		442	867
Amortisation in deferred income		(1,909)	(1,554)
Changes in working capital:			
Decrease in inventories		1,737	153
Decrease/(increase) in contract assets and trade and bill receivables		(23,497)	5,351
Decrease/(increase) in other receivables and assets		(17,520)	2,124
Increase in trade and other payables		50,598	21,303
Decrease in contract liabilities and receipts in advance		(268)	(556)
Increase in salary and welfare payables		1,465	331
Cash generated from operations		76,071	115,818
Income tax refunded		803	–
Income tax paid		(4,621)	(11,686)
Net cash generated from operating activities		72,253	104,132
Investing activities			
Proceeds from disposal of property, plant and equipment		1,602	6
Proceeds from government grants related to assets		–	10,562
Acquisition of a subsidiary, net of cash acquired		–	(58,531)
Payment for the purchase of property, plant and equipment and intangible assets		(3,963)	(30,315)
Net cash used in investing activities		(2,361)	(78,278)

The notes on pages 115 to 183 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021 (Expressed in RMB)

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Financing activities			
Dividends paid to shareholders of the Company and equity owners of subsidiary		(12,896)	(9,698)
Proceeds from bank loans		193,000	129,900
Proceeds from other borrowings, net of deposit		23,750	–
Repayment of bank loans		(115,709)	(66,199)
Interest paid		(9,749)	(5,296)
Payment to shareholders for capital reduction		(88,383)	(80,000)
Capital element of lease rentals paid		(194)	(227)
Interest element of lease rentals paid		(79)	(36)
Net cash used in financing activities		(10,260)	(31,556)
Net increase/(decrease) in cash and cash equivalents		59,632	(5,702)
Cash and cash equivalents at 1 January		126,916	133,678
Effect of foreign exchange rate changes		(407)	(1,060)
Cash and cash equivalents at 31 December	<i>19</i>	186,141	126,916

The notes on pages 115 to 183 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

In determining the appropriate basis of preparation of financial statements, the Directors are required to consider whether the Group could continue in operational existence for the foreseeable future.

The liquidity of the Group is dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as and when they fall due, and its ability to obtain adequate external financing to meet its committed future capital expenditures.

As at 31 December 2021, the Group had net current liabilities of RMB40 million. Notwithstanding the net current liabilities as at 31 December 2021, the Directors do not consider that material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern, in light of the below circumstances:

- (i) given the fact that the upstream and downstream price linkage mechanism of gas has been established since August 2021, the Group is able to adjust the selling prices upwards to respond to the rise in procurement costs of coal. Accordingly, based on cash flow projection prepared by management covering a period for at least the twelve months from the end of the reporting period, the Group would have adequate funds to meet its liabilities as and when they fall due;
- (ii) the Group had available unutilised bank facilities of RMB86 million and unutilised facility granted by finance lease institution of RMB125 million at 31 December 2021, respectively.

Consequently, the Directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2021 on a going concern basis.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2
- Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021

Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(h)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

There is Nil COVID-19-related rent concessions granted to the Group during the year. Consequently, there is no impact of rent concessions recognised in profit or loss during the year.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interest

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or (o) depending on the nature of the liability.

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interest *(continued)*

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

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

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

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

- Buildings and structure, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;
- Power generation plant and electric utility in service;
- Motor vehicles, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;
- Construction in progress (“CIP”); and
- Other items of plant and equipment, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest.

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

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

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

– Buildings and structure	25 – 40 years
– Power generation plant and electric utility in service	5 – 40 years
– Motor vehicles	5 – 10 years
– Others	3 – 6 years

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (other than goodwill)

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

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

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

– Software and others	3 – 10 years
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Both the period and method of amortisation are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(f) and 1(i)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 1(f); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(j).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(s)(v) and 1(i)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

- financial assets measured at amortised cost (including cash and cash equivalents, restricted deposits, trade and bill receivables, and other receivables and assets); and
- contract assets as defined in IFRS 15 (see note 1(k)).

Measurement of ECLs

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

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

Measurement of ECLs (continued)

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Significant increases in credit risk (continued)

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

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

Basis of calculation of interest income (continued)

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

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

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest;
- pre-paid interests in leasehold land;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

- Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(j) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Other contract costs

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

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

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

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

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

(k) Contract assets and contract liabilities

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Contract assets and contract liabilities *(continued)*

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

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

(l) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses.

Insurance reimbursement is recognised and measured in accordance with note 1(r).

(m) Cash and cash equivalents

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(u)).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

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

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

The Group does not have defined benefit retirement plan obligations.

(q) Income tax

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue and other income

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

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

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

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

(i) *Supply of electricity and power*

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

(ii) *Sales of goods*

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

(iii) *Service revenue*

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iv) Construction revenue

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

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

(v) Interest income

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

(vi) Government grants

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

(t) Translation of foreign currencies

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

(u) Borrowing costs

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Critical accounting judgements in applying the Group's accounting policies

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

(i) Deferred tax assets

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

(ii) Impairment losses of non-current assets

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Electricity dispatch and sale	185,267	162,288
– Power generation and supply	414,173	305,215
– Others	17,928	14,569
	617,368	482,072

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

The Group includes two (2020: one) customers with whom transactions have exceeded 10% of the Group's revenue. In 2021 revenue from these customers amounted to approximately RMB171 million (2020: RMB76 million).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets, except for cash and cash equivalents, building and structure for general management use and other corporate assets. Segment liabilities include segment loan and borrowings, trade and other payables, lease liabilities, contract liabilities, salary and welfare payables, deferred income and deferred tax liabilities, except for loan and borrowings and other corporate liabilities.

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

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

For the year ended 31 December	Electricity dispatch and sale		Power generation and supply		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	185,267	162,288	414,173	305,215	117	1,146	599,557	468,649
Over time	-	-	-	-	17,811	13,423	17,811	13,423
Revenue from external customers	185,267	162,288	414,173	305,215	17,928	14,569	617,368	482,072
Inter-segment revenue	3,149	3,364	-	-	-	-	3,149	3,364
Reportable segment revenue	188,416	165,652	414,173	305,215	17,928	14,569	620,517	485,436
Reportable segment profit (adjusted EBITDA)	11,198	11,624	74,415	95,923	5,625	4,709	91,238	112,256
Depreciation and amortisation for the year	6,061	5,722	36,931	29,326	1,041	1,031	44,033	36,079
Reportable segment assets	84,228	70,370	559,950	579,745	12,589	7,029	656,767	657,144
Additions to non-current segment assets during the year	98	3,959	3,324	362,851	59	39	3,481	366,849
Reportable segment liabilities	45,781	29,033	86,432	57,571	13,821	12,766	146,034	99,370

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

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

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	620,517	485,436
Elimination of inter-segment revenue	(3,149)	(3,364)
Consolidated revenue	<u>617,368</u>	<u>482,072</u>
	2021 RMB'000	2020 RMB'000
Profit		
Reportable segment profit	91,238	112,256
Other net income	1,160	525
Interest income	552	570
Interest expense	(13,281)	(11,847)
Depreciation and amortisation	(44,033)	(36,871)
Unallocated head office and corporate expenses	(26,613)	(25,816)
Consolidated profit before taxation	<u>9,023</u>	<u>38,817</u>
	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Assets		
Reportable segment assets	656,767	657,144
Unallocated head office and corporate assets	216,785	153,169
Consolidated total assets	<u>873,552</u>	<u>810,313</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(continued)*

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

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Liabilities		
Reportable segment liabilities	146,034	99,370
Unallocated head office and corporate liabilities	315,295	292,312
Consolidated total liabilities	461,329	391,682

(d) Geographic information

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

4 OTHER NET INCOME

	2021 RMB'000	2020 RMB'000
Price subsidy <i>(Note)</i>	40,110	–
Government grants	1,986	1,134
Net foreign exchange losses	(442)	(867)
Gain/(loss) from disposal of fixed assets	1,237	(44)
Others	288	1,856
	43,179	2,079

Note: Price subsidy is provided by the local PRC government authorities to the Group on the steam supply business due to the increased coal price and unmatched steam price due to the fixed steam price ruled by authorities for a certain time period in 2021.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	2021 RMB'000	2020 RMB'000
(a) Finance costs		
Interest expense on payables due to shareholders	3,285	6,540
Interest on bank loans	9,633	4,843
Interest on other borrowings	235	–
Interest on lease liabilities	79	36
Other financial costs	49	428
	<u>13,281</u>	<u>11,847</u>
	2021 RMB'000	2020 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plan	2,535	1,049
Salaries, wages and other benefits	27,287	23,333
	<u>29,822</u>	<u>24,382</u>
(c) Other items		
Amortisation		
– right-of-use assets for properties	1,770	1,291
– intangible assets	750	449
Depreciation	41,514	35,131
Auditors' remuneration	1,226	2,077
Purchase of electricity	168,266	143,719
Fuel	286,858	124,810
Outsourcing operation	38,714	35,677
Net foreign exchange losses	442	867

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 RMB'000	2020 RMB'000
Current tax		
Provision for the year	<u>4,517</u>	<u>11,401</u>
Deferred tax		
Reversal of temporary differences	<u>(1,982)</u>	<u>(2,060)</u>
	<u>2,535</u>	<u>9,341</u>

The Group was subject to the statutory income tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	<u>9,023</u>	<u>38,817</u>
Notional tax on profit before taxation	<u>2,256</u>	9,704
Others	<u>279</u>	<u>(363)</u>
Actual tax expenses	<u>2,535</u>	<u>9,341</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind (note) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions (note) RMB'000	2021 Total RMB'000
Chairman					
Zhou Shanzhong	–	408	299	71	778
Executive directors					
Xing Cheng (resigned on 7 December 2021)	–	400	299	71	770
Mao Yongming	–	357	238	64	659
Non-executive directors					
Dong Guangpei	–	–	–	–	–
Wang Xiaotong	–	–	–	–	–
Independent non-executive directors					
Han Xiaoping	90	–	–	–	90
Yang Ying	90	–	–	–	90
Chen Weiduan	90	–	–	–	90
Supervisors					
Yang Kui	–	372	137	61	570
Xue Xiaofang (resigned on 22 October 2021)	–	–	–	–	–
Peng Chong (appointed on 22 October 2021)	–	–	–	–	–
Shao Guoyong	–	–	–	–	–
	<u>270</u>	<u>1,537</u>	<u>973</u>	<u>267</u>	<u>3,047</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind (note) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions (note) RMB'000	2020 Total RMB'000
Chairman					
Zhou Shanzhong	–	427	219	67	713
Executive directors					
Xing Cheng	–	433	221	65	719
Peng Chong (resigned on 27 August 2020)	–	240	176	38	454
Mao Yongming (appointed on 17 January 2020)	–	377	176	60	613
Non-executive directors					
Yu Yang (resigned on 17 January 2020)	–	–	–	–	–
Dong Guangpei	–	–	–	–	–
Wang Xiaotong (appointed on 17 January 2020)	–	–	–	–	–
Independent non-executive directors					
Liu Zibin (resigned on 17 January 2020)	4	–	–	–	4
Han Xiaoping	90	–	–	–	90
Yang Ying	90	–	–	–	90
Chen Weiduan (appointed on 17 January 2020)	86	–	–	–	86
Supervisors					
Yang Kui	–	327	125	57	509
Xue Xiaofang	–	–	–	–	–
Shao Guoyong	–	–	–	–	–
	<u>270</u>	<u>1,804</u>	<u>917</u>	<u>287</u>	<u>3,278</u>

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

Note: salaries, allowances and benefits in kind include salaries, medical insurance and housing provident fund etc.; Retirement scheme contributions include the social pension insurance schemes and the annuity.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Zhou Shanzhong, Xing Cheng and Mao Yongming are directors (2020: three) whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2020: two) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	691	715
Discretionary bonuses	465	301
Retirement scheme contributions (<i>note</i>)	121	116
	1,277	1,132

Note: As at 31 December 2021, the Group had no significant forfeited contributions available to reduce its contributions to the retirement scheme in future years (2020: Nil).

The emoluments of the 2 (2020: 2) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$Nil – HK\$1,000,000	2	2

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2021 of RMB431,000 (2020: RMB17,510,000) and the weighted average of 159,921,000 ordinary shares (2020: 159,921,000) in issue during the year.

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings and structure RMB'000	Power generation plant and electric utility in service RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress (CIP) RMB'000	Total RMB'000
Cost:						
At 1 January 2020	16,806	639,381	1,200	26,512	–	683,899
Addition through acquisition of a subsidiary	141,005	74,852	393	2,596	22,596	241,442
Additions	–	1,149	–	1,907	–	3,056
Transfer from CIP	–	20,099	–	–	(20,099)	–
Disposals	–	(725)	(149)	(161)	–	(1,035)
At 31 December 2020	157,811	734,756	1,444	30,854	2,497	927,362
Additions	–	–	–	2,870	2,260	5,130
Transfer from CIP	–	3,420	–	557	(3,977)	–
Disposals	–	(7,325)	–	(446)	–	(7,771)
At 31 December 2021	157,811	730,851	1,444	33,835	780	924,721
Accumulated depreciation:						
At 1 January 2020	(7,158)	(318,495)	(981)	(13,256)	–	(339,890)
Charge for the year	(4,215)	(27,761)	(182)	(2,973)	–	(35,131)
Written back on disposals	–	689	140	155	–	984
At 31 December 2020	(11,373)	(345,567)	(1,023)	(16,074)	–	(374,037)
Charge for the year	(6,100)	(32,056)	(72)	(3,286)	–	(41,514)
Written back on disposals	–	6,976	–	431	–	7,407
At 31 December 2021	(17,473)	(370,647)	(1,095)	(18,929)	–	(408,144)
Net book value:						
At 31 December 2021	140,338	360,204	349	14,906	780	516,577
At 31 December 2020	146,438	389,189	421	14,780	2,497	553,325

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets included in property, plant and equipment by class of underlying asset is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Buildings and structure leased for own use, carried at depreciated cost	1,570	1,243
	1,570	1,243

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Motor vehicles	–	128
Buildings and structure leased for own use, carried at depreciated cost	156	81
	156	209
Interest on lease liabilities <i>(note 5(a))</i>	79	36
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2021	441	524
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	22	13

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 19(c), 22 and 28, respectively.

(c) Assessing impairment

Electricity dispatch and sale business in Seaport, power generation and supply business in Seaport and power generation and supply business in Tianjin Tianbao Lingang Thermal Power Co., Ltd. have been identified as three separate cash-generating units (“CGUs”) for impairment assessment purpose. For those CGUs where an indicator of impairment was identified, management compares the carrying amounts of the property, plant and equipment and right-of-use assets for properties allocated to each CGU with the respective recoverable amounts, which are estimated by calculating their value in use based on a discounted cash flow forecasts, to determine the amount of impairment loss, if any. The management are of the view that there is nil impairment loss amount for the property, plant and equipment and right-of-use assets for properties as at 31 December 2021 (2020: nil).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

11 INTANGIBLE ASSETS

	Software and others
	RMB'000
Cost:	
At 1 January 2020	4,389
Addition through acquisition of a subsidiary	142
Other additions	<u>611</u>
At 31 December 2020	----- 5,142
At 1 January 2021	5,142
Additions	<u>81</u>
At 31 December 2021	----- 5,223
Accumulated amortisation:	
At 1 January 2020	(1,569)
Charge for the year	<u>(449)</u>
At 31 December 2020	----- (2,018)
At 1 January 2021	(2,018)
Charge for the year	<u>(750)</u>
At 31 December 2021	----- (2,768)
Net book value:	
At 31 December 2021	<u>2,455</u>
At 31 December 2020	<u>3,124</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

12 GOODWILL

	At 31 December 2021 RMB'000
Cost	
Balance at 1 January 2021 and 31 December 2021	537
Impairment losses	
Balance at 1 January 2021 and 31 December 2021	-
Carrying amounts	
Balance at 31 December 2021 and 31 December 2021	537

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's Power generation and supply – Lingang Thermal Power cash generation unit (CGU) identified according to operating segment.

The recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0% (2020: 0%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cashflows are discounted using a discount rate of 9.05% (2020: 9.42%). The discount rate used are pre-tax and reflect specific risks relating to the relevant segment.

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13 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2021, the Company had two subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital RMB'000	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
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)	Tianjin, People's Republic of China ("PRC") as a company with limited liability	16,709	100%	100%	Photovoltaic power generation, electricity infrastructure construction and sales of electronic component
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)	Tianjin, People's Republic of China ("PRC") as a company with limited liability	100,000	51%	51%	Steam production and supply

* The English translation of the companies' names are for reference only. The official name of these companies is in Chinese.

The following table lists out the information relating to Tianjin Tianbao Lingang Thermal Power Co., Ltd., the subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December 2021 RMB'000
NCI percentage	49%
Current assets	111,040
Non-current assets	301,425
Current liabilities	(143,245)
Non-current liabilities	(54,718)
Net assets	214,502
Carrying amounts of NCI	<u>105,106</u>
Revenue	218,423
Profit for the year	12,361
Total comprehensive income	12,361
Profit allocated to NCI	6,057
Dividend paid to NCI	<u>4,900</u>
Cash flows from operating activities	40,902
Cash flows from investing activities	(6,668)
Cash flows from financing activities	<u>5,143</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

14 RIGHT-OF-USE ASSETS FOR PROPERTIES

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Cost:		
At the beginning of the year	<u>76,735</u>	<u>16,568</u>
Addition through acquisition of a subsidiary	<u>-</u>	<u>60,167</u>
At the end of the year	<u>76,735</u>	<u>76,735</u>
Accumulated amortisation:		
At the beginning of the year	<u>(2,870)</u>	<u>(1,579)</u>
Amortisation for the year	<u>(1,770)</u>	<u>(1,291)</u>
At the end of the year	<u>(4,640)</u>	<u>(2,870)</u>
Net book value:		
At the end of the year	<u>72,095</u>	<u>73,865</u>

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVENTORIES

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Fuel	8,667	10,969
Goods and supplies	1,404	833
	10,071	11,802

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

	2021 RMB'000	2020 RMB'000
Cost of fuel used	286,858	124,810
Cost of goods and supplies sold	118	796
Reversal of inventory provision	(7)	(693)
	286,969	124,913

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Contract assets		
Arising from performance under construction contracts, net of loss allowance	44	28

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(Expressed in RMB unless otherwise indicated)

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Contract liabilities		
<i>Current portion</i>		
Electricity and power supply contracts – Billings in advance of performance	22,660	22,442
<i>Non-current</i>		
Prepaid facility usage fees	5,952	6,438
	28,612	28,880
	2021	2020
	RMB'000	RMB'000
Movements in contract liabilities		
Balance at 1 January	28,880	29,437
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(28,880)	(29,437)
Decrease in other contract liabilities as a result of recognising revenue during the year	(142,411)	(102,459)
Increase in contract liabilities as a result of billing in advance of services activities	171,509	131,825
Amortisation of deferred income	(486)	(486)
Balance at 31 December	28,612	28,880

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(Expressed in RMB unless otherwise indicated)

17 TRADE AND BILL RECEIVABLES

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Accounts receivable, net of loss allowance	54,249	30,507
Bills receivable	1,090	1,329
	55,339	31,836

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	54,565	29,336
4 to 6 months	231	2,500
7 to 9 months	532	–
10 to 12 months	11	–
Over 12 months	–	–
	55,339	31,836

Trade receivables are generally due within 30 – 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 27(a).

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(Expressed in RMB unless otherwise indicated)

18 OTHER RECEIVABLES AND ASSETS

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Current		
Price subsidy	15,920	–
Value added tax recoverable	7,214	5,861
Corporation income tax recoverable	715	1,518
Deposits with third parties	22	22
Advance to suppliers	728	479
	<u>24,599</u>	<u>7,880</u>
Non-current		
Deposits with third parties	<u>1,250</u>	–

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	<u>186,141</u>	<u>126,916</u>

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(Expressed in RMB unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Dividends payable RMB'000	Loans and borrowings RMB'000	Interest payables RMB'000	Lease liabilities RMB'000	Payable to shareholders for capital reduction RMB'000	Total RMB'000
At 1 January 2021	-	195,608	267	1,227	85,098	282,200
<i>Cash flows:</i>						
Dividends paid	(12,896)	-	-	-	-	(12,896)
Proceeds from new bank loans	-	193,000	-	-	-	193,000
Proceeds from other borrowings, net of deposit	-	23,750	-	-	-	23,750
Repayment of bank loans	-	(115,709)	-	-	-	(115,709)
Payment to shareholders for capital reduction	-	-	-	-	(88,383)	(88,383)
Interest paid	-	-	(9,749)	-	-	(9,749)
Capital element of lease rentals paid	-	-	-	(194)	-	(194)
Interest element of lease rentals paid	-	-	-	(79)	-	(79)
<i>Non-cash changes:</i>						
Increase in lease liabilities from entering into new leases during the year	-	-	-	570	-	570
Deposit placed	-	1,250	-	-	-	1,250
Interest incurred	-	235	9,633	79	3,285	13,232
Dividends declared	12,896	-	-	-	-	12,896
At 31 December 2021	-	298,134	151	1,603	-	299,888

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19 CASH AND CASH EQUIVALENTS (continued)

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

	Dividends payable	Loans and borrowings	Interest payables	Lease liabilities	Payable to shareholders for capital reduction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	-	-	-	131	158,558	158,689
<i>Cash flows:</i>						
Dividends paid	(9,698)	-	-	-	-	(9,698)
Proceeds from new bank loans	-	129,900	-	-	-	129,900
Repayment of bank loans	-	(66,199)	-	-	-	(66,199)
Payment to shareholders for capital reduction	-	-	-	-	(80,000)	(80,000)
Interest paid	-	-	(5,296)	-	-	(5,296)
Capital element of lease rentals paid	-	-	-	(227)	-	(227)
Interest element of lease rentals paid	-	-	-	(36)	-	(36)
<i>Non-cash changes:</i>						
Addition through acquisition of a subsidiary	-	131,907	720	-	-	132,627
Increase in lease liabilities from entering into new leases during the year	-	-	-	1,323	-	1,323
Interest incurred	-	-	4,843	36	6,540	11,419
Dividends declared	9,698	-	-	-	-	9,698
At 31 December 2020	-	195,608	267	1,227	85,098	282,200

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating cash flows	463	546
Within financing cash flows	273	263
	736	809

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	736	809

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20 TRADE AND OTHER PAYABLES

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Trade payable to third parties	92,919	39,819
Deposit received	2,153	6,376
Payables for value added tax and other taxes	3,209	395
Payables for purchase of property, plant and equipment	1,115	–
Others	1,206	1,215
	100,602	47,805

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

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

	2021 RMB'000	2020 RMB'000
Within 3 months	80,757	33,061
4 to 6 months	19,728	13,950
7 to 12 months	117	70
Over 12 months	–	724
	100,602	47,805

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

21 LOANS AND BORROWINGS

(a) The analysis of the repayment schedule of loans and borrowings is as follows:

	2021 RMB'000	2020 RMB'000
Bank loans		
Within 1 year or on demand (Note)	182,725	115,509
After 1 year but within 2 years	56,646	35,724
After 2 years but within 5 years	33,529	32,927
After 5 years	–	11,448
	90,175	80,099
	272,900	195,608
Other borrowings		
Within 1 year or on demand	5,471	–
After 1 year but within 2 years	5,188	–
After 2 years but within 5 years	14,239	–
After 5 years	336	–
	19,763	–
	25,234	–
	298,134	195,608

Note: to conform presentation in the current period, the current portion of non-current loans and borrowings amounted to RMB35,609,000 recorded in the current portion of other non-current liabilities in 2020 has been reclassified to current loans and borrowings.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

21 LOANS AND BORROWINGS (continued)

(b) Assets pledged as security for loans and borrowings

At 31 December 2021, the loans and borrowings were secured as follows:

	2021 RMB'000	2020 RMB'000
Bank loans		
– secured	66,700	50,000
– guaranteed by subsidiary of the Company	10,000	–
– unsecured	196,200	145,608
Other borrowings		
– secured	25,234	–
	298,134	195,608

At 31 December 2021, the secured bank loans were pledged by 51% shares of Tianjin Tianbao Lingang Thermal Power Co., Ltd. held by the Group with an aggregate carrying value of RMB51,000,000 (2020: RMB51,000,000) and full amount of trade receivables of Tianjin Tianbao Lingang Thermal Power Co., Ltd..

At 31 December 2021, the secured other borrowings represent borrowing balance from SPDB Financial Leasing Co., Ltd., which were pledged by the gas supply facilities, equipment and related parts of the Group with an aggregate carrying value of RMB31,564,000 (2020: Nil).

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22 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	131	79
After 1 year but within 2 years	137	83
After 2 years but within 5 years	452	273
After 5 years	883	792
	<u>1,472</u>	<u>1,148</u>
	<u>1,603</u>	<u>1,227</u>

23 DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants	<u>19,912</u>	<u>21,821</u>

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2021 RMB'000	2020 RMB'000
Provision for Tax for the year	4,517	11,401
Provisional Profits Tax paid	(4,621)	(10,193)
	(104)	1,208
Balance of Profits Tax provision relating to prior years	2,403	1,195
	2,299	2,403

(b) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Property, plant and equipment	Credit loss allowance	Depreciation charge of right-of-use assets	Provision of Inventories	Infrastructure compensation	Deductible tax losses	Interest-free payable to equity owner	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	(1,485)	25	-	196	1,734	-	(2,454)	(1,984)
Credited/(charged) to profit or loss	353	13	6	173	(121)	-	1,636	2,060
Addition through acquisition of a subsidiary	(5,782)	-	-	-	-	-	-	(5,782)
Others	-	(24)	-	-	-	-	-	(24)
At 31 December 2020	(6,914)	14	6	369	1,613	-	(818)	(5,730)
Credited/(charged) to profit or loss	441	(7)	2	(2)	(121)	851	818	1,982
At 31 December 2021	(6,473)	7	8	367	1,492	851	-	(3,748)

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(continued)

(b) **Deferred tax assets and liabilities recognised:** (continued)

(ii) **Reconciliation to the consolidated statement of financial position**

	2021	2020
	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	1,844	–
Net deferred tax liability recognised in the consolidated statement of financial position	5,592	5,730
	<u>(3,748)</u>	<u>(5,730)</u>

25 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.

During the year ended 31 December 2021, the Company repaid to Tianjin Tianbao Holdings Limited the remaining amount of RMB88,384,000.

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26 CAPITAL AND RESERVES

(a) Movements in components of equity

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

Company	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	159,921	79,137	12,759	48,785	300,602
Total comprehensive income	-	-	-	8,149	8,149
Appropriation to reserves	-	-	815	(815)	-
Dividends	-	-	-	(7,996)	(7,996)
At 31 December 2021	159,921	79,137	13,574	48,123	300,755
At 1 January 2020	159,921	79,137	11,708	44,117	294,883
Total comprehensive income	-	-	-	10,517	10,517
Appropriation to reserves	-	-	1,051	(1,051)	-
Dividends	-	-	-	(4,798)	(4,798)
At 31 December 2020	159,921	79,137	12,759	48,785	300,602

(b) Share capital

	2021		2020	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	159,921	159,921	159,921	159,921

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

26 CAPITAL AND RESERVES *(continued)*

(c) Capital reserve

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

(d) Statutory surplus reserves

According to the Company Law of the PRC, and the Company's articles of association, the Company appropriates 10% of each year's net profit under Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC GAAP") to the statutory surplus reserve. The Company has the option to cease provision for such reserve when it reaches 50% of the registered paid-in capital. Upon the approval from relevant authorities, this reserve can be used to make up any losses incurred or to increase paid-in capital. Except for offsetting against losses, this reserve cannot fall below 25% of the registered share capital after being used to increase share capital.

(e) Distributable reserves

Payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling owner, Tianjin Tianbao Holdings Limited will be able to influence the Company's dividend policy. As at 31 December 2021, the aggregate amount of reserves available for distribution to the shareholders of the Company is RMB48,123,000.

Following the establishment of the Company, under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

- (i) Making up prior years' cumulative losses, if any;
- (ii) Allocations to the reserve fund; and
- (iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRS.

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26 CAPITAL AND RESERVES (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2021 and 2020 was as follows:

	Note	2021 RMB'000	2020 RMB'000
Current liabilities:			
Loans and borrowings	21	188,196	115,509
Lease liabilities	22	131	79
Current portion of other non-current liabilities		–	85,098
		188,327	200,686
Non-current liabilities:			
Loans and borrowings	21	109,938	80,099
Lease liabilities	22	1,472	1,148
Total debt		299,737	281,933
Less: cash and cash equivalents	19	(186,141)	(126,916)
Adjusted net debt		113,596	155,017
Total equity		412,223	418,631
Adjusted net debt-to-capital ratio		27.6%	37.0%

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

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

26 CAPITAL AND RESERVES (continued)

(g) Dividends

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

	2021 RMB'000	2020 RMB'000
Nil final dividend proposed after the end of the reporting period (2020: RMB0.05 per ordinary share)	-	7,996

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

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

	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.05 per ordinary share (2020: RMB0.03)	7,996	4,798

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

Trade receivables and contract assets

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

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 14% (2020: 23%) and 31% (2020: 62%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively within the electronics business segment.

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

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

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

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.01%	54,612	5
Less than 3 months past due	0.25%	232	1
4 to 6 months past due	0.78%	537	4
7 to 9 months past due	3.44%	12	–
10 to 12 months past due	27.17%	–	–
Over 12 months past due	100.00%	19	19
		55,412	29
	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.05%	29,353	15
Less than 3 months past due	1.15%	2,528	29
4 to 6 months past due	6.06%	–	–
7 to 9 months past due	11.42%	14	1
10 to 12 months past due	30.37%	20	6
Over 12 months past due	37.74%	–	–
		31,915	51

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

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

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

	2021 RMB'000	2020 RMB'000
Balance at 1 January	51	97
Impairment losses reversed during the year	(22)	(46)
Balance at 31 December	29	51

(b) Liquidity risk

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

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within	More than	More than	More than	Total	
	1 year or	1 year but	2 years but	5 years		
on demand	less than	less than	5 years	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	195,914	64,534	50,069	3,055	313,572	298,134
Lease liabilities	204	204	613	1,074	2,095	1,603
Trade and other payables	100,602	-	-	-	100,602	100,602
Salary and welfare payables	4,575	-	-	-	4,575	4,575
Total	301,295	64,738	50,682	4,129	420,844	404,914

	2020					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within	More than	More than	More than	Total	
	1 year or	1 year but	2 years but	5 years		
on demand	less than	less than	5 years	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	116,504	35,724	32,927	11,448	196,603	195,608
Lease liabilities	135	135	406	1,003	1,679	1,227
Trade and other payables	47,805	-	-	-	47,805	47,805
Salary and welfare payables	3,110	-	-	-	3,110	3,110
Current portion of other non-current liabilities	88,383	-	-	-	88,383	85,098
Total	255,937	35,859	33,333	12,451	337,580	332,848

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Fixed rate borrowings:		
Lease liabilities	1,603	1,227
Payable to shareholders for capital reduction	–	85,098
Loans and borrowings	<u>170,234</u>	<u>79,900</u>
	<u>171,837</u>	<u>166,225</u>
Variable rate borrowings:		
Loans and borrowings	<u>127,900</u>	<u>115,708</u>
Net exposure	<u>127,900</u>	<u>115,708</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB959,000 (2020: RMB867,810).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through issuance of shares upon public offering which give rise to cash balances that are denominated in a foreign currency. The currencies giving rise to this risk are primarily Hong Kong dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies	
	2021	2020
	Hong Kong	Hong Kong
	Dollars	Dollars
	RMB'000	RMB'000
Cash and cash equivalents	13,643	14,529
Gross exposure arising from recognised assets and liabilities	13,643	14,529

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2021		At 31 December 2020	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Hong Kong Dollars	10%	1,023	10%	1,090
	(10%)	1,023	(10%)	1,090

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

(e) Fair value measurement

As at 31 December 2021 and 2020, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

28 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for	–	2,142
Authorised but not contracted for	–	–
	–	2,142

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	6,903	5,488
Post-employment benefits	632	596
	7,535	6,084

Total remuneration is included in “staff costs” (see note 5(b)).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Related party balances and transactions

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

<u>Names of related parties</u>	<u>Nature of relationship</u>
Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. ("Tianbao Group") 天津保稅區投資控股集團有限公司	ultimate controlling company
Tianjin Tianbao Holdings Limited 天津天保控股有限公司	parent company
Tianjin Free Trade Zone Investment Company Limited 天津保稅區投資有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Construction Development Co., Ltd. 天津天保建設發展有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Municipal Co., Ltd. 天津天保市政有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao International Logistics Co., Ltd. 天津天保國際物流集團有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Asset Management Co., Ltd. 天津天保資產經營管理有限公司	a subsidiary of Tianbao Group
Tianjin International Logistics Park Co., Ltd. 天津國際物流園有限公司	a subsidiary of Tianbao Group

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Related party balances and transactions *(continued)*

<u>Names of related parties</u>	<u>Nature of relationship</u>
Tianjin Tianjian Vehicle Inspection Service Co., Ltd. 天津天檢汽車檢測服務有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Science and Technology Development Co., Ltd. 天津天保科技發展有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Tianbao Import Vehicle Inspection Co., Ltd. 天津港保稅區天保進口機動車檢測有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Hongxin Logistics Center Co., Ltd. 天津天保宏信物流中心有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Tianbao Jintie Logistics Co., Ltd. 天津自貿試驗區天保津鐵物流有限公司	a subsidiary of Tianbao Group
Tianjin Airport International Logistics Co., Ltd. 天津空港國際物流股份有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Environment Investment Development Co., Ltd. 天津港保稅區環境投資發展集團有限公司	equity owner of a subsidiary

* The English translation of the companies' names are for reference only. The official names of the companies are in Chinese.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Related party balances

- (i) Trade and bill receivables and other receivables and assets comprised the following balances due from related parties:

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Due from Tianbao Group and its subsidiaries	961	527

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

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Due to Tianjin Tianbao Holdings Limited	-	88,383
Advance received from Tianbao Group's subsidiaries	407	684
	407	89,067

(d) Related party transactions

	2021 RMB'000	2020 RMB'000
Sales of goods to		
Subsidiaries of Tianbao Group	5,849	6,218
Purchase of goods from		
Subsidiaries of Tianbao Group	-	231
Services provided to		
Subsidiaries of Tianbao Group	6,090	930
Payment for refund of capital		
Tianbao Group	88,383	80,000

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of purchase of goods and providing services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section “Connected transaction” of the Directors’ Report. The related party transactions in respect of sales of goods above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are conducted on normal commercial terms that are comparable to or no less favourable to the Group than those offered to independent third parties and it is not secured by the assets of our Group.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		286,348	311,500
Investments in subsidiaries		122,138	122,138
Right-of-use assets for properties		14,325	14,656
Deferred tax assets		1,469	–
Other non-current assets		1,250	–
Intangible assets		1,883	2,503
		427,413	450,797
Current assets			
Inventories		4,098	5,210
Trade and bill receivables		50,381	28,269
Other receivables and assets		6,913	1,934
Contract assets		63	35
Cash and cash equivalents		100,653	72,037
Restricted deposits		2,600	1,000
		164,708	108,485

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

		At 31 December 2021	At 31 December 2020
	Note	RMB'000	RMB'000
Current liabilities			
Loans and borrowings		83,771	58,300
Trade and other payables	20	64,804	29,281
Contract liabilities		22,660	22,442
Salary and welfare payables		4,044	2,683
Lease liabilities (current portion)		-	-
Current portion of other non-current liabilities	25	-	85,098
		<u>175,279</u>	<u>197,804</u>
Net current liabilities		<u>(10,571)</u>	<u>(89,319)</u>
Total assets less current liabilities		<u>416,842</u>	<u>361,478</u>
Non-current liabilities			
Loans and borrowings		98,963	41,700
Deferred income		11,172	12,351
Lease liabilities		-	-
Contract liabilities		5,952	6,438
Deferred tax liabilities		-	387
Other non-current liabilities		-	-
		<u>116,087</u>	<u>60,876</u>
NET ASSETS		<u>300,755</u>	<u>300,602</u>
CAPITAL AND RESERVES			
Share capital		159,921	159,921
Reserves		140,834	140,681
TOTAL EQUITY		<u>300,755</u>	<u>300,602</u>

Approved and authorised for issue by the board of directors on 25 March 2022.

Name: **Zhou Shanzhong**
Position: Director

Name: **Mao Yongming**
Position: Director

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 30 January 2022, the board of directors resolved to approve a potential capital increase of Tianjin Tianbao Lingang Thermal Power Co., Ltd. for no less than RMB40.8240 million and RMB9.1646 million by the potential investor and the Company, respectively and a potential construction works of the gas distributed energy station project of Tianjin Tianbao Lingang Thermal Power Co., Ltd. In the first quarter of 2022, the project has been approved by the Shareholders.

32 IMPACT OF THE COVID-19 PANDEMIC

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

The further impact of the COVID-19 pandemic is still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the Directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. respectively, which were incorporated in Tianjin. These entities do not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

(continued)

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Presentation of financial statements "Classification of Liabilities as Current or Non-current"</i>	1 January 2023
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

“AGM”	the 2021 annual general meeting of the Company to be held in June 2022
“Annual Report” or “Report”	this annual report of the Company for the Reporting Period
“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“CASBE”	China Accounting Standards for Business Enterprises
“Company”, “our Company”, “we” or “us”	Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in this report refers to Tianbao Holdings and TFIHC
“Director(s)”	director(s) of the Company
“Domestic Shares”	the ordinary shares issued in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group” or “our Group”	the Company and its 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
“Haigang Thermal Plant”	the power plant located in Tianjin Port Free Trade Zone (Seaport) currently held by the Group
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “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
“Konggang Thermal Plant”	the power plant located in Tianjin Airport Economic Zone which is currently held by Tianbao Holdings, the controlling shareholder of the Company, which operates the energy production and supply business
“Latest Practicable Date”	April 5, 2022, being the latest practicable date prior to the printing of this Annual Report for ascertaining certain information contained herein

“Lingang Thermal Plant”	the power plant located in Tianjin Port Free Trade Zone (Lingang) currently held by the Group
“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
“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
“PRC Company Law”	Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“Prospectus”	the prospectus of the Company dated on April 16, 2018
“Reporting Period”	from January 1, 2021 to December 31, 2021, being the financial year of this Annual Report
“RMB” or “Renminbi”	the lawful currency of the PRC
“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
“Shareholder(s)”	holder(s) of the Share(s)
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisors of the Company
“Supervisory Board”	the board of Supervisors of the Company

Definitions

“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
“TFEI”	Tianjin Free Trade Zone Environment Investment Development Group Co., Ltd.* (天津港保稅區環境投資發展集團有限公司)
“Tianbao Group”	collectively, TFIHC and its subsidiaries (excluding our Group)
“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 purposes only

REGISTERED NAME

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

DIRECTORS

Executive Directors

Mr. ZHOU Shanzhong (周善忠) (*Chairman of the Board*)
Mr. MAO Yongming (毛永明) (*Deputy general manager*)
Mr. XING Cheng (邢城)

Non-executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr. CHAN Wai Dune (陳維端) (*Chairperson*)
Ms. YANG Ying (楊瑩)
Ms. DONG Guangpei (董光沛)

REMUNERATION COMMITTEE

Mr. HAN Xiaoping (韓曉平) (*Chairperson*)
Ms. YANG Ying (楊瑩)
Mr. MAO Yongming (毛永明)

NOMINATION COMMITTEE

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

SUPERVISORY BOARD

Mr. PENG Chong (彭冲) (*Chairperson*)
(*appointed on October 22, 2021*)
Mr. SHAO Guoyong (邵國永)
Ms. JIAO Dongxu (矯東旭)
(*appointed on January 11, 2022*)
Ms. XUE Xiaofang (薛曉芳)
(*resigned on October 22, 2021*)
Mr. YANG Kui (楊達)
(*resigned on January 11, 2022*)

COMPANY SECRETARY

Mr. LAU Kwok Yin (劉國賢)

AUTHORIZED REPRESENTATIVES

Mr. MAO Yongming (毛永明)
(*appointed on December 7, 2021*)
No. 35 Haibinba Road
Tianjin Port Free Trade Zone
Tianjin City
PRC

Mr. LAU Kwok Yin (劉國賢)
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Mr. XING Cheng (邢城) (*resigned on December 7, 2021*)

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, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

* for identification purposes only

PRINCIPAL BANKERS

Bank of China (Tianjin Pilot Free Trade Zone Branch)
No. 88 Haibinju 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

Shanghai Pudong Development Bank (Tianjin Puji Branch)
No. 3 Building, 158 West 3rd Road
Airport Logistics Processing Zone, Dongli District
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

AnJie Law Firm
19/F, Tower D1, Liangmaqiao Diplomatic Office Building
No. 19 Dongfangdonglu
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

INVESTOR ENQUIRIES

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