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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

- In 2019, the Company and its subsidiary recorded consolidated operating income of RMB373.634 million, representing a decrease as compared to the same period of the previous year of RMB431.113 million.
- The profit before taxation decreased by 60.0% from RMB35.152 million for the whole year of 2018 to RMB14.076 million for the whole year of 2019.
- In 2019, basic and diluted earnings per Share was RMB0.06.
- The Board recommended a distribution of final cash dividend of RMB0.03 per Share (tax inclusive).

OPERATION HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Tianjin Tianbao Energy Co., Ltd.* (the "**Company**") announces the audited consolidated results of the Company and its subsidiary (collectively, the "**Group**" or "**we**") for the year ended December 31, 2019 (the "**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards ("**IFRS**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	For the year ended December 31, 2019 RMB'000 (Audited)	2018 (Note) RMB'000
Revenue	2	**373,634**	431,113
Cost of sales		**(339,362)**	(389,572)
Gross profit		**34,272**	41,541
Other net income	3	**4,939**	21,297
Administrative expenses		**(19,117)**	(18,718)
Profit from operations		**20,094**	44,120
Interest income		**896**	985
Interest expense		**(6,914)**	(9,953)
Profit before taxation	4	**14,076**	35,152
Income tax	5(a)	**(3,747)**	(8,805)
Profit for the year		**10,329**	26,347
Attributable to:			
Equity Shareholders of the Company		**10,329**	26,347
Profit for the year		**10,329**	26,347
Earnings per share	6		
Basic (RMB)		**0.06**	0.18
Diluted (RMB)		**0.06**	0.18

	Note	For the year ended December 31, 2019 RMB'000 (Audited)	2018 (Note) RMB'000
Profit for the year		**10,329**	26,347
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**10,329**	26,347
Attributable to:			
Equity Shareholders of the Company		**10,329**	26,347
Total comprehensive income for the year		**10,329**	26,347

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	Note	At December 31, 2019 RMB'000 (Audited)	At December 31, 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	*7*	**344,009**	352,504
Right-of-use assets for properties		**14,989**	15,320
Intangible assets		**2,820**	1,931
		361,818	369,755
Current assets			
Inventories		**3,460**	5,181
Trade and bill receivables	*8*	**35,453**	34,575
Contract assets		**1,102**	304
Other receivables and assets	*9*	**2,739**	976
Cash and cash equivalents	*10*	**133,678**	140,400
Restricted deposits		**2,000**	–
		178,432	181,436
Current liabilities			
Trade and other payables	*11*	**31,383**	42,925
Contract liabilities (current portion)		**22,512**	25,305
Salary and welfare payables		**2,779**	2,129
Lease liabilities		**131**	–
Current taxation		**1,195**	1,852
Current portion of other non-current liabilities	*13*	**80,000**	–
		138,000	72,211
Net current assets		**40,432**	109,225
Total assets less current liabilities		**402,250**	478,980

	Note	At December 31, 2019 RMB'000 (Audited)	At December 31, 2018 (Note) RMB'000
Non-current liabilities			
Deferred income		**12,813**	11,431
Contract liabilities (non-current portion)		**6,925**	7,411
Deferred tax liabilities		**1,984**	3,990
Other non-current liabilities	*13*	**78,558**	151,713
		100,280	174,545
NET ASSETS		**301,970**	304,435
CAPITAL AND RESERVES			
Share capital		**159,921**	159,921
Reserves		**142,049**	144,514
TOTAL EQUITY		**301,970**	304,435

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

NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the year ended December 31, 2019
(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

(c) Changes in accounting policies

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

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

IFRS 16, Leases

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

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

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

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

a. *New definition of a lease*

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

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

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

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

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

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

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

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

The following table reconciles the operating lease commitments 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 recognized in the statement of financial position at 31 December 2018.

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	Capitalisation of operating lease contracts	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	***RMB'000***
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	352,504	809	**353,313**
Total non-current assets	369,755	809	**370,564**
Lease liabilities (current)	–	711	**711**
Current liabilities	72,211	711	**72,922**
Net current assets	109,225	(711)	**108,514**
Total assets less current liabilities	478,980	98	**479,078**
Lease liabilities (non-current)	–	98	**98**
Total non-current liabilities	174,545	98	**174,643**
Net assets	304,435	–	**304,435**

c. *Impact on the financial result, segment results and cash flows of the Group*

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

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 10(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see note 10(d)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 *(note 1)* (C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**20,094**	**681**	**697**	**20,078**	44,120
Finance costs	**6,914**	**(20)**	**–**	**6,894**	9,953
Profit before taxation	**14,076**	**701**	**697**	**14,080**	35,152
Profit for the year	**10,329**	**701**	**697**	**10,333**	26,347
Reportable segment profit (adjusted EBITDA) for year ended 31 December 2019 (note 2(b)) impacted by the adoption of IFRS 16:					
– Electricity dispatch and sale	**11,663**	**–**	**–**	**11,663**	15,940
– Power generation and supply	**43,643**	**–**	**–**	**43,643**	44,333
– Others	**3,708**	**–**	**573**	**3,135**	5,284
– Total	**59,014**	**–**	**573**	**58,441**	65,557

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** ***(notes 1 & 2)***	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**32,930**	**(698)**	**32,232**	68,617
Net cash generated from operating activities	**26,520**	**(698)**	**25,822**	56,259
Capital element of lease rentals paid	**(678)**	**678**	**–**	–
Interest element of lease rentals paid	**(20)**	**20**	**–**	–
Net cash used in financing activities	**(13,496)**	**698**	**(12,798)**	(17,536)

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

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

2 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:

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 2(b).

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

(b) Segment results, assets and liabilities

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

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

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

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

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

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

	At 31 December 2019	At 31 December 2018 *(Note)*
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**403,023**	409,403
Unallocated head office and corporate assets	**137,227**	141,788
Consolidated total assets	**540,250**	551,191
Liabilities		
Reportable segment liabilities	**73,408**	87,163
Unallocated head office and corporate liabilities	**164,872**	159,593
Consolidated total liabilities	**238,280**	246,756

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

(d) Geographic information

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

3 OTHER NET INCOME

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

4 PROFIT BEFORE TAXATION

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

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

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

(c) Other items

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

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

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

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

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

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2019 of RMB10,329,000 (2018: RMB26,347,000) and the weighted average of 159,921,000 ordinary shares (2018: 147,417,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

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

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

7 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

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

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See note 1(c).

(b) Right-of-use assets

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

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

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

	2019	2018 *(Note)*
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings and structure	**73**	–
Motor vehicles	**584**	–
Others	**24**	–
	681	–
Interest on lease liabilities *(note 4(a))*	**20**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**496**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**18**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	509

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

8 TRADE AND BILL RECEIVABLES

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

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

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

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

9 OTHER RECEIVABLES AND ASSETS

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

10 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

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

(b) Reconciliation of liabilities arising from financing activities

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

	Dividends payable *RMB'000*	**Lease liabilities** *RMB'000* *(Note)*	**Payable to shareholders for capital reduction** *RMB'000*	**Total** *RMB'000*
At 31 December 2018	–	–	151,713	151,173
Impact on initial application of IFRS 16 *(Note)*	–	809	–	809
At 1 January 2019	**–**	**809**	**151,713**	**152,522**
Cash flows:				
Dividends paid	(12,798)	–	–	(12,798)
Capital element of lease rentals paid	–	(678)	–	(678)
Interest element of lease rentals paid	–	(20)	–	(20)
Non-cash changes:				
Interest incurred	–	20	6,845	6,865
Dividends declared	12,794	–	–	12,794
Exchange adjustments	4	–	–	4
At 31 December 2019	**–**	**131**	**158,558**	**158,689**

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS17.

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

(c) Total cash outflow for leases

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

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

Note: As explained in the note to note 10(b), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

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

11 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

12 DIVIDENDS

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

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

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

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

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

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 31 December 2019, the total undiscounted payable to the Shareholders was RMB168,384,000 (2018: RMB168,384,000), and the corresponding present value of the payments was RMB158,558,000 (2018: RMB151,713,000), including RMB80,000,000 (2018: Nil) was recorded as current portion of other non-current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

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

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

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

BUSINESS REVIEW FOR THE YEAR OF 2019

1 Advance the reformation of electric power system

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

2 Complete the construction of photovoltaic power generation project

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

3 Actively look for opportunities for growth

Relying on the advantages of the listing platform, the Company actively sought quality projects in the industry and development opportunities for mergers and acquisitions. The Company has communicated with excellent energy and power companies in the industry, conducted multiple researches and demonstrations on the reserve projects, and keeps a close track on the further development of the projects. The Company values opportunities to increase its scale through mergers and acquisitions in the industry to stimulate the Company's competitive potential.

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

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

5 Technical transformation and environmental protection

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

6 Establish working system of informatization

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

7 Improve performance appraisal program

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

OPERATING RESULTS AND ANALYSIS

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

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

1 Operating income

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

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

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

2 Other net income

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

3 Segment costs

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

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

4 Segment gross profit

Electricity dispatch and sale segment

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

Power generation and supply segment

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

Other segments

The gross profit from other segments decreased by 30.2% from RMB5.216 million for the whole year of 2018 to RMB3.644 million for the whole year of 2019, mainly due to the shifting of our subsidiary's focus from commodity selling business to the maintenance business in 2019.

5 EBITDA

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

6 Finance costs

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

7 Fuel costs

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

8 Profit before taxation

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

9 Income tax expenses

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

10 Profit for the year

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

FINANCIAL POSITION

1 Assets and liabilities

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

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

2 Cash and cash equivalents

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

3 Gearing ratio

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

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

OVERVIEW OF HUMAN RESOURCES

As of December 31, 2019, the Company had 69 employees. The table below shows the number of employees in each of the business section as of December 31, 2019.

Role	Number of employees	Percentage
Management, administration, finance	17	24.6%
Marketing	10	14.5%
Procurement	4	5.8%
Engineering and technology	38	55.1%
Total	69	100%

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

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

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

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

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

OTHER SIGNIFICANT EVENTS

1 Capital expenditure

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

2 Liquidity and financial resources

As at December 31, 2019, the Group had no bank borrowings or other borrowings. There were no financial instruments entered into by the Group for hedging purpose. In addition, the Group had no investments in foreign currency.

3 Material acquisitions and disposals

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

4 Significant investments

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

5 Contingent liabilities

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

6 Bank borrowings of the Group

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

7 Other debts of the Group

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

8 Charges on Group's assets

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

9 Capital structure

The H Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on April 27, 2018. The capital structure of the Company consists of Domestic Shares and H Shares.

10 Share option scheme

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

11 Foreign exchange and exchange rate risk

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

RISK FACTORS AND RISK MANAGEMENT

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

1 Material procurement management risk

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

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

2 Equipment operation and maintenance risk

As a utilities company, the Company is part of the capital intensive industry. Good inspection and maintenance for fixed assets of the Company, such as machinery, equipment and pipelines, not only relate to its production safety and operations, but also indirectly affect the normal production order of other industrial users within its location. It will affect the efficiency of operation and even cause an accident due to the lack of training and safety education, and inexperience of the operators or failure to follow the operating procedures; we would be unable to effectively protect assets or equipment in an emergency due to the lack and loss of fire prevention apparatus and anti-pollution equipment, no emergency plan or inadequate drills; If we fail to carry out good inspection and maintenance for assets, such as machinery, equipment and pipelines, it would cause the loss of the Company's interests and even affect its normal production and operation.

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

3 Performance appraisal management risk

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

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

SUBSEQUENT EVENTS

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

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

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

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

BUSINESS OUTLOOK FOR 2020

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

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

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

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

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

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

2 Push forward the merger and acquisition projects

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

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

3 Complete the "full circulation" of H shares

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

4 Continue to promote the construction of information technology infrastructure

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

5 Reduce cost and increase efficiency to improve efficiency level

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

6 Optimize organizational structure and strengthen internal control

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

7 Improve incentive mechanism and deepen Company reform

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complies with code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended December 31, 2019.

COMPLIANCE WITH MODEL CODE

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

The Company is not aware of any incident of non-compliance of the Model Code committed by any Directors, supervisors or relevant employees during the Reporting Period.

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDERS

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

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company has no affiliated companies and the Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended December 31, 2019 which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific responsibility of its controlling shareholders nor breach the terms of any loan agreements for the year ended December 31, 2019.

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. CHAN Wai Dune (independent non-executive Director), Ms. DONG Guangpei (non-executive Director) and Ms. Yang Ying (independent non-executive Director). Mr. CHAN Wai Dune currently serves as the chairperson of the Audit Committee.

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

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

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

FINAL DIVIDEND

The Board recommended a distribution of final cash dividend of RMB0.03 per Share (tax inclusive) for the year ended December 31, 2019 to Shareholders as of the record date for payment of dividend. The ratio of final dividend distribution for the year is based on the various factors such as business performance of the Company in 2019. All dividends for 2019 will be paid on or around August 7, 2020 upon approval by Shareholders at the AGM to be held on June 15, 2020.

CLOSURE OF REGISTER OF MEMBERS

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

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

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

AMENDMENT TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF THE GENERAL MEETING

During the Reporting Period, the Company has revised its Articles of Association on June 10, 2019. Details of such amendments are set out in the circular to the Shareholders 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.

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

SCOPE OF WORK OF KPMG

The Group's independent auditor (KPMG) has audited the figures of the consolidated financial statements of the Company for the year ended December 31, 2019, prepared in accordance with the International Financial Reporting Standards and relevant notes.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tjtbny.com). The Company's 2019 annual report containing all the information required under the Listing Rules will be despatched to the Shareholders and will be available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Tianjin Tianbao Energy Co., Ltd.*
Zhou Shanzhong
Chairman

Tianjin, the People's Republic of China, March 26, 2020

As of the date of this announcement, the Board comprises Mr. Zhou Shanzhong, Mr. Xing Cheng, Mr. Mao Yongming and Mr. Peng Chong as executive directors; Mr. Wang Xiaotong and Ms. Dong Guangpei as non-executive directors; and Mr. Chan Wai Dune, Mr. Han Xiaoping and Ms. Yang Ying as independent non-executive directors.

* *For identification purpose only*