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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, 2019**

FINANCIAL HIGHLIGHTS

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

RESULTS HIGHLIGHTS

The Board of Directors of Tianjin Tianbao Energy Co., Ltd.* announces the unaudited consolidated results of the Company and its subsidiary for the six months ended June 30, 2019 prepared in accordance with the IFRS.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At June 30, 2019 – unaudited (Expressed in RMB)

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

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

At June 30, 2019 – unaudited (Expressed in RMB)

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

IFRS 16, *Leases*

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

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

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

(a) *Changes in the accounting policies*

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

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

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

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

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

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

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

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

Determining the lease term

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

(c) Transitional impact

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

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

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

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

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

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

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

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

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

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

	At 30 June 2019 <i>RMB’000</i>	At 1 January 2019 <i>RMB’000</i>
Included in “Property, plant and equipment”:		
Properties leased for own use, carried at depreciated cost	468	809

(d) Lease liabilities

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

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

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

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

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

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

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

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

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

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

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

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

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

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	188,486	216,858
Elimination of inter-segment revenue	(1,087)	(1,143)
Consolidated revenue	187,399	215,715
	Six months ended 30 June	
	2019	2018
	RMB'000	(Note)
		RMB'000
Profit		
Reportable segment profit derived from Group's external customers	32,758	41,588
Other net income	1,689	4,719
Interest income	297	457
Finance costs	(3,491)	(5,165)
Depreciation and amortisation	(13,166)	(11,989)
Unallocated head office and corporate expenses	(8,568)	(8,614)
Consolidated profit before taxation	9,519	20,996
	At 30 June	At 31 December
	2019	2018
	RMB'000	RMB'000
Assets		
Reportable segment assets	388,256	409,403
Unallocated head office and corporate assets	143,745	141,788
Consolidated total assets	532,001	551,191

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

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

4 OTHER NET INCOME

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>(Note)</i> <i>RMB'000</i>
(a) Finance costs		
Interest on lease liabilities	13	–
Interest expense on payments due to shareholders	3,461	5,145
Other interest expense	17	20
	<u>3,491</u>	<u>5,165</u>
(b) Staff costs		
Contributions to defined contribution retirement plan	1,699	1,306
Salaries, wages and other benefits	10,426	8,224
	<u>12,125</u>	<u>9,530</u>
(c) Other items		
Amortisation		
- land lease premium	166	166
- intangible assets	154	139
	<u>320</u>	<u>305</u>
Depreciation	12,846	11,684
Operating lease charges	–	280
Purchase of electricity	75,384	84,872
Fuel	40,107	46,225
Outsourcing operation	9,594	8,457
	<u>138,031</u>	<u>151,523</u>

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

6. INCOME TAX

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

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

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

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

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

7 EARNINGS PER SHARE

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

8 PROPERTY, PLANT AND EQUIPMENT

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

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

9 TRADE AND BILL RECEIVABLES

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

(a) Ageing analysis

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	24,336	31,976
4 to 6 months	1,544	2,394
7 to 9 months	40	71
Over 12 months	80	134
	<u>26,000</u>	<u>34,575</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 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Neither past due nor impaired	<u>24,336</u>	<u>31,976</u>
Less than 1 month past due	243	2,394
1 to 3 months past due	1,301	–
4 to 12 months past due	<u>120</u>	<u>205</u>
	<u>1,664</u>	<u>2,599</u>
	<u>26,000</u>	<u>34,575</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 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepaid Income Tax	1,070	–
Deposits with third parties	1,007	846
Advance to suppliers	<u>312</u>	<u>130</u>
	<u>2,389</u>	<u>976</u>

11 CASH AND CASH EQUIVALENTS

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

12 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payable to third parties	15,823	36,547
Deposit received	2,066	1,045
Payables for value added tax and other taxes	1,097	539
Payables for purchase of property, plant and equipment	2,706	4,087
Others	927	707
	<u>22,619</u>	<u>42,925</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 of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

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

13 OTHER NON-CURRENT LIABILITIES

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

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

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

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

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

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

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

(b) Capital reserve

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

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

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

(c) Statutory surplus reserves

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

(d) Distributable reserves

Payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling owner, Tianjin Tianbao Holdings Limited will be able to influence the Company's dividend policy.

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

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

After the listing of the Company's shares on the Stock Exchange, 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.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

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

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

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

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

(f) Dividends

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF BUSINESS REVIEW FOR THE FIRST HALF OF 2019

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

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

1. Continue advancing the reformation of electric power system

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

2. Actively promoting the photovoltaic power generation project

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

3. Fuel purchase cost control

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

4. Launching a comprehensive performance appraisal

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

5. Actively looking for opportunities for growth

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

OPERATING RESULTS AND ANALYSIS

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

1. Operating income

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

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

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

2. Other net income

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

3. Segment costs

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

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

4. Segment gross profit

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

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

5. Earnings before interest, taxes, depreciation and amortisation

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

6. Finance costs

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

7. Fuel costs

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

8. Profit before tax

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

9. Income tax expenses

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

10. Profit for the period

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

FINANCIAL POSITION

1. Assets and liabilities

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

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

2. Cash and cash equivalents

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

3. Gearing ratio

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

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

Adjusted net debt-to-capital ratio

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

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

HUMAN RESOURCES AND TRAINING

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

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

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

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

The Group places significant emphasis on staff training and development. The Group invests in continuing education and training programs for our management personnel and other employees with a view to constantly enhancing their skills and knowledge.

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

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

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

OTHER SIGNIFICANT EVENTS

1. Capital raising

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

2. Capital expenditure and capital commitment

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

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

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

3. Liquidity and financial resources

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

4. Material acquisitions and disposals

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

5. Significant investments

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

6. Contingent liabilities

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

7. Bank borrowings of the Group

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

8. Other debts of the Group

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

9. Mortgages on Group's assets

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

10. Capital structure

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

11. Share option scheme

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

12. Foreign exchange and exchange rate risk

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

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2019

1. Fully promoting the optimization of shareholding structure

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

2. Vigorously promoting the process of merger and acquisition projects

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

3. The commencement of construction of photovoltaic power generation project

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

4. Further deepening the technical transformation and upgrading

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

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CHARGES ON THE GROUP'S ASSETS

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

LOAN ARRANGEMENTS GRANTED BY THE COMPANY TO ENTITIES

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

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

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

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

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

AUDIT COMMITTEE

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

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

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

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

INTERIM DIVIDEND

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

AMENDMENT TO THE ARTICLES OF ASSOCIATION

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

SUBSEQUENT EVENTS

There is no subsequent event as at the date of this announcement.

THE PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tjtbnny.com>), respectively. The interim report of the Company for 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and will also be available at the websites of the Stock Exchange and the Company in due course.

DEFINITION

“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Company”, “our Company”, “we” or “us”	Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in this report refers to Tianbao Holdings and TFIHC
“Director(s)”	director(s) of the Company
“Domestic Shares”	the ordinary shares issued in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group” or “our Group”	the Company and its subsidiary
“H Shares”	the overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

“IFRS”	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, and International Accounting Standards and Interpretations issued by the International Accounting Standards Board
“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
“Reporting Period”	from January 1, 2019 to June 30, 2019, being the financial reporting period of this announcement
“RMB” or “Renminbi”	the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholders”	holder(s) of the Share(s), including the holders of H Shares and Domestic Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisors of the Company
“TFIHC”	Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. (天津保稅區投資控股集團有限公司), a wholly-owned subsidiary of Tianjin Port Free Trade Zone State-owned Assets Administration Bureau (天津港保稅區國有資產管理局) established in the PRC, one of our Controlling Shareholders
“Tianbao Holdings”	Tianjin Tianbao Holdings Limited (天津天保控股有限公司), a limited liability company established in the PRC on January 28, 1999 and a wholly-owned subsidiary of TFIHC, one of our Controlling Shareholders

“Tianjin Baorun”

Tianjin Baorun International Trading Electrical Engineering Co., Ltd. (天津保潤國際貿易電氣工程有限公司), a limited liability company established in the PRC on November 21, 1994, a wholly-owned subsidiary of our Company

By order of the Board
Tianjin Tianbao Energy Co., Ltd.*
GAO Hongxin
Chairman

Tianjin, the People’s Republic of China, August 28, 2019

As at the date of this announcement, the Board comprises Mr. Gao Hongxin, Mr. Xing Cheng and Mr. Peng Chong 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*