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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

FINANCIAL HIGHLIGHTS

- In the first half of 2018, the Company and its subsidiary recorded consolidated operating income of RMB215.715 million, basically remaining unchanged from the corresponding period of last year of RMB217.218 million.
- The profit before tax increased by 23.3% from RMB17.024 million for the first half of 2017 to RMB20.996 million for the first half of 2018.
- The profit and total comprehensive income attributable to shareholders of the Company's ordinary shares increased by 23.3% from RMB12.760 million for the first half of 2017 to RMB15.737 million for the first half of 2018.
- For the six months ended June 30, 2018, basic and diluted earnings per share was RMB0.12.

RESULTS HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tianjin Tianbao Energy Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (collectively, the “**Group**”) for the six months ended June 30, 2018 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

		Six months ended June 30,	
		2018	2017
	Notes	RMB'000	RMB'000
		(Unaudited)	
Revenue	3	215,715	217,218
Cost of sales		(185,980)	(190,481)
Gross profit		29,735	26,737
Other net income	4	4,719	3,264
Administrative expenses		(8,750)	(7,713)
Profit from operations		25,704	22,288
Interest income		457	659
Interest expense	5(a)	(5,165)	(5,923)
Profit before taxation	6	20,996	17,024
Income tax	6(a)	(5,259)	(4,264)
Profit for the period		15,737	12,760
Attributable to:			
Equity shareholders of the Company		15,737	12,760
Profit for the period		15,737	12,760
Earnings per share	7		
Basic (RMB)		0.12	0.11
Diluted (RMB)		0.12	0.11

	Six months ended June 30,	
	2018	2017
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Profit for the period	15,737	12,760
Other comprehensive income for the period	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>15,737</u>	<u>12,760</u>
Attributable to:		
Equity shareholders of the Company	<u>15,737</u>	<u>12,760</u>
Total comprehensive income for the period	<u>15,737</u>	<u>12,760</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At June 30, 2018

		At June 30, 2018 <i>RMB'000</i> (Unaudited)	At December 31, 2017 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	348,328	351,583
Lease prepayment		15,485	15,651
Intangible assets		1,451	1,434
		<u>365,264</u>	<u>368,668</u>
Current assets			
Inventories		5,288	6,363
Trade and bill receivables	9	27,714	41,910
Contract assets		108	—
Other receivables and assets	10	1,309	22,191
Cash and cash equivalents	11	201,912	116,071
		<u>236,331</u>	<u>186,535</u>
Current liabilities			
Trade and other payables	12	53,199	44,258
Receipt in advance		—	22,185
Contract liabilities (current portion)		19,796	—
Salary and welfare payables		1,090	2,431
Current taxation		1,986	2,633
Current portion of other non-current liabilities	13	60,000	72,490
		<u>136,071</u>	<u>143,997</u>
Net current assets		<u>100,260</u>	<u>42,538</u>
Total assets less current liabilities		<u>465,524</u>	<u>411,206</u>

		At June 30, 2018 <i>RMB'000</i> (Unaudited)	At December 31, 2017 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred income		11,723	17,848
Contract liabilities (non-current portion)		7,655	–
Deferred tax liabilities		5,384	6,762
Other non-current liabilities	13	146,937	141,791
		171,699	166,401
NET ASSETS		293,825	244,805
CAPITAL AND RESERVES			
Share capital		159,921	115,601
Reserves		133,904	129,204
TOTAL EQUITY		293,825	244,805

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended December 31, 2017 except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Tianjin Tianbao Energy Co., Ltd. and its subsidiary (together, the “**Group**”) since the consolidated financial statement for the year ended December 31, 2017. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included in the 2018 interim report of the Company.

The financial information relating to the financial year ended December 31, 2017 that is included in the interim financial report as comparative information does not constitute the Company’s consolidated financial statements for the year ended December 31, 2017 but is derived from those financial statements. KPMG has reported on those financial statements. The auditor’s report was unqualified.

The comparative amounts of the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement in respect of the six months ended June 30, 2017 and the related explanatory notes disclosed in the consolidated interim financial statements have not been audited.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 9, *Financial instruments*

- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has elected to adopt the new credit loss model in IFRS 9. The new model replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Based on the assessment, the Group believe that the adoption of the expected credit loss model will not have significant impact on its financial statements.

None of these developments of IFRS 9 and IFRIC 22 has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 15 in relation to presentation of contract assets and contract liabilities. Detail of the changes in accounting policies are discussed in note 2(b) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 15:

	At December 31, 2017 RMB'000	Impact on initial application of IFRS 15 RMB'000	At January 1, 2018 RMB'000
Trade and bill receivables	41,910	(4,747)	37,163
Contract assets	–	4,747	4,747
Total current assets	41,910	–	41,910
Receipts in advance	22,185	(22,185)	–
Contract liabilities (current portion)	–	22,185	22,185
Total current liabilities	22,185	–	22,185
Net current assets	19,725	–	19,725
Deferred income	17,848	(7,898)	9,950
Contract liabilities (non-current portion)	–	7,898	7,898
Total non-current liabilities	17,848	–	17,848
Net assets	1,877	–	1,877
Total equity	<u>1,877</u>	<u>–</u>	<u>1,877</u>

Further details of these changes are set out in sub-sections (b) of this note.

(b) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before January 1, 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Presentation of contract assets and liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under “trade and bill receivables”, the advance payment from customers for non-cancellable contracts of goods and services were presented in the statement of financial position under “receipts in advance” or “deferred income”.

To reflect these changes in presentation, the Group has made the following adjustments at January 1, 2018, as a result of the adoption of IFRS 15:

- a. “Gross amounts due from customers for construction and maintenance contract work” amounting to RMB4,747,000 which were previously included in trade and bill receivables are now included under contract assets.
- b. “Advances received” amounting to RMB22,185,000 which were previously included in receipts in advance are now included under contract liabilities.
- c. “Prepaid facility usage fees” amounting to RMB7,898,000 which were previously included in deferred income are now included under contract liabilities.

3. REVENUE AND SEGMENT REPORTING

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

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

- Power generation and supply business: selling electricity to the local branch of State Grid, and providing steam, heating and cooling to the industrial and commercial customers in Tianjin Port Free Trade Zone (Seaport).
- Others: construction and operation maintenance of industrial facilities and trading of electronic components.

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Electricity dispatch and sale	100,518	98,277
– Power generation and supply	96,072	89,083
– Others	19,125	29,858
	<u>215,715</u>	<u>217,218</u>

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

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

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

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

For the six months ended June 30,	Electricity dispatch and sale		Power generation and supply		Others		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Disaggregated by timing of revenue recognition								
Point in time	100,518	98,277	96,072	89,083	15,567	21,539	212,157	208,899
Over time	–	–	–	–	3,558	8,319	3,558	8,319
Revenue from external customers	100,518	98,277	96,072	89,083	19,125	29,858	215,715	217,218
Inter-segment revenue	1,143	786	–	–	–	–	1,143	786
Reportable segment revenue	101,661	99,063	96,072	89,083	19,125	29,858	216,858	218,004

For the six months ended June 30,	Electricity dispatch and sale		Power generation and supply		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment profit (gross profit)	<u>10,014</u>	<u>7,379</u>	<u>18,083</u>	<u>14,520</u>	<u>1,638</u>	<u>4,838</u>	<u>29,735</u>	<u>26,737</u>
As at June 30/December 31,								
Reportable segment assets	60,648	64,074	322,200	328,487	15,241	23,627	398,089	416,188
Reportable segment liabilities	<u>29,505</u>	<u>30,702</u>	<u>28,145</u>	<u>28,877</u>	<u>14,231</u>	<u>16,620</u>	<u>71,881</u>	<u>76,199</u>

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	216,858	218,004
Elimination of inter-segment revenue	<u>(1,143)</u>	<u>(786)</u>
Consolidated revenue	<u>215,715</u>	<u>217,218</u>
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Profit		
Reportable segment profit	29,735	26,737
Other net income	4,719	3,264
Interest income	457	659
Interest expenses	(5,165)	(5,923)
Depreciation and amortisation	(135)	(127)
Unallocated head office and corporate expenses	<u>(8,615)</u>	<u>(7,586)</u>
Consolidated profit before taxation	<u>20,996</u>	<u>17,024</u>

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Assets		
Reportable segment assets	398,089	416,188
Unallocated head office and corporate assets	<u>203,506</u>	<u>139,015</u>
Consolidated total assets	<u>601,595</u>	<u>555,203</u>

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Liabilities		
Reportable segment liabilities	71,881	76,199
Unallocated head office and corporate liabilities	<u>235,889</u>	<u>234,199</u>
Consolidated total liabilities	<u>307,770</u>	<u>310,398</u>

4. OTHER NET INCOME

	Six months ended June 30, 2018 RMB'000	2017 RMB'000
Government grants	4,513	3,261
Others	<u>206</u>	<u>3</u>
	<u>4,719</u>	<u>3,264</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
(a) Finance costs		
Deemed interest expense on payables due to shareholders	5,145	5,384
Interest expense on bank loans	–	527
Other interest expense	20	12
	<u>5,165</u>	<u>5,923</u>
(b) Staff costs		
Contributions to defined contribution retirement plan	1,306	1,237
Salaries, wages and other benefits	8,224	8,669
	<u>9,530</u>	<u>9,906</u>
(c) Other items		
Amortisation		
– land lease premium	166	166
– intangible assets	139	138
	<u>305</u>	<u>304</u>
Depreciation	11,684	11,524
Operating lease charges	280	338
Purchase of electricity	84,872	83,628
Fuel	46,225	40,324
Outsourcing operation	8,457	8,461

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for the period	6,637	5,702
Deferred tax		
Reversal of temporary differences	(1,378)	(1,438)
	<u>5,259</u>	<u>4,264</u>

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Profit before taxation	20,996	17,024
Notional tax on profit before taxation (<i>Note (i)</i>)	5,249	4,256
Tax effect of non-deductible expenses	10	8
Actual tax expenses	<u>5,259</u>	<u>4,264</u>

- (i) The Group was subject to the statutory income tax rate of 25% for the six months ended June 30, 2017 and 2018.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended June 30, 2018 of RMB15,737,000 (six months ended June 30, 2017: RMB12,760,000) and the weighted average of 131,359,129 ordinary shares (2017: 115,600,907) in issue. There was no difference between basic and diluted earnings per share as there were no potential dilutive shares during the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, the Group acquired items of plant, machinery and construction in progress with a cost of RMB8,505,000 (six months ended June 30, 2017: RMB373,000). There is no disposal of property, plant and equipment during the six months ended June 30, 2018 (six months ended June 30, 2017: RMB45,000).

9. TRADE AND BILL RECEIVABLES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Accounts receivable	25,723	41,910
Bills receivable	1,991	—
	<u>27,714</u>	<u>41,910</u>

(a) Ageing analysis

Included in trade receivables were debtors with the following ageing analysis as at December 31, 2017 and June 30, 2018:

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Within 3 months	27,492	36,157
4 to 6 months	92	5,080
7 to 12 months	93	17
Over 12 months	37	656
	<u>27,714</u>	<u>41,910</u>

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

(b) Trade and bill receivable that are not impaired

The ageing analysis of trade and bill receivable that are neither individually nor collectively considered to be impaired are as follows:

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Neither past due nor impaired	<u>27,492</u>	<u>36,157</u>
Less than 1 month past due	92	1,278
1 to 3 months past due	93	3,802
4 to 12 months past due	<u>37</u>	<u>673</u>
	<u>222</u>	<u>5,753</u>
	<u>27,714</u>	<u>41,910</u>

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

10. OTHER RECEIVABLES AND ASSETS

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Advance to suppliers	857	276
Deposits with third parties	402	676
Value added tax recoverable	50	—
Listing expenses prepayments	<u>—</u>	<u>21,239</u>
	<u>1,309</u>	<u>22,191</u>

11. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Cash at bank	<u>201,912</u>	<u>116,071</u>

12. TRADE AND OTHER PAYABLES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Trade payable to third parties	29,863	33,078
Payables for listing expenses	18,507	7,968
Payables for value added tax and other taxes	2,307	1,730
Deposit received	1,690	900
Payables for purchase of property, plant and equipment	325	537
Others	507	45
	<u>53,199</u>	<u>44,258</u>

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

As at June 30, 2018 and December 31, 2017, the ageing analysis of trade payables, based on invoice date, is as follows:

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Within 1 year	52,925	43,634
Between 1 to 2 years	232	503
Between 2 to 3 years	42	121
	<u>53,199</u>	<u>44,258</u>

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

13. OTHER NON-CURRENT LIABILITIES

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

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

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

During the six months ended June 30, 2018, the Company paid to Tianjin Free Trade Zone Investment Company Limited of RMB12,490,000. As of June 30, 2018, the total undiscounted payable to the Shareholders was RMB228,384,000 (RMB240,874,000 as of December 31, 2017), and the corresponding present value of the payments was RMB206,937,000 (RMB214,281,000 as of December 31, 2017), including RMB60,000,000 (RMB72,490,000 as of December 31, 2017) was recorded as current portion of other non-current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF BUSINESS REVIEW FOR THE FIRST HALF OF 2018

In the first half of 2018, the Company overcame the effects of economic conditions and reached all operation targets. The Company strengthened cooperation with enterprises on investment, mergers and acquisitions to expand its business scale; further enhanced management level of the Company by thorough benchmarking against industry standards and continued development of “Sort, Straighten, Shine, Standardize, Sustain and Safety” (“6S”) management, conducted technical research and development for scientific reform on production processes, including the electricity consumption system and water treatment system of our Haigang Thermal Plant, thereby further exploring potential cost reduction and efficiency enhancement; and maintained a safe and environmentally sustainable attitude at work to ensure steady development of the Company.

HIGHLIGHTS OF MAJOR INITIATIVES OF THE COMPANY IN THE FIRST HALF OF 2018

1. Strengthening cooperation to expand the Company

The Company adhered to the principles of “Complement of advantages, Profit-sharing, Risk-sharing and Equal cooperation”, seized strategic opportunities brought about by state-owned enterprise reform using the existing advantages of the Company, and conducted research on new business expansions to support subsequent scientific decision-making.

2. Exploring cost reduction potential by technical reform

The Company conducted in-depth research on electricity load and water treatment at our Haigang Thermal Plant, fully explored the energy-saving potential of electricity consumption system and water treatment system. The Company also proactively cooperated with technicians of operation and maintenance unit and equipment suppliers, and investigated new energy-saving technologies and measures to contribute in cost reduction.

3. Facilitating progress of major engineering projects

Firstly, we commenced underground construction work of Haigang thermal pipes and conducted inspection in accordance with management requirements. Secondly, we commenced equipment and infrastructure upgrading work of our no. 1 and 2 switching stations, which have been in operation for over 20 years. Tendering has been completed, and work commencement is scheduled for the second half of the year.

4. Continuing promotion of 6S management at Haigang Thermal Plant

We consolidated the development results of 6S management at our Haigang Thermal Plant in 2017 and continued to promote 6S, focusing on commencement of 6S work at non-model area and heat exchange station, which enhanced safety and environmental control levels fundamentally.

5. Strengthening safety and environmental protection work

The Company further implemented work safety responsibilities comprehensively and strict safety management, prohibited violation of regulations and enhanced employees' safety awareness. Relevant party management system was strictly implemented, while standardized management on quality examination, technical disclosure and assessment was established. We also stepped up safety inspection at factories and stations to eliminate potential harm in a timely manner. We conducted high-quality drill exercises to enhance the contingency capability of the Company and achieved the "Four Zeros" target of safe operation, which facilitated the development of a harmonized and safe company.

The Company conducted technical research and analysis based on the ultra-low smoke emission renovation project, formulated a steady emission reduction plan and emission examination indicators to maintain the ultra-low air pollutant emission level. Regarding other pollutant emission and engineering construction, we strictly complied with the requirements of environmental policies and further enhanced our environmental protection contingency capability to ensure "Zero Flaws" in our environmental protection efforts.

OPERATING RESULTS AND ANALYSIS

According to the Company's statistics, in the first half of 2018, sales of steam amounted to 419,100 tons, representing an increase of 7.8% from 388,800 tons over the corresponding period of last year, mainly due to the customers' increased demand for steam; sales of electricity amounted to 128.722 million kilowatt-hours, representing an increase of 7.44% from 119.8083 million kilowatt-hours over the corresponding period of last year, mainly due to the increase in the customer's business volume in the district which led to the increase in electricity used; and on-grid power generation amounted to 31.596 million kilowatt-hours, representing a decrease of 7.71% from 34.2356 million kilowatt-hours over the corresponding period of last year, mainly due to the Company reducing the cost of purchasing electricity for our own usage in accordance with the principle of cost-effectiveness, by using more surplus steam production for generating electricity for our own usage.

1. Operating income

In the first half of 2018, the Company and its subsidiary recorded consolidated operating income of RMB215.715 million, basically remaining unchanged from the corresponding period of last year of RMB217.218 million.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment increased 2.28% from RMB98.277 million for the first half of 2017 to RMB100.518 million for the first half of 2018, mainly due to the increase in electricity fee income, as a result of the slight increase in business volume of our consumers for the first half of 2018 as compared with the corresponding period of last year.

Power generation and supply segment

The income from our power generation and supply segment increased 7.85% from RMB89.083 million for the first half of 2017 to RMB96.072 million for the first half of 2018, mainly due to the increase in our consumers' demand for steam.

Other segments

The income from other segments decreased by 35.9% from RMB29.858 million for the first half of 2017 to RMB19.125 million for the first half of 2018, due to the reduction of sales of electrical switches under market influences.

2. Other net income

In the first half of 2018, the Group recorded other net income of RMB4.719 million, representing an increase of 44.6% as compared with the corresponding period of last year of RMB3.264 million, which was primarily due to the increase in government grants.

3. Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment decreased from RMB91.684 million for the first half of 2017 to RMB91.648 million for the first half of 2018.

Power generation and supply segment

The costs of our power generation and supply segment increased 4.16% from RMB73.777 million for the first half of 2017 to RMB76.846 million for the first half of 2018 due to the increase in fuel consumption and costs as a result of the increase in our consumers' demand for steam.

Other segments

The costs of other segments decreased 30.11% from RMB25.020 million for the first half of 2017 to RMB17.486 million for the first half of 2018, which was mainly due to market conditions and the decrease in sales costs as a result of the reduction in sales of electrical switches.

4. Segment Gross Profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment increased by 35.7% from RMB7.379 million for the first half of 2017 to RMB10.014 million for the first half of 2018.

Power generation and supply segment

The gross profit from our power generation and supply segment increased by 24.5% from RMB14.520 million for the first half of 2017 to RMB18.083 million for the first half of 2018.

Other segments

The gross profit from other segments decreased by 66.1% from RMB4.838 million for the first half of 2017 to RMB1.638 million in the first half of 2018.

5. Finance costs

In the first half of 2018, the Company and its subsidiary recorded finance costs of RMB5.165 million, representing a decrease of 12.8% as compared with the corresponding period of last year of RMB5.923 million, which was primarily due to the repayment of bank loans of RMB24.00 million by the Company in the second half of last year, thereby reducing the interest expenses in the first half of the year.

6. Fuel costs

In the first half of 2018, the Company and its subsidiary recorded fuel costs of RMB46.225 million, representing an increase of 14.6% as compared with the corresponding period of last year of RMB40.324 million, which was primarily due to the increase in the fuel consumption and price of fuel.

7. Profit before tax

The profit before tax increased by 23.3% from RMB17.024 million for the first half of 2017 to RMB20.996 million for the first half of 2018.

8. Income tax expenses

In the first half of 2018, the Group recorded income tax expenses of RMB5.259 million, representing an increase of 23.3% as compared with the corresponding period of last year of RMB4.264 million, which was primarily due to the increase in profit.

9. Profit for the period

Profit for the period increased by 23.3% from RMB12.760 million for the first half of 2017 to RMB15.737 million for the first half of 2018.

FINANCIAL SITUATION

1. Assets and liabilities

Total assets increased by 8.4% from RMB555.203 million at the end of 2017 to RMB601.595 million at the end of June 2018 mainly due to the proceeds of the initial public offering of the Company. Total liabilities decreased by 0.8% from RMB310.398 million at the end of 2017 to RMB307.770 million as at the end of June 2018. Total equity attributable to ordinary shareholders of the Company increased by 20.0% from RMB244.805 million as at the end of 2017 to RMB293.825 million as at the end of June 2018.

As at the end of June 2018, our current assets amounted to RMB236.331 million, an increase of 26.7% from RMB186.535 million as at the end of 2017, mainly due to the increase in cash and cash equivalents caused by the issue of new shares. Of which cash and cash equivalents amounted to RMB201.912 million (end of 2017: RMB116.071 million), trade and bill receivables amounted to RMB27.714 million (end of 2017: RMB41.910 million), which was mainly receivables of steam revenue. Our current liabilities amounted to RMB136.071 million (end of 2017: RMB143.997 million), of which trade and other payables amounted to RMB53.199 million (end of 2017: RMB44.258 million); and non-current liabilities amounted to RMB171.699 million (end of 2017: RMB166.401 million).

2. Cash and cash equivalents

As at the end of June 2018, the Group recorded cash and cash equivalents of RMB201.912 million, representing an increase of 74.0% as compared with the end of last year of RMB116.071 million, which was primarily due to business generation and the issue of new shares. Taking into account the capital needs of the Company's daily operating activities and the higher expected capital expenditures, the Company adopted a conservative cash management strategy.

3. Gearing ratio

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

In the first half of 2018, the Group recorded a gearing ratio of 1.05, representing a slight decrease as compared with the corresponding period of last year of 1.27, which was primarily due to the increase in shareholders' equity resulting from the issue of new shares.

HUMAN RESOURCES AND TRAINING

As of June 30, 2018, we had 70 employees. The following table sets forth the number of employees for each of our areas of operations as of June 30, 2018.

Function	Number of Employees	Percentage of Total
Management, administrative and finance	18	25.7%
Marketing	11	15.7%
Procurement	4	5.7%
Engineering and technology	37	52.9%
Total	70	100.0%

As of June 30, 2018, we incurred staff costs (including salaries, benefits and allowances) of RMB9.53 million.

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

The Group places significant emphasis on staff training and development. The Group invests in continuing education and training programs for our management personnel and other employees with a view to constantly enhancing their skills and knowledge. Our staff training is either conducted internally by the management and various department heads of the Group or conducted by external trainers. The Group wants to ensure that our staff remain equipped with the necessary skills to stay professional in their respective areas of work as this in turn helps our Group to maintain its competitiveness.

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

OTHER SIGNIFICANT EVENTS

1. Capital raising

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

2. Capital expenditure

In the first half of 2018, capital expenditure of the Group was RMB8.66 million, of which expenses of procurement of machinery and equipment amounted to RMB0.39 million, expenses of thermal plant smoke emission upgrade and renovation projects amounted to RMB4.45 million, expenses of Free Trade Zone (Seaport) thermal pipes underground renovation project amounted to RMB3.66 million, and expenses of purchasing automatic license plate number identification and weighting system was RMB0.16 million.

3. Material acquisitions and disposals

As of June 30, 2018, the Group did not have material acquisitions and disposals.

4. Significant investments

As of June 30, 2018, the Group did not have significant investments.

5. Contingent liabilities

As of June 30, 2018, the Group did not have contingent liabilities.

6. Bank borrowings of the Group

As of June 30, 2018, the Group did not have bank borrowings.

7. Other debts of the Group

Except for the amounts due to shareholders of the Company, the Group did not have other interest-bearing debts.

8. Charges on Group's assets

As of June 30, 2018, the Group had no charge on its assets.

9. Capital structure

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

10. Share option scheme

As of June 30, 2018, 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 Australian dollars, Hong Kong dollars, US dollars and Euros), 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.

PROSPECTS FOR THE SECOND HALF OF 2018

1. Actively exploring and starting new energy businesses

In the second half of the year, the Company will continue to analyse new development pipelines and new directions to get rid of the regional constraints and meanwhile explore the possibility of starting new energy businesses.

2. Strengthening team building of the Company

The labour shortage of the Company has constrained its growth in production and operation. Hence, the enlargement of the Company's professional team has become an important step to achieve sustainable development. The Company intends to make scientific adjustment on the existing organizations based on the actual business requirements, and introduce talented people to support key personnel, thereby providing an inexhaustible driving force for the sustainable robust growth of the Company.

3. Refining the manufacturing management to ensure the annual business goals are achieved

The Company will strengthen the implementation of standardised management requirements, and earnestly formulate a safe production responsibility system at all levels. It will also improve the modification and promotion of management standards, and implement safety management responsibility of production staff at all levels. Our efforts placed on training will be increased to enhance the safety production and management standards of all staff. Equipment-related potential risks will be timely identified and eliminated, and supervision will be strengthened to improve comprehensive treatment, operation and management of equipment and to improve the efficiency of the operation of equipment.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the period between April 27, 2018 and June 30, 2018.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and supervisors (the “**Supervisors**”) of the Company. Upon making specific enquiries to all of the Directors and Supervisors, all Directors and Supervisors confirmed that during the period between April 27, 2018 and June 30, 2018, each of the Directors and Supervisors has strictly complied with the required standards set out in the Model Code.

PLEDGE 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 six months ended June 30, 2018.

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 the affiliated companies for the six months ended June 30, 2018, 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 performance of its controlling shareholders nor breach the terms of any loan agreements for the six months ended June 30, 2018.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has formulated terms of reference in written form in accordance with the requirements of the Listing Rules. It comprises three members, namely, Mr. Lau Tsz Bun (independent non-executive Director), Mr. Wu Tao (non-executive Director) and Ms. Yang Ying (independent non-executive Director). Mr. Lau Tsz Bun currently serves as the chairperson of the Audit Committee.

The Audit Committee has reviewed the Group’s 2018 interim results announcement, interim report and the unaudited financial statements for the six months ended June 30, 2018 prepared in accordance with the International Financial Reporting Standards (IFRS).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2018.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, in order to further comply with the relevant requirements in China and improve the governance structure of the Company, the Company included the provisions in relation to the organization of the Communist Party of China in the articles of association of the Company. The resolution on amendment to the articles of association was considered and approved by the shareholders at the first extraordinary general meeting in 2018 of the Company held on August 22, 2018.

SUBSEQUENT EVENTS

The Company has implemented the sales price of power grid in Tianjin since July 1, 2018. For details, please refer to the announcement of the Company dated July 6, 2018.

KPMG has been appointed by the Board as auditor of the Company with effect from July 6, 2018 and its term of office will expire on the conclusion of the next annual general meeting of the Company. For details, please refer to the announcement of the Company dated July 6, 2018.

The Company's principal place of business in Hong Kong has been changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from July 30, 2018. For details, please refer to the announcement of the Company dated July 30, 2018.

THE PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.tjtbny.com/>), respectively. The interim report of the Company for 2018 will be dispatched to the shareholders of the Company and will also be available at the websites of the Stock Exchange and the Company in due course.

By order of the Board
Tianjin Tiaobao Energy Co., Ltd.
Gao Hongxin
Director

Tianjin, the People's Republic of China, August 28, 2018

As of the date of this announcement, the Board comprises Mr. Gao Hongxin, Mr. Xing Cheng, Mr. Peng Chong and Ms. Fang Wei as executive directors; Mr. Yu Yang and Mr. Wu Tao as non-executive directors; and Mr. Lau Tsz Bun, Mr. Han Xiaoping and Ms. Yang Ying as independent non-executive directors.

* *For identification purposes only*