THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Tianjin Tianbao Energy Co., Ltd.***, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, securities broker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST IN LINGANG THERMAL POWER; (2) PROPOSED PROVISION OF GUARANTEE FOR LINGANG THERMAL POWER'S BANK LOAN; AND (3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Unless otherwise stated, capitalized terms used on this cover page shall have the same meaning as those defined in this circular.

A notice convening the EGM to be held at 10 a.m. on June 29, 2026 (Monday) at the meeting room, 3/F, No. 35 Haibinba Road, Tianjin Pilot Free Trade Zone (Tianjin Port Free Trade Zone), the PRC is set out on pages EGM-1 to EGM-3 of this circular.

The proxy form for the EGM has been published on the HKEXnews website of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tjtbny.com). Whether or not you are able to attend the EGM in person, you are requested to complete and return the applicable proxy form in accordance with the instructions printed thereon as soon as possible, but in any event not less than 24 hours before the time scheduled for holding the relevant meeting (or any adjournment thereof). Completion and delivery of the proxy form will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof if you so desire.

* *For identification purpose only*

June 8, 2026

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In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Equity Interest by the Company from the Vendor pursuant to the Equity Transfer Agreement
"associate"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Business Day(s)"	a day on which licensed banks in the PRC are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC
"Company" or "we" or "Purchaser"	Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 28, 2017, and the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1671)
"Completion"	the completion of the Acquisition as defined under the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the cash consideration of RMB106.522 million
"Director(s)"	the director(s) of the Company
"EGM"	the second extraordinary general meeting of the Company in 2026 to be convened at 10 a.m. on June 29, 2026 (Monday) and any adjournment thereof
"Enlarged Group"	the Group and the Target Company immediately after the Completion
"Equity Transfer Agreement"	the equity transfer agreement dated May 26, 2026 entered into between the Company and the Vendor in relation to the Acquisition

"Group"	the Company and its subsidiary
"H Share(s)"	overseas listed ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited, the H share registrar of the Company
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	June 5, 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as may be amended from time to time)
"Long Stop Date"	December 31, 2026 (or such other date as the Purchaser and the Vendor may agree in writing)
"PetroChina Kunlun"	PetroChina Kunlun Gas Co., Ltd.* (中石油昆侖燃氣有限公司), a company with limited liability established in the PRC and a wholly owned subsidiary of Kunlun Energy Company Limited (listed on the Stock Exchange, stock code: 135)
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity Interest"	the 40% equity interest in the Target Company held by the Vendor immediately prior to the Completion

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company" or "Lingang Thermal Power"	Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (天津天保臨港熱電有限公司), a company with limited liability established in the PRC on May 8, 2009, which is owned as to 45%, 40% and 15% by the Company, the Vendor and PetroChina Kunlun, respectively, immediately prior to the Completion
"Vendor"	Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd.* (天津自貿試驗區新興科技產業集團有限公司), a company with limited liability established in the PRC and a wholly-owned subsidiary of the Tianjin Port Free Trade Zone State-owned Assets Supervision and Administration Bureau
"%"	per cent

* *for identification purposes only*

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)

Executive Directors:
Mr. ZHOU Shanzhong *(Chairman)*
Mr. MAO Yongming
Mr. YAO Shen
Ms. YIN Ning

Non-executive Directors:
Ms. YANG Dingjing
Ms. SHI Wei

Independent Non-executive Directors:
Mr. CHAN Wai Dune
Mr. ZHANG Huan
Ms. YANG Wei

Registered Address in the PRC:
No. 35 Haibinba Road
Tianjin Pilot Free Trade Zone
(Tianjin Port Free Trade Zone)
PRC

Head Office/Principal Place of Business in the PRC:
No. 35 Haibinba Road
Tianjin Pilot Free Trade Zone
(Tianjin Port Free Trade Zone)
PRC

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

June 8, 2026

To the Shareholders,

Dear Sir/Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN LINGANG THERMAL POWER; (2) PROPOSED PROVISION OF GUARANTEE FOR LINGANG THERMAL POWER'S BANK LOAN; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated May 26, 2026 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) further details of the proposed provision of the guarantee for the Target Company; (iii) the financial information of the Group; (iv) the financial information of the Target Company; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Target Company; (vii) such other information as required under the Listing Rules; (viii) proposed provision of guarantee for Lingang Thermal Power's bank loan; and (ix) notice of the EGM, so that you can make informed decisions on whether or not to vote for the relevant resolutions to be proposed at the EGM.

II. THE ACQUISITION

The Equity Transfer Agreement

The major terms of the Equity Transfer Agreement are set out below:

Date : May 26, 2026

Parties : (1) the Vendor, Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd.; and

(2) the Purchaser, the Company.

Immediately prior to the Completion, the Company holds 45% of the equity interest in the Target Company, which is a non-wholly-owned subsidiary of the Company. The Vendor, holding a 40% of the equity interest in the Target Company, together with its associates, is therefore a connected person of the Company at the subsidiary level immediately prior to the Completion. The agreement in respect of the Vendor's original acquisition of the 40% equity interest in the Target Company was entered into in December 2024 with an original acquisition cost of approximately RMB98.914 million, which represented the Vendor's pro rata share of the assessed value of the entire equity interest in the Target Company as determined in accordance with the applicable PRC state-owned asset transfer regulations at the time of acquisition.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Equity Interest, which represents 40% of the total equity interest and the fully paid-up registered capital of the Target Company. Upon the Completion, the Company will hold 85% of the equity interest in the Target Company, and the Target Company will remain as a non-wholly-owned subsidiary of the Company.

Consideration and Payment Terms

The Consideration of the Acquisition is approximately RMB106.522 million. Such Consideration shall be paid by the Company in one lump sum to the designated account of the Vendor within 10 business days from the date on which the Equity Transfer Agreement becomes effective. The cash consideration will be satisfied in cash from long term bank loan and the Group's internal resources.

As advised by the Company's PRC legal advisers, given that the Company is acquiring a 40% equity interest in its existing non-wholly owned subsidiary from the Vendor for cash consideration only and no new securities of the Company are being issued or offered in connection with the Acquisition, the filing requirements under the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》and related guidelines issued by the China Securities Regulatory Commission do not apply to the Acquisition.

Basis of Determination of the Consideration

The Consideration was determined based on arm's length negotiations between the Vendor and the Company with reference to, among other things, (i) the appraised value of the 40% equity interest of the Target Company as at December 31, 2025 (the "**Valuation Date**"); (ii) the financial position of the Target Company (including the payment and distribution of dividends by the Target Company prior to the Acquisition); and (iii) the business prospects of the Target Company.

The Consideration represents an increase of approximately RMB7.608 million, or approximately 7.7%, over the Vendor's original acquisition cost. The Directors consider that such increase is principally attributable to (i) the Target Company's enhanced revenue-generating capacity following the full commercial operation of its gas distributed energy station project; and (ii) the valuation methodology adopted by the Valuer (being the guideline public company method under the market approach), which reflects the profitability

of the Target Company as benchmarked against current market conditions and trading multiples of comparable listed companies as at December 31, 2025, whereas the Vendor's original acquisition cost was based on historical data and market conditions at the relevant time. The Directors (including the independent non-executive Directors) consider that such increase is reasonable.

Conditions Precedent

The Completion shall be conditional upon, amongst others, the satisfaction (or waiver, as the case may be) of all of the following conditions precedent:

(i) the passing of necessary resolution(s) by the Shareholders at an extraordinary general meeting approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;

(ii) the formal approval of the Acquisition by the competent authorities in accordance with the relevant laws and regulations of the PRC; and

(iii) there having been no material adverse changes in respect of Target Company since the date of the Equity Transfer Agreement.

Save for paragraph (i) above which shall not be waived, the Purchaser and the Vendor may jointly waive the conditions precedent set out in paragraph (ii) and/or (iii) in writing. The Purchaser and the Vendor may jointly waive condition (ii) in writing in circumstances where, following further assessment or upon receipt of PRC legal advice subsequent to the signing of the Equity Transfer Agreement, it is determined that an approval initially contemplated as necessary is in fact not required or not applicable to the transaction under the then prevailing PRC laws, regulations or administrative practice. In such case, both parties must be satisfied that Completion can lawfully proceed without such approval, and neither party may unilaterally effect the waiver. The Purchaser and the Vendor may jointly waive condition (iii) in writing in circumstances where a change has occurred that, while technically falling within the scope of a material adverse change, is of a nature or magnitude that both parties, having assessed its impact on the Target Company's business, financial condition and prospects, consider acceptable and not materially detrimental to the commercial rationale for the Acquisition. For the avoidance of doubt, neither condition (ii) nor condition (iii) may be waived unilaterally by either party, and any such waiver requires the mutual written agreement of both the Purchaser and the Vendor.

In view of the circumstances under which conditions (ii) and (iii) may be waived as described above, the Directors consider that any such waiver would not have any material adverse implication for the Completion or the ongoing operations of the Target Company.

The transfer of the 40% equity interest in the Target Company by the Vendor constitutes a transfer of state-owned equity and is subject to the relevant procedures of the state-owned assets supervision and administration authority in accordance with, among others, Article 8 of the Measures for the Supervision and Administration of the Transfer of State-owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance). As at the date of this circular, the requisite materials have been submitted to the Tianjin Port Free Trade Zone State-owned Assets Supervision and Administration Bureau in accordance with the applicable state-owned asset transfer regulations, and the formal letter from the relevant authority has been issued. Save as disclosed above, and to the best knowledge of the Directors, having made all reasonable enquiries and having obtained PRC legal advice, no other PRC regulatory approval is required for the Completion.

As at the Latest Practicable Date, the condition precedent set out in paragraph (ii) has been fulfilled while the other conditions precedent remain outstanding. If any of the conditions is not fulfilled or waived by the Purchaser by the Long Stop Date (or such other date as the Vendor and the Purchaser may agree), the Purchaser shall not be required to proceed with the acquisition of the Sale Equity Interest and the Vendor shall return to the Company all cash Consideration within three business days of the Long Stop Date.

III. INFORMATION OF THE TARGET COMPANY

The Target Company

The Target Company, a company with limited liability incorporated in the PRC on May 8, 2009, is a non-wholly-owned subsidiary of the Company. It is engaged in steam production and supply business for the production process of the enterprises in the Grain and Oil Industrial Park of Tianjin Port Free Trade Zone (Lingang). Immediately prior to the Completion, the Company, the Vendor and PetroChina Kunlun hold 45%, 40% and 15% of its equity interests, respectively. Save for being connected persons of the Company at the subsidiary level, each of the Vendor and PetroChina Kunlun and their respective ultimate beneficial owners is an independent third party.

Financial Information of the Target Company

Set out below is the financial information of the Target Company for the two years ended December 31, 2024 and 2025 prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Revenue	409,348	381,017
Profit before tax	16,999	8,892
Profit for the year	12,749	5,909

As at December 31, 2025, the net asset value of the Target Company was approximately RMB261.395 million.

Equity Valuation of the Target Company

The Consideration was determined and adjusted based on, among others, the valuation that the market value of the Sale Equity Interest as at the Valuation Date was RMB106.900 million, as appraised by the Valuer under the market approach.

The Valuer searched for comparable companies, the business nature and the place of operation of which are similar to those of the Target Company ("**Comparable Companies**"), from iFinD database, Bloomberg Terminal and websites of the stock exchanges. The selection criteria of the Comparable Companies are as follows:

— the Comparable Companies mainly engage in traditional electricity, heating or steam generation business which combined contribute more than 60% of total revenue;

— the Comparable Companies' earnings before interest, taxes, depreciation, and amortisation (EBITDA) were positive as at the Valuation Date, which is a key factor in determining the enterprise value to EBITDA (EV/EBITDA) multiple;

— the Comparable Companies' market capitalization as at the Valuation Date was less than RMB5 billion;

— the Comparable Companies are listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, or the Shenzhen Stock Exchange, with their financial information publicly available.

The Board considers that the Comparable Companies adopted by the Valuer are fair and representative, taking into account their listing status in open and established market (which all the Comparable Companies are listed in the PRC or Hong Kong stock exchanges) and their substantial operations in the traditional electricity, heating or steam business, which is consistent with the Target Group's principal business.

While useful for certain purposes, Asset Based Approach is not considered applicable to the valuation of the Target Company, as it does not capture future earning expectation of the business. Also, the Valuer considered that Income Approach is inappropriate as it requires detailed financial forecast of the Target Company, which involves adoption of much more subjective assumptions such as energy cost and utilization rates, not all of which can be easily quantified or ascertained. Under Market Approach, Guideline Transaction Method is not considered applicable in this valuation due to the lack of sufficient comparable transactions.

Thus, the Valuer considered Guideline Public Company Method to be more appropriate for valuing the 40% equity interest in the Target Company as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

Having considered the above, the Directors concur with the valuation methodology and multiples adopted and the Comparable Companies selected by the Valuer, and are of the view that the Equity Valuation is fair and reasonable.

Further details of the Equity Valuation are presented in Appendix VI to this supplemental circular.

IV. FINANCIAL EFFECT OF THE ACQUISITION

Upon the Completion, the Target Company shall be held as to 85% and 15% by the Company and PetroChina Kunlun respectively.

According to the annual report of the Company issued on April 13, 2026, the Group recorded a profit for the year of approximately RMB11.538 million for the year ended December 31, 2025, and profit attributable to equity shareholders of the Company was RMB8.355 million. For illustrative purposes, based on the unaudited pro forma financial information of the Enlarged

Group as set out in Appendix III to this circular, assuming the Acquisition had taken place on January 1, 2025 and resulted in 85% equity interest of the Target Company being held by the Company, the unaudited pro forma consolidated profit of the Enlarged Group for the year ended 31 December 2025 would have been approximately RMB8.079 million and the profit attributable to the equity shareholders of the Company would have been approximately RMB7.260 million.

In connection with the Acquisition, there were one-off expenses incurred comprising audit, legal, printing, consultancy and valuation fees of approximately RMB1.225 million. After excluding these one-off expenses directly attributable to the Acquisition, the profit attributable to equity shareholders of the Company would have been RMB8.485 million.

Shareholders and potential investors should note that the financial impact set out above is for illustrative purposes only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among other things, the actual costs and expenses associated with the Acquisition, and is subject to audit.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Directors (including the Independent Non-executive Directors) consider that the Acquisition is in line with the overall development strategy of the Group and will bring multifaceted strategic and operational benefits to the Group. Upon the Completion, the Company's shareholding interest in the Target Company will increase from 45% to 85%, enabling the Company to achieve absolute controlling interest in the Target Company, further strengthening its control over the operation, management and strategic development of the Target Company, as well as enhancing decision-making efficiency and resource allocation capability.

The Target Company is an important cogeneration enterprise located in the Tianjin Port Free Trade Zone (Lingang). The Acquisition will assist the Group in integrating core business resources such as cogeneration and regional heating, optimizing the layout of its energy business, and improving the industrial chain covering energy production through end-user supply, thereby enhancing the stability, reliability and cost-effectiveness of energy supply. In addition, against the backdrop of the national "dual carbon" policy and energy structure transition, the Company may, through holding a controlling interest in the Target Company, take the lead in its low-carbon transformation and technological upgrading (including projects related to waste heat utilization, distributed energy and energy storage), so as to explore new business growth drivers for the Group and enhance its long-term competitiveness.

The Acquisition will also enable synergies between the Group and the Target Company in procurement, operation and management, lowering overall operating costs and improving operational efficiency, thereby enhancing profitability and the level of return on assets. Meanwhile, the Target Company boasts a stable regional customer base and market demand. The Acquisition will help the Group consolidate its market position in the energy supply sector within the Tianjin Port Free Trade Zone and surrounding areas.

Based on the above, the Directors consider that the terms of the Equity Transfer Agreement are on usual commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders of the Company as a whole.

VI. GENERAL INFORMATION ON THE PARTIES

The Company

The Company is a joint stock company with limited liability incorporated in the PRC on February 28, 2017, and the H Shares are listed on the Main Board of the Stock Exchange (stock code: 1671). The Company is mainly responsible for the power supply and service guarantee of electricity and heating for the Tianjin Port Free Trade Zone (Seaport) and the heating supply and service guarantee for the Grain and Oil Industrial Park of Tianjin Port Free Trade Zone (Lingang).

The Vendor

Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd. was established in August 1992 with a registered capital of RMB1.53 billion. Located at No. 166 West Third Road, Tianjin Pilot Free Trade Zone (Airport Economic Area), it is a large state-owned enterprise under the Tianjin Port Free Trade Zone State-owned Assets Supervision and Administration Bureau. It focuses on key sectors such as the aviation industry, new energy, and the digital economy.

VII. LISTING RULES IMPLICATIONS

Chapter 14 of the Listing Rules

As one or more of the applicable percentage ratio(s) calculated in accordance with the Listing Rules in respect of the Acquisition under the Equity Transfer Agreement and the transactions contemplated thereunder exceed 100%, the Acquisition constitutes a very

substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A of the Listing Rules

Immediately prior to the Completion, the Target Company is a non-wholly-owned subsidiary of the Company. The Vendor which holds 40% equity interest in the Target Company, together with its associates, are therefore connected persons of the Company at the subsidiary level immediately prior to the Completion. Accordingly, the acquisition of Sale Equity Interest under the Acquisition shall constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As (i) the Board considers that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (iii) the Independent Non-executive Directors have confirmed that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole, the Equity Transfer Agreement and the transactions contemplated thereunder fall within the exemption under Rule 14A.101 of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. PROPOSED PROVISION OF GUARANTEE FOR LINGANG THERMAL POWER'S BANK LOAN

On June 1, 2022, Lingang Thermal Power entered into a fixed asset loan contract with the Business Department of Tianjin Branch of China Construction Bank Corporation ("**China Construction Bank**") for a loan of RMB120 million, to be used for the construction of a distributed energy station project. Of this amount, RMB100 million of the bank loan was guaranteed by Lingang Thermal Power's shareholders in proportion to their respective shareholdings. The term of the loan is for a period of 180 months from June 1, 2022 to June 1, 2037 (i.e. the maturity date). The loan interest rate is subject to the Loan Prime Rate (5-year LPR minus 30 basis points, adjusted every 6 months based on the LPR on the business day before the rate adjustment date under the fixed asset loan contract), with the interest rate payable on a quarterly basis. The loan shall be repaid on a semi-annual basis and may be prepaid prior to the maturity date.

Subsequently, following the introduction of strategic investors and equity restructuring by Lingang Thermal Power in 2022 and 2024, the Company provided a joint and several guarantee of RMB45 million for the aforementioned loan to China Construction Bank on April 10, 2024, while the Vendor also provided an additional guarantee of RMB40 million for its 40% equity interest.

In light of the Company's proposed acquisition of the Sale Equity Interest, the Company will hold an 85% equity interest in Lingang Thermal Power immediately following Completion, and the RMB40 million guarantee originally provided by the Vendor in respect of the aforementioned loan will be assumed by the Company. Pursuant to the aforementioned arrangement, the Company intends to provide a joint and several guarantee of RMB85 million for the aforementioned loan of Lingang Thermal Power to China Construction Bank, in proportion to its actual shareholding after Completion. The guarantee method and other key terms will remain unchanged, and the guarantee period will extend to three years after the maturity of the relevant loan. The Company will sign the corresponding guarantee contract with China Construction Bank and fulfill its guarantee obligations thereunder after Lingang Thermal Power completes the relevant industrial and commercial registration changes. This guarantee matter has been included in the Company's 2026 guarantee budget and, according to the Company's Articles of Association, must be reviewed by the Board and then submitted to the general meeting for approval by way of an ordinary resolution.

The Company intends to provide a joint and several guarantee for the loan in proportion to its equity interest in Lingang Thermal Power, as follows:

Date of Guarantee	:	Date of execution of the guarantee contract
Name of Guarantor	:	The Company
Name of the Guaranteed Party	:	Lingang Thermal Power
Guarantee Amount	:	RMB85.00 million
Guarantee Period	:	Until three years after the loan matures, i.e., 18 years from the loan commencement date
Guarantee Method	:	Joint and several guarantee
Remark	:	Gas distributed energy station project loan

IX. EGM

The Company will convene the EGM at 10 a.m. on June 29, 2026 (Monday) at the meeting room, 3/F, No. 35 Haibinba Road, Tianjin Pilot Free Trade Zone (Tianjin Port Free Trade Zone), the PRC, for the Shareholders to consider and, if thought fit, approve resolutions on the matters set forth in the notice of the EGM.

The voting of each resolution will be conducted by way of poll at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder and the proposed provision of guarantee for Lingang Thermal Power's bank loan; and no Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder and the proposed provision of guarantee for Lingang Thermal Power's bank loan at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you wish.

Register of members of the Company will be closed from June 24, 2026 (Wednesday) to June 29, 2026 (Monday) (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. No transfer of Shares will be registered during those dates. In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 23, 2026.

X. RECOMMENDATION

The Directors consider that the terms of the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder and the proposed provision of guarantee for Lingang Thermal Power's bank loan are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolutions to be proposed at the EGM.

XI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

As the Completion is subject to the satisfaction of a number of conditions precedent as set out in the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

Yours faithfully,
On behalf of the Board
Tianjin Tianbao Energy Co., Ltd.*
ZHOU Shanzhong
Chairman

Tianjin, the People's Republic of China, June 8, 2026

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended December 31, 2023, 2024 and 2025 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.tjtbny.com), respectively:

(i) the annual report of the Company for the year ended December 31, 2025 published on April 13, 2026 (pages 135 to 202):

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0413/2026041300458.pdf

(ii) the annual report of the Company for the year ended December 31, 2024 published on April 11, 2025 (pages 110 to 179):

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0411/2025041100443.pdf

(iii) the annual report of the Company for the year ended December 31, 2023 published on April 30, 2024 (pages 108 to 179):

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043000950.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 April 2026, being the Latest Practicable Date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness.

	Notes	**RMB'000** *(unaudited)*
Bank loans		
— secured	*a*	135,213
— guaranteed by the Company	*b*	119,521
— unsecured	*c*	178,700
Total bank loans		433,434
Lease liabilities		1,276
		434,710

Notes:

a. The bank loans carried interest at annual rates ranging from 2.95% to 3.70% as at 30 April 2026.

As at 30 April 2026, the Company had pledged the photovoltaic projects as security for bank loans with an outstanding balance of RMB9.26 million, the total gross carrying amount of the related receivables under the relevant contracts was RMB22.68 million.

At 30 April 2026, the secured bank loans were pledged with the 45% of the total paid up capital of the Target Company, which represent the equity interest of Target Company held by the Group.

b. The bank loans carried interest at annual rates ranging from 3.10% to 3.30% as at 30 April 2026. The bank loans are guaranteed by Tianjin Tianbao Energy Co., Ltd.

c. The bank loans carried interest at annual rates ranging from 2.45% to 3.70% as at 30 April 2026.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have at the close of business on 30 April 2026, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry, and taking into account (i) the anticipated cash flows to be generated from the Enlarged Group's operations as well as the effect of Acquisition, (ii) the present internal financial resources to the Enlarged Group, and (iii) the banking facilities presently available, the Enlarged Group will have sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since December 31, 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in provision of integrated energy solution.

The Acquisition will help the Group strengthen its control over core assets and further increase its equity interest in the Target Company, thus ensuring that the Group retains absolute control over production planning, operational management, and strategic planning. Furthermore, the Acquisition aligns with the national "dual carbon" goals and responds to Tianjin's plans for the integration of heating resources and the development of low-carbon heating. It will help drive the Group's transition to green energy and is consistent with the Group's long-term strategic development direction.

The following is the text of a report received from the reporting accountants SHINEWING (HK) CPA LIMITED, Certified Public Accountants, for the purpose of incorporation into this circular.

SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF TIANJIN TIANBAO ENERGY CO., LTD.*
(Established in the People's Republic of China with limited liability)

Introduction

We report on the historical financial information of Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (the "**Target Company**") set out on pages II-5 to II-54, which comprises the statement of financial position as at 31 December 2023, 2024 and 2025 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for each of the years then ended (the "**Relevant Periods**") and a summary of material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-54 forms an integral part of this report, which has been prepared for inclusion in the circular of Tianjin Tianbao Energy Co., Ltd. (the "**Company**") dated 8 June 2026 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the content of the circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materiality consistent with those of the Company.

* *(For identification purposes only)*

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2023, 2024 and 2025, and the financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Report on Matters Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to Note 22(e) to the Historical Financial Information which states that the dividend was paid or proposed by the Target Company during the Relevant Periods.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Leung Pui Sze
Practising Certificate Number: P07957

Hong Kong

8 June 2026

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

The financial information of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (the "**Target Company**") for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	386,040	409,348	381,017
Cost of sales		(368,913)	(379,190)	(355,319)
Gross profit		17,127	30,158	25,698
Other net income/(loss)	*7*	1,119	1,997	(933)
Administrative expenses		(6,793)	(6,794)	(10,290)
(Impairment loss)/reversal of impairment loss on financial assets		(206)	33	94
Profit from operations		11,247	25,394	14,569
Interest income		302	116	30
Finance costs		(5,164)	(8,511)	(5,707)
Profit before taxation	*8*	6,385	16,999	8,892
Income tax	*9*	(1,596)	(4,250)	(2,983)
Profit for the year		4,789	12,749	5,909

STATEMENT OF FINANCIAL POSITION

	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	354,751	335,008	313,533
Right-of-use assets for properties	*13*	52,431	51,057	49,683
Intangible assets	*12*	108	119	94
Deferred tax assets	*21*	52	43	20
		407,342	386,227	363,330
Current assets				
Trade receivables	*14*	41,058	44,181	41,967
Other receivables and assets	*15*	67,326	57,167	49,169
Cash and cash equivalents	*16*	54,339	33,072	31,069
		162,723	134,420	122,205
Current liabilities				
Trade and other payables	*17*	32,742	10,218	7,572
Loans and borrowings	*18*	125,173	86,000	62,000
Contract liabilities	*19*	—	—	211
Current taxation		5,796	5,992	5,336
		163,711	102,210	75,119
Net current (liabilities)/assets		(988)	32,210	47,086
Total assets less current liabilities		406,354	418,437	410,416
Non-current liabilities				
Deferred income	*20*	36,881	34,951	33,021
Loans and borrowings	*18*	106,736	118,000	116,000
		143,617	152,951	149,021

	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NET ASSETS		262,737	265,486	261,395
CAPITAL AND RESERVES				
Share capital	*22*	122,500	122,500	122,500
Reserves	*22*	140,237	142,986	138,895
Total equity		262,737	265,486	261,395

STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory surplus reserves	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	122,500	28,809	18,834	97,805	267,948
Profit for the year	—	—	—	4,789	4,789
Total comprehensive income	—	—	—	4,789	4,789
Appropriation to reserves	—	—	479	(479)	—
Dividends approved in respect of the previous year *(note 22(e))*	—	—	—	(10,000)	(10,000)
Balance at 31 December 2023 and 1 January 2024	122,500	28,809	19,313	92,115	262,737
Profit for the year	—	—	—	12,749	12,749
Total comprehensive income	—	—	—	12,749	12,749
Appropriation to reserves	—	—	1,275	(1,275)	—
Dividends approved in respect of the previous year *(note 22(e))*	—	—	—	(10,000)	(10,000)
Balance at 31 December 2024 and 1 January 2025	122,500	28,809	20,588	93,589	265,486
Profit for the year	—	—	—	5,909	5,909
Total comprehensive income	—	—	—	5,909	5,909
Appropriation to reserves	—	—	591	(591)	—
Dividends approved in respect of the previous year *(note 22(e))*	—	—	—	(10,000)	(10,000)
Balance at 31 December 2025	122,500	28,809	21,179	88,907	261,395

STATEMENT OF CASH FLOWS

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	6,385	16,999	8,892
Adjustments for:			
Impairment loss/(reversal of impairment loss) on financial assets	206	(33)	(94)
Depreciation in property, plant and equipment	18,131	22,424	22,583
Amortisation in intangible assets	25	23	25
Depreciation in right-of-use assets for properties	1,374	1,374	1,374
Loss/(gain) on disposal of property, plant and equipment	11	(4)	25
Written off of property, plant and equipment	—	—	130
Interest expense	5,114	8,496	5,692
Amortisation in deferred income	(1,129)	(1,930)	(1,930)
	30,117	47,349	36,697
Changes in working capital:			
Decrease in inventories	6,864	—	—
(Increase)/decrease in trade receivables	(14,786)	(3,090)	2,308
(Increase)/decrease in other receivables and assets	(23,812)	10,159	7,998
Increase in contract liabilities	—	—	211
Decrease in trade and other payables	(68,780)	(22,524)	(2,646)
Cash (used in)/generated from operations	(70,397)	31,894	44,568
Income tax paid	(4,267)	(4,045)	(3,616)
Net cash (used in)/ from operating activities	(74,664)	27,849	40,952

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Proceeds from disposal of property, plant and equipment	4	17	11
Payment for the purchase of property, plant and equipment and intangible assets	(29,141)	(2,728)	(1,274)
Net cash used in investing activities	(29,137)	(2,711)	(1,263)
Financing activities			
Dividends paid	(10,000)	(10,000)	(10,000)
Proceeds from bank loans	172,175	103,020	60,000
Repayment of bank loans	(71,046)	(130,929)	(86,000)
Interest paid	(5,114)	(8,496)	(5,692)
Net cash from/(used in) financing activities	86,015	(46,405)	(41,692)
Net decrease in cash and cash equivalents	(17,786)	(21,267)	(2,003)
Cash and cash equivalents at 1 January	72,125	54,339	33,072
Cash and cash equivalents at 31 December	54,339	33,072	31,069

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (the "**Target Company**") is a limited liability company established on 8 May 2009 under the laws of the People's Republic of China (the "**PRC**") and engages in steam and electricity production and supply in Tianjin. Its registered office address is No. 418, Haihe Middle Road, Lingang Economic Zone, Binhai New Area, Tianjin, People's Republic of China ("**PRC**").

The immediate holding company is Tianjin Tianbao Energy Co., Ltd.*, the shares of Tianjin Tianbao Energy Co., Ltd.* were listed on the Main Board of the Stock Exchange of Hong Kong Limited. The ultimate holding company of the Target Company is Tianjin Tianbao Holdings Limited and Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. respectively, which were incorporated in Tianjin City, the PRC.

The historical financial information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Target Company.

The statutory financial statements of the Target Company for the years ended 31 December 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable in the Mainland China ("**PRC**") and were audited by LixinZhonglian CPAs (SPECIAL GENERAL PARTNERSHIP)*. The statutory financial statements of the Target Company for year ended 31 December 2025 have not been audited.

2. Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the material accounting policy information set out in Note 4 below which in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

* *(For identification purposes only)*

3. Application of new and amendments to IFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently adopted all applicable new and amendments to IFRS Accounting Standards that are effective for accounting periods commencing on 1 January 2025 throughout the Relevant Periods. The application of the new and amendments to the IFRS Accounting Standards in the Relevant Periods has had no material effect on the Target Company's financial performance and positions for the current and prior periods and/or on the disclosures set out in these Historical Financial Information.

New and amendments to IFRS Accounting Standards issued but not yet effective

	Effective for accounting period beginning on or after
IFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 9 and IFRS 7 , Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS Accounting Standards, Annual Improvements to IFRS Accounting Standards -Volume 11	1 January 2026
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet determined
Amendments to IFRS 9 and IFRS 7, Contracts referencing Nature-dependent Electricity	1 January 2026
Amendments to IAS21, Translation to a Hyperinflationary Presentation Currency	1 January 2027

The Directors of the Target Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. Material accounting policy information

The financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, at the end of the Relevant Periods.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The material accounting policies are set out below.

(a) Property, plant and equipment

The following items of property, plant and equipment other than construction in progress, are stated at cost less accumulated depreciation and impairment losses:

- Buildings and structure;
- Power generation plant and electric utility in service;
- Motor vehicles; and
- Other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

- Buildings and structure 25 years
- Power generation plant and electric utility in service 5–40 years
- Motor vehicles 6–8 years
- Others 3–6 years

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

(b) Intangible assets

Intangible assets that are acquired by the Target Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

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

- Software and others 3–10 years

Both the period and method of amortisation are reviewed annually.

(c) Leased assets

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

(d) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Company 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.

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.

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. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

(e) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Target Company recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, and other receivables and assets)

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Company.

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

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

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

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

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 12 months past due or when the Target Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment;
- right-of-use assets for properties; and
- intangible assets

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

(f) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Target Company recognises the related revenue.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(g) Trade and other receivables

A receivable is recognised when the Target Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and which is subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Trade and other payables

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

(j) Interest-bearing borrowings

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

(k) Income tax

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

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

Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

(l) Provisions and contingent liabilities

Provisions are recognised when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

(m) Revenue and other income

Income is classified by the Target Company as revenue when it arises from the sale of goods or provision of services in the ordinary course of the Target Company's business.

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

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

(i) Supply of electricity and power

Revenue from supply of electricity and power is recognised upon transmission of electricity and power to the customers or the power grid controlled and owned by the respective regional or provincial grid companies.

(ii) Sales of goods

Revenue from sales of goods is recognised at the point when the control of the goods is transferred to the customers.

(iii) Government grants

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

(iv) Interest income

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

(n) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(o) Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Target Company of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

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

5. Accounting judgement and estimates

In the application of Target Company's material accounting policies, which are described in Note 4, the directors of Target Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) ECLs recognised in respect of trade receivables

The impairment for trade receivables are based on assumptions about ECLs. The Target Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the Target Company's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make reversal or additional impairment charge to the profit or loss. During the year ended 31 December 2023, the impairment loss of trade receivables of RMB206,000 is recognised, while the years ended 31 December 2024 and 2025, the reversal of impairment loss for trade receivables of RMB33,000 and RMB94,000 are recognised respectively.

(ii) Impairment losses of non-current assets

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

6. Revenue and segment reporting

The Target Company is mainly engaged in steam and electricity production and supply. For the purpose of resource allocation and assessment of segment performance, the directors of the Target Company, being the chief operating decision maker, focus and review on the overall results and financial position of the Target Company as a whole which are prepared based on the same accounting policies set out in Note 4. Accordingly, the Target Company has only one single operating segment and except for entity-wide disclosures, timing of revenue recognition and geographic information, no further analysis of the segment is presented. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Target Company.

The revenue of the Target Company which represented the steam and electricity production and supply during the relevant period, is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
— Steam and electricity production and supply	382,589	409,348	381,017
— Other	3,451	—	—
	386,040	409,348	381,017
Disaggregated by geographical location of customers			
The PRC	386,040	409,348	381,017
Disaggregated by timing of revenue recognition			
— Point in time	386,040	409,348	381,017

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Target Company is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	143,568	97,374	100,308
Customer B	92,347	73,849	62,349
Customer C	86,775	88,027	75,851
Customer D	N/A*	93,809	85,357
Customer E	N/A*	47,865	42,352

All of the Target Company's operation and non-current assets are located in the PRC.

* The corresponding revenue did not contribute over 10% of the total revenue of the Target Company.

7. Other net income/(loss)

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(note)*	1,129	1,930	2,085
Others	(10)	67	(3,018)
	1,119	1,997	(933)

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

8. Profit before taxation

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

(a) Finance costs

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	5,114	8,496	5,692
Other financial costs	50	15	15
	5,164	8,511	5,707

(b) Other items

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Impairment loss/(reversal of impairment loss) of financial assets	206	(33)	(94)
Depreciation in right-of-use assets for properties	1,374	1,374	1,374
Amortisation in intangible assets (included in administrative expenses)	25	23	25
Depreciation	18,131	22,424	22,583
Auditors' remuneration *(note)*	—	50	75
Purchase of electricity (include in cost of sales)	5,387	299	817
Amount of inventories recognised as an expense	306,413	318,198	294,094
Outsourcing operation (include in cost of sales)	17,351	17,168	16,069
Written off of property, plant and equipment	—	—	130
Loss/(gain) on disposal of property, plant and equipment	11	(4)	25

Note: For the year ended 31 December 2023, the auditors' remuneration was borne by the Company's immediate holding company.

No staff costs were recognised for the years ended 31 December 2023, 2024 and 2025, as all personnel were employed by the immediate holding company.

9. Income tax

(a) Taxation in profit or loss represents:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	1,648	4,241	2,960
Deferred tax			
(Reversal)/provision of temporary differences *(note 21)*	(52)	9	23
	1,596	4,250	2,983

The Target Company is subject to the statutory income tax rate of 25% for the years ended 31 December 2023, 2024 and 2025.

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

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	6,385	16,999	8,892
Notional tax on profit before taxation	1,596	4,250	2,223
Others	—	—	760
Income tax expense	1,596	4,250	2,983

10. Directors' emoluments

During the Relevant Periods, no fees, salaries, allowances and other benefits, discretionary bonus and retirement scheme contributions were paid/payable to the directors of the Target Company.

During the years ended 31 December 2023, 2024 and 2025, there were no amounts paid or payable by the Target Company to the directors or any of the individuals or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years.

11. Property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings and structure	Power generation plant and electric utility in service	Motor vehicles	Others	Construction in progress (CIP)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
Balance at 1 January 2023	172,223	211,164	1,188	2,336	104,949	491,860
Additions	—	356	—	6	28,779	29,141
Decrease-disposal	—	—	(297)	—	—	(297)
Transfer from CIP	17,337	116,260	—	—	(133,597)	—
Balance at 31 December 2023 and 1 January 2024	189,560	327,780	891	2,342	131	520,704
Additions	—	867	—	10	1,817	2,694
Decrease-disposal	—	—	(270)	—	—	(270)
Balance at 31 December 2024 and 1 January 2025	189,560	328,647	621	2,352	1,948	523,128
Additions	—	514	—	3	757	1,274
Decrease-disposal	—	(36)	—	—	—	(36)
Written off	—	—	—	—	(130)	(130)
Transfer from CIP	—	2,575	—	—	(2,575)	—
Balance at 31 December 2025	189,560	331,700	621	2,355	—	524,236

	Buildings and structure	Power generation plant and electric utility in service	Motor vehicles	Others	Construction in progress (CIP)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
Balance at 1 January 2023	(51,083)	(93,853)	(941)	(2,227)	—	(148,104)
Charge for the year	(5,898)	(12,167)	(57)	(9)	—	(18,131)
Decrease-disposal	—	—	282	—	—	282
Balance at 31 December 2023 and 1 January 2024	(56,981)	(106,020)	(716)	(2,236)	—	(165,953)
Charge for the year	(5,597)	(16,769)	(48)	(10)	—	(22,424)
Decrease-disposal	—	—	257	—	—	257
Balance at 31 December 2024 and 1 January 2025	(62,578)	(122,789)	(507)	(2,246)	—	(188,120)
Charge for the year	(5,596)	(16,928)	(48)	(11)		(22,583)
Balance at 31 December 2025	(68,174)	(139,717)	(555)	(2,257)	—	(210,703)
Net book value:						
Balance at 31 December 2025	121,386	191,983	66	98	—	313,533
Balance at 31 December 2024	126,982	205,858	114	106	1,948	335,008
Balance at 31 December 2023	132,579	221,760	175	106	131	354,751

12. Intangible assets

	Software and patent *RMB'000*
At 1 January 2023, 31 December 2023 and 1 January 2024	257
Additions	34
At 31 December 2024 and 1 January 2025 and 31 December 2025	291
Accumulated amortisation:	
At 1 January 2023	(124)
Charge for the year	(25)
At 31 December 2023 and 1 January 2024	(149)
Charge for the year	(23)
At 31 December 2024 and 1 January 2025	(172)
Charge for the year	(25)
At 31 December 2025	(197)
Net book value:	
At 31 December 2025	94
At 31 December 2024	119
At 31 December 2023	108

13. Right-of-use assets for properties

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At the beginning and end of the year	68,687	68,687	68,687
Accumulated depreciation:			
At the beginning of the year	(14,882)	(16,256)	(17,630)
Depreciation for the year	(1,374)	(1,374)	(1,374)
At the end of the year	(16,256)	(17,630)	(19,004)
Net book value:			
At the end of the year	52,431	51,057	49,683

Right-of-use assets for properties of the Target Company mainly represent the prepayments for the land use right in the PRC.

14. Trade receivables

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable, net of loss allowance	41,058	44,181	41,967

As of the end of the reporting periods, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	41,058	44,181	41,967

The Target Company allows credit period of 90 days to its trade debtors. Further details on the Target Company's credit policy and credit risk arising from trade debtors are set out in note 23(a).

15. Other receivables and assets

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Price subsidy	31,435	29,344	27,646
Value added tax recoverable	2,267	107	—
Advance to suppliers	33,580	27,716	21,523
Others	44	—	—
	67,326	57,167	49,169

16. Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	54,339	33,072	31,069

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Company'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 Target Company's statement of cash flows as cash flows from financing activities.

	Dividends payable	**Loans and borrowings**	**Interest payables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	—	130,780	—	130,780
Cash flows:				
Dividends paid	(10,000)	—	—	(10,000)
Proceeds from new bank loans	—	172,175	—	172,175
Repayment of bank loans	—	(71,046)	—	(71,046)
Interest paid	—		(5,114)	(5,114)
Non-cash changes:				
Interest incurred	—	—	5,114	5,114
Dividends declared	10,000	—	—	10,000
At 31 December 2023	—	231,909	—	231,909

	Dividends payable	Loans and borrowings	Interest payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	—	231,909	—	231,909
Cash flows:				
Dividends paid	(10,000)	—	—	(10,000)
Proceeds from new bank loans	—	103,020	—	103,020
Repayment of bank loans	—	(130,929)		(130,929)
Interest paid	—	—	(8,496)	(8,496)
Non-cash changes:				
Interest incurred	—	—	8,496	8,496
Dividends declared	10,000	—	—	10,000
At 31 December 2024 and 1 January 2025	—	204,000	—	204,000
Cash flows:				
Dividends paid	(10,000)	—	—	(10,000)
Proceeds from new bank loans	—	60,000	—	60,000
Repayment of bank loans	—	(86,000)	—	(86,000)
Interest paid	—	—	(5,692)	(5,692)
Non-cash changes:				
Interest incurred	—	—	5,692	5,692
Dividends declared	10,000	—	—	10,000
At 31 December 2025	—	178,000	—	178,000

17. Trade and other payables

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payable to third parties	2,207	3,141	4,305
Retention payable	12,944	4,498	1,313
Payables for value added tax and other taxes	107	1,309	849
Payables for purchase of property, plant and equipment	17,484	1,270	1,105
	32,742	10,218	7,572

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

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

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	2,004	2,811	3,313
4 to 6 months	79	101	80
7 to 12 months	124	229	886
Over 12 months	—	—	26
	2,207	3,141	4,305

18. Loan and borrowings

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

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
Within 1 year or on demand	125,173	86,000	62,000
After 1 year but within 2 years	3,808	2,000	4,000
After 2 years but within 5 years	14,948	20,000	28,000
After 5 years	87,980	96,000	84,000
	106,736	118,000	116,000
	231,909	204,000	178,000

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts shown under current liabilities	125,173	86,000	62,000
Amounts shown under non-current liabilities	106,736	118,000	116,000
	231,909	204,000	178,000

The range of effective interest rates per annum on the Target Company's loans and borrowings are as follows:

	2023	2024	2025
Effective interest rate:	3.5% to 4.45%	2.65% to 3.5%	2.45% to 3.3%

The loans and borrowings were secured as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— guaranteed by the Company	101,480	119,000	118,000
— unsecured	130,429	85,000	60,000
	231,909	204,000	178,000

(b) Bank loan agreements with covenants relating to requirements of specific financial performance indicators

As at 31 December 2023, 2024 and 2025, the Target Company has certain bank loan agreements that include covenants relating to requirements of specific financial performance indicators, such as debt-to-asset ratio, liquidity ratio and net profit for each fiscal year. Failure to achieve the requirements may cause the lenders to demand immediate repayment of the loans.

As at 31 December 2023, 2024 and 2025 the aggregate amount of bank loan balances with such covenants is RMB84,000,000, RMB96,000,000 and RMB87,980,000 which will mature over the next 5 years.

There was no non-compliance with loan covenants as at 31 December 2023, 2024 and 2025.

19. Contract Liabilities

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Current portion			
Electricity and power supply contracts			
— Billings in advance	—	—	211

No contract liabilities as at 1 January 2023. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

20. Deferred income

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	36,881	34,951	33,021

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

21. Deferred tax assets

(i) Movement of each component of deferred tax assets

The components of deferred tax assets recognised in the statement of financial position and the movements during the years are as follows:

Deferred tax arising from:	**Credit loss allowance** *RMB'000*
At 1 January 2023	—
Credited to profit or loss	52
At 31 December 2023 and 1 January 2024	52
Charged to profit or loss	(9)
At 31 December 2024 and 1 January 2025	43
Charged to profit or loss	(23)
At 31 December 2025	20

(ii) Reconciliation to the statement of financial position

	2023	2025	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset presented in the statement of financial position	52	43	20

22. Share capital and reserves

(a) The Target Company's registered, issued and fully paid up capital is tabled below:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning and the end of reporting period	122,500	122,500	122,500

(b) Capital reserve

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

(c) Statutory surplus reserves

According to the Company Law of the PRC, and the Target Company's articles of association, the Target Company appropriates 10% of each year's net profit under Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("**PRC GAAP**") to the statutory surplus reserve. The Target 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) Capital management

The Target Company's primary objectives when managing capital are to safeguard the Target Company'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 Target Company 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 Target Company monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

The Target Company's adjusted net debt-to-capital ratio at 31 December 2023, 2024 and 2025 was as follows:

	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities:				
Loans and borrowings	*18*	125,173	86,000	62,000
Non-current liabilities:				
Loans and borrowings	*18*	106,736	118,000	116,000
Total debt		231,909	204,000	178,000
Less: cash and cash equivalents	*16*	(54,339)	(33,072)	(31,069)
Adjusted net debt		177,570	170,928	146,931
Total equity		262,737	265,486	261,395
Adjusted net debt-to-capital ratio		67.58%	64.38%	56.21%

Neither the Target Company is subject to externally imposed capital requirements.

(e) Dividends

Dividends payable to equity owners of the Target Company attributable to the previous financial year, approved and paid during the year.

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year	10,000	10,000	10,000

23. Financial risk management and fair values of financial instruments

Categories of financial instruments

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets stated at amortised cost (including cash and cash equivalents)	126,877	106,597	100,682
Financial liabilities			
Financial liabilities stated at amortised cost	264,544	212,909	184,723

Financial risk management objectives and policies

The Target Company's major financial assets and liabilities include trade receivables, other receivables, cash and cash equivalents, trade and other payables and loans and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Company. The Target Company's credit risk is primarily attributable to trade receivables. The Target Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit rating, for which the Target Company considers to have low credit risk. The Target Company's exposure to credit risk arising from other receivables is limited because the counterparties are government and large stated-owned enterprises with high credit rating, for which the Target Company considers to have low credit risk.

Trade receivables

The Target Company has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Target Company does not obtain collateral from customers.

The Target Company has no significant concentration of credit risk in industries in which the customers operate. Significant concentrations of credit risk primarily arise when the Target Company has significant exposure to individual customers. At 31 December 2023, 2024 and 2025, 23.79%, 37.19% and 26.33% of the total trade receivables was due from the Target Company's largest customer and 97.17%, 96.12% and 97.94% of the total receivables was due from the five largest customers of the Target Company respectively.

The Target Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Target Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Company's different customer bases.

The following table provides information about the Target Company's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)			
Less than 3 months past due	0.50%	41,264	206

	2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)			
Less than 3 months past due	0.39%	44,354	173

	2025		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)			
Less than 3 months past due	0.19%	42,046	79

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Company's view of economic conditions over the expected life of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	—	206	173
Impairment loss/(reversal of impairment loss) recognised during the year	206	(33)	(94)
Balance at 31 December	206	173	79

(b) Liquidity risk

Individual operating entities within the Target Company are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Target Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Company can be required to pay:

	2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*MB'000*	*RMB'000*
Loans and borrowings	131,771	8,006	26,533	121,463	287,773	231,909
Trade and other payables	32,635	—	—	—	32,635	32,635
Total	164,406	8,006	26,533	121,463	320,408	264,544

	2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*MB'000*	*RMB'000*
Loans and borrowings	91,391	5,931	31,018	108,000	236,340	204,000
Trade and other payables	8,909	—	—	—	8,909	8,909
Total	100,300	5,931	31,018	108,000	245,249	212,909

	2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*MB'000*	*RMB'000*
Loans and borrowings	66,852	7,848	38,281	92,889	205,870	178,000
Trade and other payables	6,723	—	—	—	6,723	6,723
Total	73,575	7,848	38,281	92,889	212,593	184,723

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Target Company to cash flow interest rate risk and fair value interest rate risk respectively. The variable interest rate of bank loans and borrowings is determined based on the loan prime rate. At 31 December 2023, 2024 and 2025 the Target Company is also exposed to interest rate risk in relation to variable-rate bank balances which carried interest rate of 1.7%, 0.5% and 0.5% per annum. The Target Company's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Target Company, details the interest rate risk profile of the Target Company's loans and borrowings at the end of the reporting periods:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Loans and borrowings	122,000	85,000	60,000
Variable rate borrowings:			
Loans and borrowings	109,909	119,000	118,000
	231,909	204,000	178,000

(ii) Sensitivity analysis

At 31 December 2023, 2024 and 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Company's profit after tax by approximately RMB360,000, RMB402,000 and RMB371,000.

The sensitivity analysis above indicates the instantaneous change in the Target Company's profit after tax that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Target Company which expose the Target Company to cash flow interest rate risk at the end of the reporting period.

(d) Fair value measurement

As at 31 December 2023, 2024 and 2025, the carrying amounts of the Target Company's financial instruments carried at amortised cost were not materially different from their fair values.

24. Commitments

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the financial statements	17,484	1270	82

25. Material related party transactions

(a) Related party balances and transactions

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

Names of related parties	Nature of relationship
Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. ("**Tianbao Group**") 天津保税區投資控股集團有限公司	ultimate controlling company
Tianjin Tianbao Holdings Limited 天津天保控股有限公司	parent company
Tianjin Tianbao New Energy Co., Ltd. 天津天保新能有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Lingang Thermal Power Co., Ltd. 天津天保臨港熱電有限公司	a subsidiary of Tianbao Group
Yangzhou Qingchang Solar Energy Technology Co., Ltd. 揚州晴昌太陽能科技有限公司	a subsidiary of Tianbao Group

Names of related parties	Nature of relationship
Tianjin Free Trade Zone Investment Company Limited 天津保税區投資有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Construction Development Co., Ltd. 天津天保建設發展有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Municipal Co., Ltd. 天津天保市政有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao International Logistics Co., Ltd. 天津天保國際物流集團有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Asset Management Co., Ltd. 天津天保資產經營管理有限公司	a subsidiary of Tianbao Group
Tianjin International Logistics Park Co., Ltd. 天津國際物流園有限公司	a subsidiary of Tianbao Group
Tianjin Tianjian Vehicle Inspection Service Co., Ltd. 天津天檢汽車檢測服務有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Science and Technology Development Co., Ltd. 天津天保科技發展有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Tianbao Import Vehicle Inspection Co., Ltd. 天津港保税區天保進口機動車檢測有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Hongxin Logistics Center Co., Ltd. 天津天保宏信物流中心有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Tianbao Jintie Logistics Co., Ltd. 天津自貿試驗區天保津鐵物流有限公司	a subsidiary of Tianbao Group

Names of related parties	Nature of relationship
Tianjin Airport International Logistics Co., Ltd. 天津空港國際物流股份有限公司	a subsidiary of Tianbao Group
Tianjin Tianbao Human Resources Co., Ltd 天津天保人力資源股份有限公司	a subsidiary of Tianbao Group
Tianjin Free Trade Zone Environment Investment Development Co., Ltd. 天津港保税區環境投資發展集團有限公司	equity owner of a fellow subsidiary（before June 2025）
Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd. 天津自貿試驗區新興科技產業集團有限公司	equity owner of a fellow subsidiary（after June 2025）
PetroChina Kunlun Gas Ltd. 中石油昆侖燃氣有限公司	equity owner of a subsidiary
Petrochina Company Limited Tianjin Branch 中國石油天然氣股份有限公司天然氣銷售天津分公司	a company controlled by the same ultimate controller of the equity owner of a fellow subsidiary
Tianjin PetroChina Compressed Natural Gas Co., Ltd. 天津中石油壓縮天然氣有限公司	a subsidiary of the equity owner of a fellow subsidiary

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

(b) Related party balances

(i) Trade receivables and other receivables and assets comprise the following balances due from related parties:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Advance payment for gas to related parties outside Tianbao Group	21,289	27,138	20,977
Due from Tianbao Group and its subsidiaries	39	—	—

(c) Related party transactions

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Sales of goods to			
Subsidiaries of Tianbao Group	3,686	—	—
Services provided to			
Subsidiaries of Tianbao Group	39	—	—
Purchase of goods from			
A company controlled by the same ultimate controller of the equity owner of a fellow subsidiary	264,857	300,401	280,041
Services received from			
Immediate holding company	9,000	8,940	8,790
Subsidiaries of Tianbao Group	2,401	1,618	1,313
A subsidiary of equity owner of a fellow subsidiary	5,765	9,517	8,534

The information set out in this Appendix does not form part of the Accountants' Reports of the Target Company, as set out in Appendix II to this circular, and is included herein for information only. The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the Accountants' Reports set out in Appendix II to this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP



SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

To the Directors of Tianjin Tianbao Energy Co., Ltd

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Tianjin Tianbao Energy Co., Ltd.* (the "**Company**") and its subsidiaries (collectively, the "**Group**") and Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (the "**Target Company**"). The Group together with the Target Company are collectively referred to as the "Enlarged Group". The unaudited pro forma financial information has been prepared by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2025 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2025 and related notes as set out in Appendix II to the circular dated 8 June 2026 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the 40% equity interest of the Target Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2025 and on the Group's financial performance and cash flows for the year ended 31 December 2025, as if the Proposed Acquisition had taken place on 31 December 2025 and 1 January 2025 respectively. For this purpose, the Directors have extracted information on the

* *For identification purposes only*

Group's financial position, financial performance and cash flows from the Group's consolidated financial statements for the year ended 31 December 2025, in respect of which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether

the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition on 31 December 2025 for the Enlarged Group's financial position and on 1 January 2025 for the Enlarged Group's financial performance and cash flows would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Leung Pui Sze
Practising Certificate Number: P07957

Hong Kong
8 June 2026

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (the "**Unaudited Pro Forma Financial Information**") of Tianjin Tianbao Energy Co., Ltd. and its subsidiaries (the "**Group**") including its subsidiary, the Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (the "**Target Company**") (the Group together with the Target Company are collectively referred to as the "**Enlarged Group**") upon the completion of the acquisition of the Target Company (the "**Proposed Acquisition**") as if the Proposed Acquisition had been completed on (i) 31 December 2025 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group; and (ii) 1 January 2025 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group that would be attained had the Proposed Acquisition been completed on the respective dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position, financial results and cash flows after the completion of the Proposed Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2025 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2025 as extracted from the published annual report of the Group for year ended 31 December 2025 and (ii) after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

A narrative description of the pro forma adjustments of the Proposed Acquisition that are directly attributable to the transaction and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published annual report of the Group for the year ended 31 December 2025 dated 26 March 2026, and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

* *For identification purposes only*

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2025	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group the for year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
Revenue	773,853				773,853
Cost of sales	(713,950)				(713,950)
Gross profit	59,903				59,903
Other net loss	390				390
Administrative expenses	(31,210)		(1,225)		(32,435)
Reversal of impairment loss on financial assets	881				881
Profit from operations	29,184				27,959
Interest income	158				158
Finance costs	(12,150)	(2,234)			(14,384)
Profit before taxation	17,192				13,733
Income tax	(5,654)				(5,654)
Profit for the year	11,538				8,079
Profit attributable to:					
Equity shareholders of the Company	8,355	(2,234)	(1,225)	2,364	7,260
Non-controlling interests	3,183			(2,364)	819
Profit for the year	11,538				8,079

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2025	Pro forma adjustments	Pro forma adjustments	The Enlarged Group for the year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2 and 3*	*Note 4*	
Non-current assets				
Property, plant and equipment	618,370			618,370
Right-of-use assets for properties	65,016			65,016
Intangible assets	7,807			7,807
Deferred tax assets	6,760			6,760
Goodwill	1,614			1,614
	699,567			699,567
Current assets				
Inventories	914			914
Trade and bill receivables	126,253			126,253
Other receivables and assets	60,039			60,039
Cash and cash equivalents	71,551	(31,957)		391,594
Restricted deposits	4,520			4,520
	263,277			231,320
Current liabilities				
Trade and other payables	79,320		1,225	80,545
Loans and borrowings	184,322	3,618		187,940
Contract liabilities	8,799			8,799
Salary and welfare payables	7,695			7,695
Current taxation	5,348			5,348
Lease liabilities	361			361
	285,845			290,688
Net current liabilities	(22,568)			(59,368)
Total assets less current liabilities	676,999			640,199

	The Group as at 31 December 2025	Pro forma adjustments	Pro forma adjustments	The Enlarged Group for the year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2 and 3*	*Note 4*	
Non-current liabilities				
Loans and borrowings	156,348	70,947		227,295
Lease liabilities	954			954
Deferred income	40,401			40,401
Contract liabilities	4,006			4,006
Deferred tax liabilities	5,846			5,846
	207,555			278,502
NET ASSETS	469,444			361,697
CAPITAL AND RESERVES				
Share capital	159,921			159,921
Reserves	162,543	(1,964)	(1,225)	159,354
Total equity attributable to equity shareholders of the Company	322,464			319,275
Non-controlling interests	146,980	(104,558)		42,422
TOTAL EQUITY	469,444			361,697

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2025	Pro forma adjustments	Pro forma adjustments	The Enlarged Group for the year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2 and 3*	*Note 4*	
Operating activities				
Profit before taxation	17,192	(2,234)	(1,225)	13,733
Adjustments for:				
Reversal of impairment loss on financial assets	(881)			(881)
Depreciation in property, plant and equipment	48,369			48,369
Amortisation in intangible assets and depreciation in right-of-use assets for properties	2,757			2,757
Gain on early termination of a lease	(19)			(19)
Loss on disposal and written off of property, plant and equipment	352			352
Interest expenses	12,095	2,234		14,329
Exchange gains	(146)			(146)
Amortisation in deferred income	(3,339)			(3,339)
	76,380			75,155
Changes in working capital:				
Increase in inventories	(194)			(194)
Decrease in trade and bill receivables	982			982
Decrease in restricted deposit	2,080			2,080
Decrease in other receivables and assets	10,695			10,695
Decrease in trade and other payables	(13,139)			(13,139)
Decrease in contract liabilities	(1,351)			(1,351)
Decrease in salary and welfare payables	(352)			(352)
Cash generated from operations	75,101			73,876
Income tax paid	(6,049)			(6,049)
Net cash from operating activities	69,052			67,827

	The Group for the year ended 31 December 2025	Pro forma adjustments	Pro forma adjustments	The Enlarged Group for the year ended 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2 and 3*	*Note 4*	
Investing activities				
Proceeds from disposal of property, plant and equipment	24			24
Proceeds from government grants	1,155			1,155
Proceed for acquisition of additional equity interest in a subsidiary	—	(106,522)		(106,522)
Payment for the purchase of property, plant and equipment and intangible assets	(14,058)			(14,058)
Net cash used in investing activities	(12,879)			(119,401)
Financing activities				
Dividends paid to shareholders of the Company and equity owners of a subsidiary	(7,735)			(7,735)
Proceeds from bank loans	134,428	74,565		208,993
Repayment of other borrowings	(12,500)			(12,500)
Repayment of bank loans	(215,543)	(3,618)		(219,161)
Interest paid	(12,040)	(2,234)		(14,274)
Capital element of lease rentals paid	(118)			(118)
Interest element of lease rentals paid	(55)			(55)
Net cash used in financing activities	(113,563)			(44,850)
Net decrease in cash and cash equivalents	(57,390)			(96,424)
Cash and cash equivalents at 1 January	128,795			128,795
Effect of foreign exchange rate changes	146			146
Cash and cash equivalents at 31 December	71,551			32,517

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts are extracted from the audited consolidated statement of financial position of Tianjin Tianbao Energy Co., Ltd. and its subsidiaries (including the audited statement of financial position of the Target Company) (the "**Group**") as at 31 December 2025 included and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2025 included in the published annual report of the Group for the year ended 31 December 2025 issued on 26 March 2026.

2. Pursuant to the Equity Transfer Agreement (as defined in the Circular), Tianjin Tianbao Energy Co., Ltd., conditionally agreed to acquire 40% of the issued share capital of the Target Company at the total consideration of RMB106,522,000, which will be satisfied by cash. The Consideration will be funded by a long term bank loan amounting to approximately RMB74,565,000 and the Group's internal resources. A variable interest rate of the bank loan is determined based on the loan prime rate and which carried interest rate of 3% per annum. Accordingly, interest expense of RMB2,234,000 is recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025.

3. Further, the Proposed Acquisition represented the acquisition additional interests in a subsidiary of the Group and therefore, it represents the equity movement on non-controlling interests. The difference between the carrying value of the addition of 40% equity interest in the Target Company at the date of acquisition and the consideration will be recognised in other reserve of the Group.

	RMB'000
Cash consideration	106,522
Total net assets of the Target Company as at 31 December 2025	261,395
Additional equity interest acquired in Target Company	40%
Non-controlling interests acquired	(104,558)
Total net assets recognised in equity	1,964

4. The adjustment represents the estimated acquisition related costs of approximately RMB1,225,000 (the "**Transaction Costs**") assumed to be paid, including audit, legal, valuation and other professional services relating to the Proposed Acquisition, which would be settled by cash and are charged to profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group.

5. The pro forma adjustment represents 40% share of profit attributable to the owners of the Enlarged Group of approximately RMB2,364,000 from the non-controlling interests of the Target Company for the year ended 31 December 2025 as if the Proposed Acquisition was completed on 1 January 2025.

6. For the purpose of the pro forma consolidated statement of cash flows, only adjustments directly attributable to the transaction concerned and not relating to future events or decisions are taken into account. The directors of the Group are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations, the facilities presently available to the Group, the effect of the Proposed Acquisition, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

7. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group or the Target Company entered into subsequent to 31 December 2025 as if the Proposed Acquisition had taken place on 31 December 2025 and 1 January 2025.

Set out below is the management discussion and analysis of the Group for each of the three years ended December 31, 2023, 2024 and 2025, as extracted from the annual report of the Company for each of the three years ended December 31, 2023, 2024 and 2025. Unless otherwise defined in this circular or the context otherwise requires, terms used in this section shall have the same meanings as described in the abovementioned annual reports of the Company (as the case may be).

For the Year ended December 31, 2023

INDUSTRY REVIEW

In recent years, China's wind energy, solar energy and other new energy power generation have been booming. The Report to the 20th National Congress of the Communist Party of China specifies that, we will "work actively and prudently toward the goals of reaching carbon emission peak and carbon neutrality", "thoroughly advance the energy revolution and use coal in a cleaner and more efficient way", "speed up the planning and development of a system for new energy sources", and "strengthen the systems for energy production, supply, storage, and marketing to ensure energy security", "improve the statistics and accounting system and the cap-and-trade system for carbon emissions. Enhancing the carbon absorption capacity of ecosystems". With the accelerated development of new energy and change in power consumption characteristics, the demand for peak shaving by the system will increase continuously. There are few hydropower stations with adjustable capacity in China, and the proportion of gas-fired power in the overall energy market is small. Therefore, coal-fired power is the most economical and reliable peak shaving power source at the current stage. The market position of coal-fired power will gradually change from the traditional position of being the main source of power and electricity supply to being an adjustable power supply that provides reliable capacity, electricity and flexibility. The utilization hours of coal-fired power will continue to decrease.

The "14th Five-Year Plan" initiated in 2021 proposed the requirements for deepening supply-side structural reform in the power industry to develop low-carbon electricity, which targets at achieving clean, efficient and sustainable development of the power industry through efficient utilization of energy, development of clean energy and reduction of pollutant emissions.

The Group completed the comprehensive transformation of ultra-low emission and energy conservation for its coal-fired thermal power units which has significantly reduced coal consumption in power generation process and pollution emissions. China's environmental protection departments continue to enhance environmental protection requirements towards cogeneration companies, prompting the development trend of energy-saving, environmental protection and high efficiency in the cogeneration industry. The Group will also actively seek progress, promote development, lay a solid foundation for the main business, optimize the

operation mode, carry out low-load combustion transformation on redundant boilers, make steam pipe network improvement plans, adjust management mode for user measurement device, conduct marching modifications according to the load condition, so as to greatly reduce the industrial steam pipe loss rate, and improve the operational capacity of the Group's major businesses. The Group shall always pay attention to great opportunities arising from the national energy industry transformation during the "14th Five-Year Plan" period and continue to improve the quality and efficiency of traditional energy business. The transformation trend towards safe, clean, low-carbon and efficient in energy industry will become more significant, and smart energy industry will become an important economic growth point and support the transformation towards clean, efficient and low-carbon energy systems, promoting low-carbon development of hydrogen production by coal, and helping to achieve the goal of carbon neutrality.

BUSINESS REVIEW FOR THE YEAR OF 2023

1. The power generation part of gas distributed energy station project of Lingang Thermal Power was successfully put into commercial operation

The Group initiated the construction of the gas distributed energy station project of Lingang Thermal Power in 2021, and the project was put into operation for heat supply in 2022. In the second half of 2023, the power generation part of the project was successfully put into commercial operation, setting a record for the fastest grid-connected power generation of gas-fired units in Tianjin. As of the date of the Company's annual report for the year ended December 31, 2023, the project has been fully completed and put into operation.

The gas distributed energy station project of Lingang Thermal Power is an important indicator of the Group's initiation of transformation and upgrading, and the total installed capacity of the Group's clean energy power generation in operation has exceeded the installed capacity of traditional coal power after complete operation of the project. The power generation part of gas distributed energy station project was successfully put into commercial operation, which helped the Group to further expand its operating income and increase project income.

2. Acquisition of 95% of the equity interest in Yangzhou Qingchang

On December 28, 2023, the Company completed the signing of the Equity Transfer Agreement with Tianjin Yuanhai Jinfeng New Energy Co., Ltd. (天津遠海金風新能源有限公司) to acquire 95% of the equity of Yangzhou Qingchang. As of the date of the Company's annual report for the year ended December 31, 2023, the industrial and commercial change of the equity acquisition project was completed, and the project was successfully implemented.

Yangzhou Qingchang is mainly responsible for the development and operation of new energy projects, such as photovoltaic power generation project, and holds 10.44MW of industrial and commercial distributed roof photovoltaic projects. Yangzhou Qingchang Equity Acquisition Project is the first step for the Group to go out of Tianjin and expand outward. The implementation of this project is a concrete action for the Group to deepen the reform of state-owned enterprises and an important embodiment of promoting the high-quality development of enterprises. For details, please refer to the announcement of the Company dated December 28, 2023.

3. Accelerated expansion of new energy projects

In 2023, the Group's new energy business development focused on the aspects of industrial and commercial distributed photovoltaic power generation and building contract energy management. Through following the clues of a large number of projects, analysing risks and benefits on a project basis, the Group put projects that met the standards into the reserve and work plans were prepared respectively, and actively promoted the implementation of reserve projects. The installed capacity of the Group's self-developed photovoltaic power generation projects has reached 8.36MW, and the Group continued to promote the implementation of a number of reserve projects in the direction of distributed photovoltaic power generation, contract energy management and energy supply transformation.

The Group launched an experimental energy storage project in June 2023, which operated smoothly and safely, laying a foundation for promoting the integrated construction of source-network-load-storage in the region where the Group is located.

4. Improve the cost control capability and the quality and efficiency of management

The Group reduced costs and increased efficiency through various methods, mainly including the following measures: cutting the heating pipe network according to the changes in users' load to reduce pipe losses; replacing some imported production equipment with domestic products; adjusting the administrative procurement model to reduce management costs; optimizing the procurement model of coal and natural gas, expanding the list of suppliers and improving the bargaining power.

OPERATING RESULTS AND ANALYSIS

According to the Group's statistics, in 2023, sales of steam amounted to 1.707 million tons, representing a decrease of 2.9% from 1.758 million tons over the corresponding period of the previous year. Sales of electricity amounted to 248.897 million kilowatt-hours, representing a decrease of 0.2% from 249.362 million kilowatt-hours over the corresponding period of the previous year. During the year, the Group's on-grid power generation amounted to 95.435 million

kilowatt-hours, representing an increase of 170.2% from 35.325 million kilowatt-hours over the corresponding period of the previous year, mainly due to the commercial operation of the power generation part of gas distributed energy station project of Lingang Thermal Power during the year.

Taking into account the changing trend of operating income and profit before tax in 2022 and 2023, we have analysed the indicators which significantly affected the operating income and profit before tax of the Company in 2023, details of which are as follows:

1. Operating income

In 2023, the Group recorded a consolidated operating income of RMB785.003 million, representing an increase of 10.0% from RMB713.594 million over the corresponding period of the previous year, mainly because the Group has achieved full linkage between steam sales price and fuel cost in 2023, with steam price increasing compared to the previous year. And the power generation part of gas distributed energy station project of Lingang Thermal Power was put into commercial operation, leading to an increase in income.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment increased by 3.0% from RMB190.170 million for the whole year of 2022 to RMB195.815 million for the whole year of 2023.

Power generation and supply segment

The income from our power generation and supply segment increased by 11.8% from RMB495.665 million for the whole year of 2022 to RMB554.086 million for the whole year of 2023, mainly due to the Group achieving full linkage between steam sales price and fuel cost in 2023, with steam price increasing compared to the previous year. And the power generation part of gas distributed energy station project of Lingang Thermal Power was put into commercial operation and the amount of on-grid energy was higher than that of the previous year.

Other segments

The income from other segments increased by 26.5% from RMB27.759 million for the whole year of 2022 to RMB35.102 million for the whole year of 2023, mainly due to the increase of the income from Smart Street Lighting Contract Energy Management Project in the Tianjin Port Free Trade Zone of the Group compared to the previous year.

2. Other net income

In 2023, the Group recorded other net income of RMB0.926 million, representing a decrease of 96.8% as compared with the year of 2022 of RMB29.347 million, which was primarily due to the Group receiving the government subsidy for steam prices that were not fully linked to fuel costs in 2022. And in 2023, the Group achieved a full linkage mechanism for steam prices without the government subsidy, resulting in a decrease in other net income for the year.

3. Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment slightly increased from RMB188.663 million for the whole year of 2022 to RMB188.724 million for the whole year of 2023.

Power generation and supply segment

The costs of our power generation and supply segment increased by 11.1% from RMB473.374 million for the whole year of 2022 to RMB525.783 million for the whole year of 2023, which was primarily due to the heating part of gas distributed energy station project of Lingang Thermal Power being put into operation, and Lingang Thermal Power changing its fuel from coal to natural gas, driving up costs in December 2022. The power generation part of gas distributed energy station project of Lingang Thermal Power was put into operation, increasing gas consumption, driving up costs in 2023.

Other segments

The costs of other segments increased by 69.1% from RMB17.033 million for the whole year of 2022 to RMB28.802 million for the whole year of 2023, mainly due to corresponding increase in costs with the increase of the income from contract energy management projects in the current year.

4. Segment gross profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment increased by 370.5% from RMB1.507 million for the whole year of 2022 to RMB7.091 million for the whole year of 2023, mainly due to the increase of the comprehensive electricity price of the Group compared to the previous year according to the government's power transmission and distribution price reform policy.

Power generation and supply segment

The gross profit of our energy generation and supply segment increased by 27.0% from RMB22.291 million for the full year of 2022 to RMB28.303 million for the full year of 2023, which was mainly due to the realisation of a full linkage mechanism between the steam sales price and the fuel cost in 2023, with the steam sales price being higher than that of the previous year, as well as the in place operation of the power generation part of gas distributed energy station project of Lingang Thermal Power during the year.

Other segments

The gross profit from other segments decreased by 41.3% from RMB10.726 million for the whole year of 2022 to RMB6.300 million for the whole year of 2023, mainly due to the decrease of the gross profit from product sales business and agent maintenance business of the Group compared to the previous year.

5. EBITDA

EBITDA decreased by 17.5% from RMB105.798 million for the whole year of 2022 to RMB87.312 million for the whole year of 2023. The main reason is that the Company realized the full price linkage mechanism in 2023, and the government subsidy originally obtained in 2022 due to the lack of full linkage of steam prices did not occur in 2023, resulting in a decrease in EBITDA for the year.

6. Finance costs

In 2023, the Group recorded finance costs of RMB13.311 million, representing an increase of 5.3% as compared with the corresponding period of the previous year of RMB12.640 million, which was primarily due to the expansion of the Group's financing scale in 2023.

7. Fuel costs

In 2023, the Group recorded fuel costs of RMB404.237 million, representing an increase of 21.0% as compared with the corresponding period of the previous year of RMB334.139 million, which was primarily due to the heating part and power generation part of the gas distributed energy station project of Lingang Thermal Power gradually being put into operation and Lingang Thermal Power changing its fuel from coal to natural gas since December 2022.

8. Profit before tax

The profit before tax decreased by 85.4% from RMB23.083 million for the whole year of 2022 to RMB3.372 million for the whole year of 2023, which was mainly due to the full price linkage mechanism realized by the Company in 2023, and the government subsidy originally obtained in 2022 due to the lack of full linkage of steam prices did not occur in 2023, resulting in a decrease in profit before tax for the year.

9. Income tax expenses

In 2023, the Group recorded income tax expenses of RMB0.702 million, representing a decrease of 87.8% as compared with the year of 2022 of RMB5.773 million, which was primarily due to the decrease in profit before tax in 2023.

10. Profit for the year attributed to the parent company

Profit for the year attributed to the parent company decreased by 96.7% from RMB7.885 million for the whole year of 2022 to RMB0.258 million for the whole year of 2023. The main reason for the change is that the Group realized the full price linkage mechanism in 2023, the government subsidy originally obtained in 2022 due to the lack of full linkage of steam price did not occur in 2023, the construction of the gas distributed energy station project of Lingang Thermal Power was completed in 2023, and the power generation part of the project was in the initial stage of operation, therefore, the overall project has not yet reached the level of revenue for stable operation. In addition, the distributed photovoltaic projects developed and acquired by the Group in 2023 are still in the construction or handover stage and have yet to contribute to the Group's operating results. Due to the above reasons, the profit for the year decreased, resulting in a decrease in the profit for the year attributable to the parent company.

FINANCIAL POSITION

1. Assets and liabilities

Total assets increased by 2.3% from RMB1,064.408 million as at the end of 2022 to RMB1,089.093 million as at the end of 2023, mainly due to the increase in advance to suppliers. Total liabilities increased by 5.2% from RMB598.951 million as at the end of 2022 to RMB630.302 million as at the end of 2023, mainly due to the increase in bank loans.

As of the end of 2023, our current assets amounted to RMB351.061 million, representing an increase of 9.2% as compared with the end of 2022 of RMB321.614 million, of which cash and cash equivalents amounted to RMB144.307 million (end of 2022: RMB153.314 million), trade and bill receivables amounted to RMB113.329 million (end of 2022: RMB97.950 million), which was mainly due to the increase in receivables from steam and electricity sales. Our current liabilities amounted to RMB392.149 million (end of 2022: RMB438.021 million), of which trade and other payables amounted to RMB103.310 million (end of 2022: RMB186.498 million), and non-current liabilities amounted to RMB238.153 million (end of 2022: RMB160.930 million).

2. Cash and cash equivalents

As at the end of 2023, the Group recorded cash and cash equivalents of RMB144.307 million in aggregate, representing a decrease of 5.9% as compared with the end of the previous year of RMB153.314 million, which was primarily due to the increase in fuel procurement payment in 2023.

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 2023, the Group recorded a gearing ratio of 1.37, representing an increase as compared with the end of the previous year of 1.29, which was primarily due to the increase in bank loans.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2023, cash capital expenditure of the Group (tax inclusive) was RMB74.282 million, of which, expenses of gas distributed energy station projects of Lingang Thermal Power amounted to RMB59.239 million, expenses of Tianjin Port Free Trade Zone (Seaport and Lingang) 4.26MW distributed photovoltaic power generation project (phase 2) amounted to RMB9.702 million, expenses of 1MWH energy storage test project amounted to RMB1.758 million, expenses of Xijiu Road standard plant roof 155.76KW distributed photovoltaic power generation and energy storage project (phase 1) amounted to RMB1.504 million, and expenses of procurement of other equipment amounted to RMB2.079 million.

On December 31, 2023, the Group's provision for capital commitment was approximately RMB26.080 million, which was expected to be used for Lingang Thermal Power's gas distributed energy station project.

2. Liquidity and financial resources

As at December 31, 2023, the Group had cash and cash equivalents amounting to RMB144.307 million in aggregate; loans and borrowings of RMB450.367 million which include short-term borrowings of RMB269.412 million and the non-current portion of long-term borrowings of RMB180.955 million, while secured and guaranteed borrowings amounted to RMB157.213 million and unsecured borrowings amounted to RMB293.154 million, of which RMB279.692 million were fixed rate borrowings and RMB170.675 million were floating interest rate 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

For the year ended December 31, 2023, there had been no material acquisition and disposal of the Group.

4. Significant investments

During the Reporting Period, the Group did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period. On December 28, 2023, the Company entered into the Equity Transfer Agreement with Tianjin Yuanhai Jinfeng New Energy Co., Ltd. to acquire 95% of the equity of Yangzhou Qingchang at a consideration of approximately RMB15.37 million. Yangzhou Qingchang

is principally engaged in the development, design and construction of solar photovoltaic power generation projects. As at the Latest Practicable Date, Yangzhou Qingchang operates an industrial and commercial distributed photovoltaic project of 10.44MW.

5. Contingent liabilities

As at December 31, 2023, the Group did not have contingent liabilities.

6. Loans and borrowings of the Group

As at December 31, 2023, the Group had loans and borrowings of RMB450.367 million which include short-term borrowings of RMB269.412 million, including long-term borrowings due within one year of RMB30.320 million, and the non-current portion of long-term borrowings of RMB180.955 million, while secured and guaranteed borrowings amounted to RMB157.213 million and unsecured borrowings amounted to RMB293.154 million, of which RMB279.692 million were fixed rate borrowings and RMB170.675 million were floating interest rate borrowings.

7. Other debts of the Group

As at 31 December 2023, the Group had lease liabilities of RMB1.336 million in addition to the loans and borrowings of the Group.

8. Charges and pledges on the Group's assets

As at December 31, 2023, the gas supply facilities, equipment and related parts held by the Company at a value of RMB27.374 million was used as collateral for the financial lease with balance of RMB16.667 million as at December 31, 2023, and the equity of Lingang Thermal Power held by the Company was used as collateral for the bank loan with balance of RMB25.100 million as at December 31, 2023.

As at December 31, 2023, the secured bank loans of RMB6.766 million were pledged by all receivables for electricity charges and all related rights acquired by the relevant contracts held by the Group within the pledged period. As at December 31, 2023, the aggregate carrying amount of the receivables related to the relevant contracts was RMB1.648 million (2022: RMB0).

9. Capital structure

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

10. Share scheme

For the year ended December 31, 2023, the Company had not implemented any share 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 denominated in Hong Kong dollars and US dollars), the Group was 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 exchange rate fluctuation risk 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 policy risk, material procurement management risk and safety risk.

1. Policy risk

At present, the policy risk faced by the Group mainly comes from the reform in power system and changes in national energy policies.

To address the risks mentioned above, the Group:

① has established its comprehensive risk prevention mechanism. There is a specialized department responsible for following up and analysing the impacts on the Group as a result of the changes in the above-mentioned external policy, so as to enable the raising of warning in a scientific manner, assessing the impacts and providing the corresponding measures in a timely manner.

② has been actively transforming into an integrated energy supplier and extending its development into the integrated energy service market. It has launched businesses such as contractual energy management.

2. Material procurement management risk

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

To cope with the above risks, the Group closely tracked the changes in domestic and foreign policies and coal markets, following measure were adopted:

① fair and open procurement. The Group's procurement process strictly complied with the Tendering and Bidding Law of the People's Republic of China and other relevant regulations and was conducted following the open, fair and just principles. The Group shall not discriminate against any suppliers, nor allow employees and other personnel who have interests in the relevant suppliers to participate in the relevant procurement activities.

② joint coal procurement with other energy supply companies, which increased the participation of coal suppliers and enhanced the bargaining power in coal procurement, and optimized the staffing required for coal procurement, thereby controlling coal costs.

③ the steam price was determined by the market. To avoid the Group's profit decreasing due to the large increase in coal price, an agreement on the linkage price of coal and steam was signed with customers to reduce the corresponding risks.

3. Safety risk

The project in operation may cause workplace accidents, which might harm staff members and users.

To address the risks as mentioned above, the Group made every effort to curb the occurrence of safety incidents by carrying out investigation and remediation for risks and hidden dangers, especially targeting key time, important areas and important parts. The senior management regularly conducted pre-holiday/quarterly special production safety inspections and key project inspections at facilities such as dispatching centers, substations and thermal power plants to ensure their safe and stable operation.

The Group carried out 48 professional skills and safety trainings during the Reporting Period, highlighting the important areas and summarizing technical experience so as to enhance the professional skills and safety awareness of the operators. We regularly checked the fire prevention apparatus and anti-pollution equipment and kept records. The Group also formulated the equipment emergency response process to regulate the emergency operations, and carried out 27 emergency drills with different hypothetical contexts during the Reporting Period so as to ensure that the employees have the ability to effectively keep themselves and the Group's assets safe in an emergency.

BUSINESS OUTLOOK FOR 2024

In 2024, the Group will follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, focus on the main line of high-quality development, use the Party's construction as the guide, seek progress while maintaining stability, and coordinate and promote the reform of state-owned enterprises, cost reduction and efficiency improvement, business expansion, safety and environmental protection, risk prevention and control and other work, complete the annual goals and tasks with high standards, thus making contributions to the regional economic and social development.

In 2024, the Group will strive to accomplish the following tasks:

1. To expand new businesses with all strength

The Group will accelerate the construction of distributed photovoltaic projects under construction such as Tianjin Xiqi Road and put them into operation as soon as possible, follow the projects such as contract energy management and distributed photovoltaic power generation reserve project to strive for the implementation of the projects. The Company will vigorously develop photovoltaic, wind power, integrated energy and other types of projects, flexibly design cooperation models, and increase the number of reserve projects.

2. To realize the smooth transition of Yangzhou Qingchang and continue to look for equity acquisition opportunities in the direction of new energy

The Group will make every effort to promote the finishing touches of the equity merger and acquisition project of Yangzhou Qingchang, and carry out the handover work to ensure smooth transition. The Group will continue to seek equity acquisition opportunities in the direction of new energy, follow the development direction of the industry, improve the Company's profitability and enhance shareholder returns.

3. To accelerate the transformation in technology actively

The Group will implement low-load transformation of the boilers of Haigang Thermal Plant according to the energy consumption of enterprises in the park, so as to flexibly adjust the operation mode of the boilers according to the needs of users and improve the operation efficiency of the equipment, carry out automation control transformation of the heat exchange station in the park to reduce labour costs, implement the residual heat recovery project of gas boilers and waste heat and wastewater recovery project of gas and residual heat boilers of Lingang Thermal Plant to improve the boiler production efficiency.

4. To ensure the implementation safety and environmental protection work

The Group will adhere to the policy of "safety first and prevention as the core", comprehensively deepen the dual prevention mechanism of safety risk classification control and hidden danger investigation and management, and improve the safety level of the Company. The Group will firmly establish and practice the concept that "lucid waters and lush mountains are invaluable assets", continue to focus on the discharge and control of pollutants such as waste gas, wastewater and waste, thus ensuring that the environmental protection work is not flawed throughout the year.

OVERVIEW OF HUMAN RESOURCES

As at December 31, 2023, the Group had 72 employees.

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

Employees' remuneration includes position salary, performance-based salary and incentive bonus, among which, the performance-based salary is related to both the performance evaluation of the Group and the performance evaluation results of the respective employees. During the Reporting Period, we had incurred labour cost (including salary, welfare and bonus) of RMB26.689 million.

The Group attaches great importance to employees' trainings and development. For the Group's sound development and employees' development, the Group provides continuous education and training programs for managers and other employees to continuously improve their

skills and knowledge. The employees' internal trainings of the Group are conducted by the management and the head of relevant departments, or by external training institutions regarding professional trainings, ensuring that our employees can continue to have the required skills, gain relevant knowledge and capability required in their work, thereby helping the Group to maintain its market competitiveness.

In 2023, the Group carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel according to different layers and segments so as to improve the professional capacity and management level of the employees. In 2023, the Company organized 48 safety production trainings for all employees, and 57 professional skills trainings for the employees from different departments which involving work standards, continuing education, finance, taxation, legal and information system.

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

Employees of the Group are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group contributes to the employees' retirement benefit scheme, the amount of which is calculated based on the applicable average wage and according to a certain percentage agreed by the local municipal government. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity, are recognised as expenses when incurred. Forfeited contributions could not be utilized to reduce the existing level of contribution, thus, as at December 31, 2023, there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

For the Year ended December 31, 2024

INDUSTRY REVIEW

New energy power generation has been booming in recent years, such as wind power, solar power, etc. As clearly stated in the Report of the Twentieth Congress, "we should actively and steadily promote carbon peaking and carbon neutrality", "we should further promote the energy revolution and strengthen the clean and efficient utilization of coal", "we should accelerate the planning and construction of a new energy system", "we should strengthen the construction of the energy production, supply, storage and marketing system, and ensure energy security", "we should improve the statistical and accounting system for carbon emissions, improve the trading system of the carbon emission right market, and enhance the carbon sink capacity of ecosystems." With the

accelerated development of new energy and the change of power consumption characteristics, the demand for peak load regulating capacity of the system will increase continuously. There are few hydropower stations with regulating capacity in China, and the proportion of gas-fired power is low in the energy market. Therefore, coal-fired power is the most economical and reliable peak shaving power source at present. The market orientation of coal-fired power will gradually change from the traditional main power supply providing power and electricity to regulated power supply providing reliable capacity, electricity and flexibility, and the utilization hours of coal-fired power will continue to decrease.

In the "14th Five-Year Plan" started in 2021, it is proposed to deepen the supply-side structural reform and develop low-carbon electricity for the power industry, which aims to achieve clean, efficient and sustainable development of the power industry through efficient utilization of energy, development of clean energy and reduction of pollutant emissions.

The Group has completed the implementation of comprehensive ultra-low emission and energy-saving renovation of its own coal-fired units of thermal power generation, which has significantly reduced coal consumption and pollution emission in power generation. In view of the fact that China's environmental protection departments continue to enhance environmental protection requirements towards cogeneration companies, prompting the development trend of energy saving, environmental protection and high efficiency in the cogeneration industry, the Group took the initiative to explore green combustion and completed a trial of biomass blending in the coal-fired boiler of the Seaport Thermal Power Station during the year. The Group will actively seek to forge ahead, promote development, strengthen the foundation of its main business and optimize its mode of operation. We will carry out low-load combustion modification of redundant boilers, formulate steam pipeline network improvement programs, adjust the management mode of customer metering devices, and implement matching modifications according to the load conditions, so as to significantly reduce the rate of industrial steam pipeline loss and improve the main business operating capacity of the Group. We will pay close attention to the major opportunities of China's energy industry transformation during the "14th Five-Year Plan" period, and continue to promote the quality and efficiency improvement of traditional energy businesses. The transformation towards a safe, clean, low-carbon and efficient energy industry will become more significant, and smart energy industry will become an important economic growth point and support the transformation towards a clean, efficient and low-carbon energy system, promoting hydrogen production from coal and low-carbon development, and helping to achieve the goal of carbon neutrality.

BUSINESS REVIEW FOR THE YEAR OF 2024

1. Acquisition of equity of Yangzhou Qingchang completed successfully

The Group completed the industrial and commercial registration change of Yangzhou Qingchang in March 2024, bringing it under the management of the Group. As the first project in other cities, this project is of great significance for the Group to go out of Tianjin, expand its service area and implement the Group's "14th Five-Year Plan".

2. Initial results achieved in expansion of new energy business

In 2024, by fully exploring regional resources, the Group completed and carried out a number of PV power generation and energy storage projects, creating a multi-level and rich project reserve at different stages, such as grid-connected commissioning, construction and building, implementation on an opportunistic basis and in-depth communication. The installed capacity of new PV power generation amounted to 11.56MW for the whole year, accounting for 61.5% of the total new energy installed capacity. The Group completed the main construction of the integrated energy station project for new energy heavy-duty trucks in 2024, which will provide charging services for new energy heavy-duty trucks in and around Tianjin Port in the future.

3. Continued promotion of market-based business

In 2024, in view of the fluctuation of green power prices, the Group attempted green power trading through multiple channels and expanded the business of power trading for customers outside the region for the first time. We reached annual cooperation with power plants in other cities, and completed the sales of total of 252 million kilowatt hours of power as an agent for the whole year. By leveraging our business strengths, we attracted new customers to settle in Tianjin and increased the steam sales of the Group. We continued to carry out electrical experiment business to ensure safe production for our customers.

4. Enhanced efforts in equity acquisition projects

The Group, on the one hand, leveraged on its regional advantages to carry out cooperation negotiations with a number of new energy investment enterprises on equity acquisition projects, and, on the other hand, pushed forward key projects in depth. In 2024, through several rounds of communication, we reached cooperation intention with counterparties on a number of equity acquisition projects, and completed preliminary offers for a number of projects.

5. Comprehensive cost reduction and efficiency enhancement

In 2024, the Group communicated with natural gas and coal suppliers through multiple channels to reduce the cost of raw material procurement; implemented in-depth localized substitution of spare parts to suppress operating expenses; and actively explored innovative financing modes and carried out intellectual property securitization projects. Thanks to comprehensive cost reduction and efficiency enhancement, we have significantly improved the profitability of the Group.

OPERATING RESULTS AND ANALYSIS

According to the Group's statistics, in 2024, sales of steam amounted to 1.598 million tons, representing a decrease of 6.4% from 1.707 million tons over the corresponding period of the previous year. Sales of electricity amounted to 289.900 million kilowatt hours, representing an increase of 16.5% from 248.897 million kilowatt hours over the corresponding period of the previous year. During the year, the Group's on-grid power generation amounted to 229.052 million kilowatt hours, representing an increase of 140.0% from 95.435 million kilowatt hours over the corresponding period of the previous year, mainly due to the power generation of the Group's gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024.

Taking into account the changing trend of operating income and profit before tax in 2023 and 2024, we have analysed the indicators which significantly affected the operating income and profit before tax of the Company in 2024, details of which are as follows:

1. Operating income

In 2024, the Group recorded a consolidated operating income of RMB824.050 million, representing an increase of 5.0% from RMB785.003 million over the corresponding period of the previous year, mainly because the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024, and the Group's new energy power generation business grew in different regions in 2024.

Electricity dispatch and sale segment

The income from our electricity dispatch and sale segment increased by 12.6% from RMB195.815 million for the whole year of 2023 to RMB220.582 million for the whole year of 2024, which was primarily due to an increase in business orders from the Group's customers and an increase in electricity consumption.

Power generation and supply segment

The income from our power generation and supply segment increased by 2.3% from RMB551.152 million for the whole year of 2023 to RMB563.723 million for the whole year of 2024, mainly due to the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024, with the on-grid energy higher than the previous year.

PV power generation segment

The income from our PV power generation segment increased by 179.1% from RMB2.934 million for the whole year of 2023 to RMB8.188 million for the whole year of 2024, mainly due to new energy power generation business grew in different regions in 2024.

Other segments

The income from other segments decreased by 10.1% from RMB35.102 million for the whole year of 2023 to RMB31.557 million for the whole year of 2024, mainly due to a decrease in revenue from engineering projects in 2024.

2. Other net income

In 2024, the Group recorded other net income of RMB2.236 million, representing an increase of 141.5% as compared with the year of 2023 of RMB0.926 million, which was primarily due to an increase in other income, because the deferred income related to assets carried forward after the conversion of the gas distributed energy station project of Lingang Thermal Power to fixed assets.

3. Segment costs

Electricity dispatch and sale segment

The costs of our electricity dispatch and sale segment increased by 14.0% from RMB188.724 million for the whole year of 2023 to RMB215.226 million for the whole year of 2024, which was primarily due to the purchase of electricity increased synchronously with electricity sales.

Power generation and supply segment

The costs of our power generation and supply segment decreased by 0.8% from RMB523.170 million for the whole year of 2023 to RMB519.246 million for the whole year of 2024.

PV power generation segment

The costs of our PV power generation segment increased by 104.5% from RMB2.613 million for the whole year of 2023 to RMB5.343 million for the whole year of 2024, which was primarily due to new energy power generation business grew in different regions.

Other segments

The costs of other segments decreased by 13.0% from RMB28.802 million for the whole year of 2023 to RMB25.045 million for the whole year of 2024, mainly due to the revenue of engineering projects decreased, and the cost decreased simultaneously in 2024.

4. Segment gross profit

Electricity dispatch and sale segment

The gross profit from our electricity dispatch and sale segment decreased by 24.5% from RMB7.091 million for the whole year of 2023 to RMB5.356 million for the whole year of 2024, mainly due to the comprehensive electricity price reduced in 2024.

Power generation and supply segment

The gross profit of our energy generation and supply segment increased by 58.9% from RMB27.982 million for the full year of 2023 to RMB44.477 million for the full year of 2024, which was mainly due to the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024.

PV power generation segment

The gross profit of our PV power generation segment increased by 786.3% from RMB0.321 million for the full year of 2023 to RMB2.845 million for the full year of 2024, which was mainly due to new energy power generation business grew in different regions.

Other segments

The gross profit from other segments increased by 3.4% from RMB6.300 million for the whole year of 2023 to RMB6.512 million for the whole year of 2024.

5. EBITDA

EBITDA increased by 30.2% from RMB87.312 million for the whole year of 2023 to RMB113.661 million for the whole year of 2024. The main reason is the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024, and the new energy power generation business grew in different regions.

6. Finance costs

In 2024, the Group recorded finance costs of RMB17.073 million, representing an increase of 28.3% as compared with the corresponding period of the previous year of RMB13.311 million, which was primarily due to an increase in interest expense, because all interest related to the project has been expensed after the conversion of the gas distributed energy station project of Lingang Thermal Power to fixed assets.

7. Fuel costs

In 2024, the Group recorded fuel costs of RMB403.043 million, representing a decrease of 0.3% as compared with the corresponding period of the previous year of RMB404.237 million.

8. Profit before tax

The profit before tax increased by 366.9% from RMB3.372 million for the whole year of 2023 to RMB15.743 million for the whole year of 2024, which was mainly due to the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024, and the new energy power generation business grew in different regions.

9. Income tax expenses

In 2024, the Group recorded income tax expenses of RMB4.326 million, representing an increase of 516.2% as compared with the year of 2023 of RMB0.702 million, which was primarily due to an increase in profit before taxation for the year.

10. Profit for the year attributed to the parent company

Profit for the year attributed to the parent company increased by 1,655.8% from RMB0.258 million for the whole year of 2023 to RMB4.530 million for the whole year of 2024. The main reason for the change is the power generation of the gas distributed energy station project of Lingang Thermal Power has been partially put into commercial operation in the second half of 2023 and been in operation throughout 2024, and the new energy power generation business grew in different regions.

FINANCIAL POSITION

1. Assets and liabilities

Total assets decreased by 1.7% from RMB1,089.093 million as at the end of 2023 to RMB1,070.774 million as at the end of 2024, mainly due to the decrease in inventory. Total liabilities decreased by 4.0% from RMB630.302 million as at the end of 2023 to RMB605.133 million as at the end of 2024, mainly due to the decrease in trade and other payables.

As of the end of 2024, our current assets amounted to RMB331.591 million, representing a decrease of 5.5% as compared with the end of 2023 of RMB351.061 million, of which cash and cash equivalents amounted to RMB128.795 million (end of 2023: RMB144.307 million), trade and bill receivables amounted to RMB126.354 million (end of 2023: RMB113.329 million), which was mainly due to the increase in steam and electricity sales receivable. Our current liabilities amounted to RMB334.767 million (end of 2023: RMB392.149 million), of which trade and other payables amounted to RMB92.459 million (end of 2023: RMB103.310 million), and non-current liabilities amounted to RMB270.366 million (end of 2023: RMB238.153 million).

2. Cash and cash equivalents

As at the end of 2024, the Group recorded cash and cash equivalents of RMB128.795 million in aggregate, representing a decrease of 10.7% as compared with the end of the previous year of RMB144.307 million, which was primarily due to an increase in investment expenditure, because the Group completed the acquisition of 95% of the equity interest in Yangzhou Qingchang.

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 2024, the Group recorded a gearing ratio of 1.30, representing a decrease by 5.1% as compared with the end of the previous year of 1.37, which was primarily due to the decrease in trade and other payables.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2024, cash capital expenditure of the Group (tax inclusive) was RMB31.029 million, of which, the expenditure for distributed energy station project of Lingang Thermal Power was RMB14.974 million; the expenditure for the flue gas condensate deep treatment and thermal energy utilization project was RMB1.929 million; the expenditure for the distributed PV project of Xiqi Road Tianbao Industrial Park was RMB3.516 million; and the expenditure for the payment of EPC project for Kaixiang Phase II was RMB10.610 million.

On December 31, 2024, the Group's provision for capital commitment was approximately RMB6.331 million, which was expected to be used for payment of the gas distributed energy station project of Lingang Thermal Power.

2. Liquidity and financial resources

As at December 31, 2024, the Group had cash and cash equivalents amounting to RMB128.795 million in aggregate; loans and borrowings of RMB421.785 million which include short-term borrowings of RMB214.031 million and the non-current portion of long-term borrowings of RMB207.754 million, while secured and guaranteed borrowings amounted to RMB196.585 million and unsecured borrowings amounted to RMB225.200 million, of which RMB266.000 million were fixed rate borrowings and RMB155.785 million were floating interest rate 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

On December 28, 2023, the Company entered into the Equity Transfer Agreement with Tianjin Yuanhai Jinfeng New Energy Co., Ltd.* (天津遠海金風新能源有限公司), in which the Company agreed to acquire 95% equity interest in Yangzhou Qingchang at a total consideration of approximately RMB15.372 million. Commercial registration change of the acquisition was completed in March 2024, and the Yangzhou Qingchang equity acquisition project was successfully completed.

For details of the project, please refer to the Company's announcement dated December 28, 2023.

4. Significant investments

During the Reporting Period, the Group did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period.

5. Contingent liabilities

As at December 31, 2024, the Group did not have contingent liabilities.

6. Loans and borrowings of the Group

As at December 31, 2024, the Group had loans and borrowings of RMB421.785 million which include short-term borrowings of RMB214.031 million, including long-term borrowings due within one year of RMB40.831 million, and the non-current portion of long-term borrowings of RMB207.754 million, while secured and guaranteed borrowings amounted to RMB196.585 million and unsecured borrowings amounted to RMB225.200 million, of which RMB266.000 million were fixed rate borrowings and RMB155.785 million were floating interest rate borrowings.

7. Other debts of the Group

As at December 31, 2024, the Group had lease liabilities of RMB1.591 million in addition to the loans and borrowings of the Group.

8. Charges and pledges on the Group's assets

As at December 31, 2024, the gas supply facilities, equipment and related parts held by the Company at a value of RMB25.280 million was used as collateral for the financial lease with balance of RMB12.500 million as at December 31, 2024, and the equity of Lingang Thermal Power held by the Company was used as collateral for the bank loan with balance of RMB16.800 million as at December 31, 2024.

As at December 31, 2024, the secured bank loans of RMB12.870 million were pledged by the assets of 4.0 MW rooftop distributed PV power generation project in Kaixiang Phase II of Yangzhou Qingchang (including but not limited to modules, inverters, and support equipment) held by the Group, as well as all receivables for electricity charges and all related rights acquired by

the relevant contracts held by the Group within the pledged period. As at December 31, 2024, the carrying amount of the pledged assets was RMB15.473 million, and the aggregate carrying amount of the receivable related to the relevant contracts was RMB0.839 million.

9. Capital structure

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

10. Share scheme

For the year ended December 31, 2024, the Company had not implemented any share 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 denominated in Hong Kong dollars and US dollars), the Group was 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 exchange rate fluctuation risk 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. The results of the Group's annual risk assessment showed that the top three important risks are mainly policy risk, safety risk and performance appraisal management risk.

1. Policy risk

The slowdown in macro-economic growth may lead to a decrease in the demand for electricity and heating, affecting the production, operation and profitability of the Group. Changes in industrial policies, such as the increasingly stringent environmental protection requirements and the adjustment of the energy structure, may subject traditional cogeneration projects to the pressure of transformation or upgrading. To address the above-mentioned risks, the Group took the following measures: First, the Group kept a close eye on the policy trends of the State and local governments, and promptly grasped the impact of policy changes on the thermal power industry.

Second, the Group spurred technological innovation and upgrading by ramping up investments in technological research and development. Meanwhile, the Group enhanced the energy efficiency of cogeneration projects and actively promoted and adopted advanced energy-saving and emission-reduction technologies to cut down production costs and mitigate environmental pollution. Third, the Group optimized the energy structure and business model. In response to policy changes and market demand, the Group reconfigured the energy structure and business model and launched new energy projects.

2. Safety risk

As a public utility enterprise, the Group shoulders a crucial responsibility as its safe production and operation are directly intertwined with the normal production rhythms of all industrial users in the park. Inadequate training and safety education, combined with the inexperience of front-line staff or their non-compliant operations, can not only undermine operational efficiency but also potentially trigger accidents. Moreover, the absence of fire-prevention and pollution-prevention equipment, along with the lack of well-crafted contingency plans for emergencies or insufficient emergency drills, will render the Group ill-equipped to safeguard its assets and equipment when unexpected events occur. Furthermore, the failure to maintain machinery, equipment, and pipelines in optimal condition can damage the Group's interests and disrupt normal production and operation.

In response to the aforementioned risks, the relevant responsible departments within the Group organized a total of 50 training and educational sessions during the Reporting Period, encompassing fire safety training, emergency rescue training, and warning education. These activities clearly defined the necessary precautions and facilitated the accumulation of technical experiences, thereby enhancing the professional skills and safety-consciousness of the operators. Simultaneously, regular checks were carried out on fire-prevention and pollution-prevention equipment at scheduled intervals, and records were maintained for each inspection. In addition, the Group standardized the emergency operation processes by formulating emergency response procedures specifically tailored to equipment-related incidents. In addition, a total of 41 emergency drills were conducted during the Reporting Period. Each drill was structured around different hypothetical scenarios, enabling employees are well-equipped to safeguard their own well-being and protect the Group's assets in emergency situations. Moreover, the Group placed great emphasis on the proper maintenance of its fixed assets. Both routine maintenance tasks and major overhauls were documented. Additionally, the Group conducted regular impairment tests.

3. Performance appraisal management risk

If the appraisal criteria lack clarity or deviate from the actual work tasks, or if they are either too stringent or too lenient, they will fail to accurately reflect employees' job performance. This can dampen employees' enthusiasm and team morale. Moreover, the lack of an effective communication and feedback mechanism means that employees cannot promptly understand their performance and areas for improvement.

Improper utilization of appraisal results occurs when the results are solely used as the basis for salary adjustments and fail to be integrated with employees' promotion opportunities, training needs, and other aspects. This situation leads to a decrease in employees' sense of identity with the performance appraisal.

During the year, the Group revised the Performance Management Rules for Appointed Management (《聘任制經理層人員績效管理規則》) and the Employee Performance Management System (《員工績效管理制度》). Based on the Group's strategic objectives and actual work tasks, specific and measurable performance appraisal criteria were formulated to ensure that the appraisal criteria were aligned with employees' job responsibilities and post requirements, reflecting fairness and impartiality. The Group adopted a monthly monitoring and quarterly appraisal approach by conducting a performance appraisal of each functional department and employees once a quarter. After the completion of the performance appraisal, the results were communicated. Performance bonuses were distributed according to the appraisal scores. For those who failed the appraisal, face-to-face interviews were conducted to continuously drive improvement.

BUSINESS OUTLOOK FOR 2025

1. To vigorously expand the new energy business

In 2025, the Group will continue to vigorously expand its new energy business, accelerate the construction of distributed PV power generation projects under construction and put them into operation as soon as possible, with a view to achieving an installed capacity of PV power generation of above 30MW by the end of 2025. The Group will focus on scenarios such as government offices, hospitals, schools and industrial parks, and explore leads for contract energy management projects in the areas of cooling, heating and power cogeneration as well as hosting of street lights, with an aim to achieve project implementation as soon as possible. We will study and explore the new energy industry chain to extend and supplement the chain, and participate in the related industries in the fields of PV modules, batteries and heat pumps through equity investment and strategic cooperation, so as to extend to the front-end of the industry chain.

2. To continuously promote the equity acquisition projects

In 2025, the Group will actively promote equity acquisitions and seek for investment opportunities in the expansion of the new energy business and the improvement of the profitability of the park heating business. We will continuously improve the pre-investment research on projects, control investment risks and explore new energy investment projects such as PV, wind power and hydrogen energy.

3. To further develop the potential of traditional energy business

In 2025, the Group will, by closely tracking the policy changes in the reform of the power system, consolidate and expand its power agency trading customers, actively implement the "carbon peaking and neutrality" goal and promote green power trading. We will build the second phase of the energy storage power station project based on our own distribution network in the seaport area of the Free Trade Zone, so as to further promote the integration of "source, network, load and storage" in the seaport area. We will strengthen customer visits in the park and business development outside the area, enhance our local development efforts, and consolidate and expand our electricity maintenance customers.

OVERVIEW OF HUMAN RESOURCES

As at December 31, 2024, the Group had 70 employees.

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

Employees' remuneration includes position salary and performance-based salary, among which, the performance-based salary is related to both the performance evaluation of the Group and the performance evaluation results of the respective employees. During the Reporting Period, the Group had incurred labour cost (including salary, welfare and bonus) of RMB30.943 million.

The Group attaches great importance to employees' trainings and development. For the Group's sound development and employees' development, the Group provides continuous education and training programs for managers and other employees to continuously improve their skills and knowledge. The employees' internal trainings of the Group are conducted by the management and the head of relevant departments of the Group, or by external training institutions

regarding professional trainings, ensuring that our employees can continue to have the required skills, gain relevant knowledge and capability required in their work, thereby helping the Group to maintain its market competitiveness.

In 2024, the Group carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel according to different layers and segments so as to improve the professional capacity and management level of the employees. In 2024, the Company organized 50 safety education trainings for internal employees, and 63 professional skills trainings for the employees from different departments which involving work standards, continuing education, finance, taxation, legal and information system.

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

Employees of the Group are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group contributes to the employees' retirement benefit scheme, the amount of which is calculated based on the applicable average wage and according to a certain percentage agreed by the local municipal government. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity, are recognised as expenses when incurred. Forfeited contributions could not be utilized to reduce the existing level of contribution, thus, as at December 31, 2024, there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

For the year ended December 31, 2025

INDUSTRY REVIEW

2025 marked a critical year for concluding the "14th Five-Year Plan" and formulating the strategic framework for the "15th Five-Year Plan". Amidst a complex and ever-changing domestic and international economic environment and the challenges of energy transition, China's ability to guarantee energy security has been continuously strengthened. The green and low-carbon transformation has been advanced in depth, with the new energy industry shifting from scale expansion to a new stage of high-quality development. China continued to deepen reforms in the electricity marketization, with the marketization mechanism for the on-grid prices of new energy being fully implemented. The large-scale development of new types of energy storage has been accelerated. Green power trading, green certificates and the carbon market have been promoted in a coordinated manner. The proportion of non-fossil energy power generation installed capacity has

steadily increased. The application of integrated source-grid-load-storage and multi-energy complementary models have been accelerated. These developments have created structural opportunities for regional integrated energy service companies, guiding the industry to move steadily toward cleanliness, security, efficiency and marketization.

The "15th Five-Year Plan" proposed to realize the core objectives of accelerating the construction of a new energy system and building China into an energy powerhouse by building a diversified energy supply system, developing a new-type power system, promoting green consumption and transformation, and deepening the systematic and mechanism reform.

Relying on its advantages in talent, technology and experience accumulated over more than 30 years of development, and actively leveraging regional resources and platforms, the Group focused on its development positioning as a comprehensive energy service provider. Taking the demand of users for green and low-carbon energy as a starting point, the Group deeply explored and integrated business resources within the Free Trade Zone and the Binhai New Area, vigorously introduced external green power resources, made innovations in business models, and provided comprehensive energy solutions where multiple energy sources and technologies develop in a coordinated and complementary way, with a view to developing new core competitiveness. On this basis, through mergers and acquisitions and in-depth business cooperation, the Group actively expanded projects in other regions and sought strategic partners to develop together and expand our business. Meanwhile, in response to market changes, and based on its existing traditional energy supply of cooling, heating and electricity and new energy power generation, the Group took innovative development as the driving force, deepened industry-university-research cooperation, put efforts on developing new quality productive forces and extended the energy industrial chain, so as to achieve the high-quality transformation and development of the Company and further enhance its market competitiveness.

BUSINESS REVIEW FOR THE YEAR OF 2025

1. Steadily expanded new energy businesses

In 2025, leveraging regional advantages and fully developing local resources, the Group successfully won the bid for the Smart Street Lamp Contract Energy Management Project (Phase 2) in Tianjin Port Free Trade Zone. Collaborative efforts completed the investment and construction of a new energy heavy-duty truck charging project, while the construction of Lingang Thermal Power distributed photovoltaic project has been completed and put into operation. Huaxiang Automotive Interior Customization Plant Distributed Photovoltaic Project and Tianbao Logistics' warehouse distributed photovoltaic project have entered the construction stage.

As of now, the installed capacity of the Group's clean energy power generation has reached 49.24 MW, comprising 30 MW of gas-fired power and 19.24 MW of photovoltaic power generation. The installed capacity of clean energy power generation accounted for 62.14% of the Group's total installed capacity.

2. Successfully commenced operation of 1.72 MWh energy storage power station project

1.72 MWh energy storage power station project was completed in the second half of 2025, achieving commissioning one month ahead of schedule and fulfilling the dual objectives of cost reduction and revenue enhancement.

The successful completion of this project has accumulated operational experience in energy storage projects for the Group, laying a foundation for further expansion of energy storage projects in the future.

3. Opened up new prospects for electricity transaction

In 2025, the Company vigorously advanced its green power trading business. Within the Tianjin region, annual trading volume achieved a breakthrough from zero. The monthly green power transactions totalled 8.02 million kilowatt hours through bidding, with full-year green power trading reached 18.02 million kilowatt hours, representing an increase of 430% compared to 2024. At the same time, the Company actively explored thermal power trading outside the region and completed 6 million kilowatt hours of thermal power transactions outside the region for the year.

4. Deepened core business and unlock potential in traditional energy businesses

In 2025, the Group continued to tap into the potential of traditional energy businesses, actively explored pathways for integrated construction of source, grid, load and storage, and studied and determined the preliminary plans for integrated construction of source, grid, load and storage and upgrades on dispatching automation system. The Group also fully explored the potential of the regional industrial steam market, and proactively expanded new clientele.

5. Diversified measures to reduce costs and increase efficiency

Through diversified measures including implementing energy-saving technology transformation projects, reducing financing costs, and strictly controlling raw material procurement prices, the Group has elevated its profitability across all dimensions. These efforts have effectively resisted various risks and challenges, enabling steady progress towards a new phase of high-quality development.

OPERATING RESULTS AND ANALYSIS

According to the Group's statistics, in 2025, sales of steam amounted to 1.55 million tons, representing a decrease of 3.0% from 1.598 million tons over the corresponding period of the previous year. Sales of electricity amounted to 286.404 million kilowatt hours, representing a decrease of 1.2% from 289.900 million kilowatt hours over the corresponding period of the previous year. During the year, the Group's on-grid power generation amounted to 231.769 million kilowatt hours, representing an increase of 1.2% from 229.052 million kilowatt hours over the corresponding period of the previous year. The decrease in sales of electricity and steam was primarily due to reduced demands for electricity and steam consumption as a result of the drop in orders from users in the park; the increase in on-grid power generation was driven by the growth in PV power generation.

Taking into account the changing trend of operating income and profit before tax in 2024 and 2025, we have analysed the indicators which significantly affected the operating income and profit before tax of the Company in 2025, details of which are as follows:

1. Operating income

In 2025, the Group recorded a consolidated operating income of RMB773.853 million, representing a decrease of 6.1% from RMB824.050 million over the corresponding period of the previous year, which was primarily due to the decrease in coal prices in 2025, which, under the price linkage mechanism, led to a reduction in the unit price of steam during the year.

Electricity dispatch and sale segment

In 2025, the Group recorded revenue from our electricity dispatch and sale segment of RMB218.231 million, representing a decrease of 1.1% from RMB220.582 million over the corresponding period of the previous year, which was primarily due to reduced electricity demand as a result of the drop in orders from users in the park.

Power generation and supply segment

In 2025, the Group recorded revenue from our power generation and supply segment of RMB518.858 million, representing a decrease of 8.0% from RMB563.723 million over the corresponding period of the previous year, which was primarily due to the decrease in coal purchase prices in 2025, which, under the price linkage mechanism, led to a reduction in the unit price of steam during the year.

PV power generation segment

In 2025, the Group recorded revenue from our PV power generation segment of RMB8.961 million, representing an increase of 9.4% from RMB8.188 million over the corresponding period of the previous year, which was primarily due to the commissioning of the Group's new energy project.

Other segments

In 2025, the Group recorded revenue from other segments of RMB27.803 million, representing a decrease of 11.9% from RMB31.557 million over the corresponding period of the previous year, which was primarily due to the decline in revenue from the maintenance services.

2. Other net income

In 2025, the Group recorded other net loss of RMB0.390 million, while the Group recorded other net income of RMB2.236 million for the whole year of 2024, which was primarily due to the payment of environmental protection tax by the subsidiaries of the Company in 2025, leading to an increase in non-operating expenses and a decrease in other net income.

3. Segment costs

Electricity dispatch and sale segment

In 2025, the costs of the Group's electricity dispatch and sale segment amounted to RMB212.096 million, representing a decrease of 1.5% from RMB215.226 million over the corresponding period of the previous year, which was primarily due to the completion and commissioning of energy storage and other energy-saving facilities, which effectively reduced costs.

Power generation and supply segment

In 2025, the costs of the Group's power generation and supply segment amounted to RMB475.850 million, representing a decrease of 8.4% from RMB519.246 million over the corresponding period of the previous year, which was primarily due to the decrease in costs as a result of the decrease in coal purchase prices in 2025.

PV power generation segment

In 2025, the costs of the Group's PV power generation segment amounted to RMB5.092 million, representing a decrease of 4.7% from RMB5.343 million over the corresponding period of the previous year, which was primarily due to the Group's efforts to promote cost reduction and efficiency improvement, which led to a decrease in outsourcing expenses.

Other segments

In 2025, the costs of the Group's other segments amounted to RMB20.912 million, representing a decrease of 16.5% from RMB25.045 million over the corresponding period of the previous year, which was primarily due to the decrease in maintenance costs in line with the decrease in revenue.

4. Segment gross profit

Electricity dispatch and sale segment

In 2025, the gross profit from the Group's electricity dispatch and sale segment amounted to RMB6.134 million, representing an increase of 14.5% from RMB5.356 million over the corresponding period of the previous year, which was primarily due to the completion and commissioning of energy storage and other energy-saving facilities, which effectively reduced costs.

Power generation and supply segment

In 2025, the gross profit from the Group's power generation and supply segment amounted to RMB43.008 million, representing a decrease of 3.3% from RMB44.477 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam in the first half of 2025, leading to a decrease in gross profit.

PV power generation segment

In 2025, the gross profit from the Group's PV power generation segment amounted to RMB3.869 million, representing an increase of 36.0% from RMB2.845 million over the corresponding period of the previous year, which was primarily due to the commissioning of a new energy projects, leading to an increase in gross profit.

Other segments

In 2025, the gross profit from the Group's other segments amounted to RMB6.892 million, representing an increase of 5.8% from RMB6.512 million over the corresponding period of the previous year, which was primarily due to the Group's further measures to reduce costs and enhance efficiency, leading to lower cost expenditures.

5. EBITDA

In 2025, the Group's EBITDA amounted to RMB112.547 million, representing a decrease of 1.0% from RMB113.661 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam in the first half of 2025, leading to a decrease in EBITDA.

6. Finance costs

In 2025, the Group recorded finance costs of RMB12.150 million, representing a decrease of 28.8% as compared with the corresponding period of the previous year of RMB17.073 million, which was primarily due to the decrease in external financing of the Group to reduce finance costs.

7. Fuel costs

In 2025, the Group recorded fuel costs of RMB360.884 million, representing a decrease of 10.5% as compared with the corresponding period of the previous year of RMB403.043 million, which was primarily due to the decrease in coal purchase prices in 2025.

8. Profit before tax

In 2025, the Group's profit before tax amounted to RMB17.192 million, representing an increase of 9.2% from RMB15.743 million over the corresponding period of the previous year, which was primarily due to the reduction in financial expenses by the Group through strengthening receivables collection management to enhance the efficiency of internal fund utilization and reduce debt scale in 2025; meanwhile, the Company further promoted its cost reduction and efficiency improvement initiatives to reduce costs. As a result of the above factors, the Group's profit before tax increased.

9. Income tax expenses

In 2025, the Group recorded income tax expenses of RMB5.654 million, representing an increase of 30.7% as compared with the year of 2024 of RMB4.326 million, which was in line with the increase in profit before tax.

10. Profit for the year attributed to the parent company

In 2025, the Group's profit for the year attributed to the parent company amounted to RMB8.355 million, representing an increase of 84.4% from RMB4.530 million over the corresponding period of the previous year, which was primarily due to the increase in the profit from the new energy business segment driven by the successful expansion of new energy business such as energy storage and photovoltaic power station operations by the Group, as well as the further promotion of cost reduction and efficiency improvement initiatives to reduce costs.

FINANCIAL POSITION

1. Assets and liabilities

As of the end of 2025, total assets amounted to RMB962.844 million, representing a decrease of 10.1% from RMB1,070.774 million for the end of 2024, mainly due to a reduction in the balance of cash and cash equivalents as the Group utilized surplus funds to repay external financing to reduce finance costs, as well as the decrease in natural gas prepayments received by the Group. Total liabilities amounted to RMB493.400 million, representing a decrease of 18.5% from RMB605.133 million for the end of 2024, mainly due to the decrease in external financing of the Group.

As of the end of 2025, our current assets amounted to RMB263.277 million, representing a decrease of 20.6% as compared with the end of 2024 of RMB331.591 million, of which cash and cash equivalents amounted to RMB71.551 million (end of 2024: RMB128.795 million), trade and bill receivables amounted to RMB126.253 million (end of 2024: RMB126.354 million), which mainly included receivables from steam sales. Our current liabilities amounted to RMB285.845 million (end of 2024: RMB334.767 million), of which trade and other payables amounted to RMB79.320 million (end of 2024: RMB92.459 million), and non-current liabilities amounted to RMB207.555 million (end of 2024: RMB270.366 million).

2. Cash and cash equivalents

As at the end of 2025, the Group recorded cash and cash equivalents of RMB71.551 million in aggregate, representing a decrease of 44.4% as compared with the end of the previous year of RMB128.795 million, which was primarily due to a reduction in the balance of cash and cash equivalents as a result of the use of surplus funds to repay external financing.

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 2025, the Group recorded a gearing ratio of 1.05, representing a decrease of 19.2% as compared with the end of the previous year of 1.30, which was primarily due to the repayment of external financing by the Group with surplus funds.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2025, cash capital expenditure of the Group was RMB14.058 million, of which, the expenditure of Tianbao Logistics' warehouse distributed photovoltaic project was RMB2.783 million; the expenditure for the second phase of Tianbao New Energy Storage Project was RMB1.926 million; the expenditure for Huaxiang Automotive Interior Customization Plant Distributed Photovoltaic Power Generation Project was RMB1.716 million; the expenditure for New Energy Heavy Truck Integrated Energy Station Project was RMB1.390 million; the expenditure for gas distributed energy station project was RMB2.849 million; the expenditure for Tianbao Lingang Ground and Carport Photovoltaic Project was RMB1.150 million; and the expenditure for other projects was RMB2.244 million.

On December 31, 2025, the Group's provision for capital commitment was approximately RMB0.705 million, which was expected to be used for the payment of distributed photovoltaic projects.

If the Group has other new projects requiring additional capital expenditure or capital commitment, the Group will use its own funds or bank loans to finance the implementation of such projects.

2. Liquidity and financial resources

As at December 31, 2025, the Group had cash and cash equivalents amounting to RMB71.551 million in aggregate; loans and borrowings of RMB340.670 million which include short-term borrowings of RMB184.322 million and the non-current portion of long-term borrowings of RMB156.348 million, while secured and guaranteed borrowings amounted to RMB188.370 million and unsecured borrowings amounted to RMB152.300 million, of which RMB175.300 million were fixed rate borrowings and RMB165.370 million were floating interest rate 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

During the Reporting Period, the Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures.

4. Significant investments

During the Reporting Period, the Group did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period.

5. Contingent liabilities

As at December 31, 2025, the Group did not have contingent liabilities.

6. Loans and borrowings of the Group

As at December 31, 2025, the Group had loans and borrowings of RMB340.670 million which include short-term borrowings of RMB184.322 million, including long-term borrowings due within one year of RMB88.522 million, and the non-current portion of long-term borrowings of RMB156.348 million, while secured and guaranteed borrowings amounted to RMB188.370 million and unsecured borrowings amounted to RMB152.300 million, of which RMB175.300 million were fixed rate borrowings and RMB165.370 million were floating interest rate borrowings.

7. Other debts of the Group

As at December 31, 2025, the Group had lease liabilities of RMB1.315 million in addition to the loans and borrowings of the Group.

8. Charges and pledges on the Group's assets

As at December 31, 2025, the equity of Lingang Thermal Power held by the Company was used as collateral for the bank loan with balance of RMB8.500 million as at December 31, 2025.

As at December 31, 2025, the assets of the Yangzhou Kaixiang Precision Casting Technology Phase II 4.0 MW rooftop distributed PV power generation project of Yangzhou Qingchang (including but not limited to modules, inverters, and support equipment) held by the Group was used as collateral for the bank loan with balance of RMB11.580 million. As at December 31, 2025, the carrying amount of the pledged assets was RMB14.850 million.

As at December 31, 2025, the tariff collection rights of PV project of Tianjin Aviation Logistics held by the Group was used as collateral for the bank loan with balance of RMB7.671 million. As at December 31, 2025, the aggregate carrying amount of the receivables related to the relevant contracts was RMB10.000 million.

As at December 31, 2025, the tariff collection rights of Tianbao Logistics' Warehouse Distributed Photovoltaic Project held by the Group was used as collateral for the bank loan with balance of RMB2.097 million. As at December 31, 2025, the aggregate carrying amount of the receivables related to the relevant contracts was RMB12.680 million.

9. Capital structure

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

10. Share scheme

For the year ended December 31, 2025, the Company had not implemented any share 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 denominated in Hong Kong dollars and US dollars), the Group was 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 exchange rate fluctuation risk 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. The results of the Group's annual risk assessment showed that the top three important risks are mainly policy risk, safety risk and performance appraisal management risk.

1. Policy risk

The slowdown in macro-economic growth may lead to a decrease in the demand for electricity and heating, affecting the production, operation and profitability of the Group. Changes in industrial policies, such as the increasingly stringent environmental protection requirements and the adjustment of the energy structure, may subject traditional cogeneration projects to the pressure of transformation or upgrading.

To address the above-mentioned risks, the Group took the following measures: Firstly, the Group kept a close eye on the policy trends of the state and local governments, and promptly grasped the impact of policy changes on the thermal power industry. Secondly, the Group spurred technological innovation and upgrading by ramping up investments in technological research and development. Meanwhile, the Group enhanced the energy efficiency of cogeneration projects and actively promoted and adopted advanced energy-saving and emission-reduction technologies to cut down production costs and mitigate environmental pollution. Thirdly, the Group optimized the energy structure and business model.In response to policy changes and market demand, the Group reconfigured the energy structure and business model and launched new energy projects.

2. Safety risk

As a public utility enterprise, the Group shoulders a crucial responsibility as its safe production and operation are directly intertwined with the normal production rhythms of all industrial users in the park. Inadequate training and safety education, combined with the inexperience of front-line staff or their non-compliant operations, can not only undermine operational efficiency but also potentially trigger accidents. Moreover, the absence of fire-prevention and pollution-prevention equipment, along with the lack of well-crafted contingency plans for emergencies or insufficient emergency drills, will render the Group ill-equipped to safeguard its assets and equipment when unexpected events occur. Furthermore, the failure to maintain machinery, equipment, and pipelines in optimal condition can damage the Group's interests and disrupt normal production and operation.

In response to the aforementioned risks, the relevant responsible departments within the Group organized a total of 50 training and educational sessions during the Reporting Period, encompassing fire safety training, emergency rescue training, and warning education. These activities clearly defined the necessary precautions and facilitated the accumulation of technical experiences, thereby enhancing the professional skills and safety-consciousness of the operators. Simultaneously, regular checks were carried out on fire-prevention and pollution-prevention equipment at scheduled intervals, and records were maintained for each inspection. In addition, the Group standardized the emergency operation processes by formulating emergency response procedures specifically tailored for equipment-related incidents. In addition, a total of 48 emergency drills were conducted during the Reporting Period. Each drill was structured around different hypothetical scenarios, enabling employees are well-equipped to safeguard their own well-being and protect the Group's assets in emergency situations. Moreover, the Group placed great emphasis on the proper maintenance of its fixed assets. Both routine maintenance tasks and major overhauls were documented. Additionally, the Group conducted regular impairment tests.

3. Performance appraisal management risk

If the appraisal criteria lack clarity or deviate from the actual work tasks, or if they are either too stringent or too lenient, they will fail to accurately reflect employees' job performance. This can dampen employees' enthusiasm and team morale. Moreover, the lack of an effective communication and feedback mechanism means that employees cannot promptly understand their performance and areas for improvement.

Improper utilization of appraisal results occurs when the results are solely used as the basis for salary adjustments and fail to be integrated with employees' promotion opportunities, training needs, and other aspects. This situation leads to a decrease in employees' sense of identity with the performance appraisal.

During the year, the Group revised the Remuneration Management Rules for Appointed Management (《聘任制經理層人員薪酬管理規則》), the Performance Management Rules for Appointed Management (《聘任制經理層人員績效管理規則》), the Integrated Labour Employment Management System (《勞動用工管理制度》), the Employee Remuneration Management System (《員工薪酬管理制度》) and the Employee Performance Management System (《員工績效管理制度》). Based on the Group's strategic objectives and actual work tasks, specific and measurable performance appraisal criteria were formulated to ensure that the appraisal criteria were aligned with employees' job responsibilities and post requirements, reflecting fairness and impartiality. The Group adopted a monthly monitoring and quarterly appraisal approach by conducting a performance appraisal of each functional department and employees once a quarter. After the

completion of the performance appraisal, the results were communicated. Performance bonuses were distributed according to the appraisal scores. For those who failed the appraisal, face-to-face interviews were conducted to continuously drive improvement.

BUSINESS OUTLOOK FOR 2026

1. Vigorously expand new energy businesses

In 2026, the Group will accelerate the construction of distributed photovoltaic project of Huaxiang Automotive Interior Customization Plant and Tianbao Logistics' warehouse, as well as Airbus (Tianjin) Final Assembly Co., Ltd. and other companies, promoting the early completion and operation of the projects; promote the implementation progress of new energy projects to continuously expand the installed capacity of new energy power generation; focus on material scenarios such as government offices, hospitals, schools and industrial parks, and actively explore leads for contract energy management projects, making every effort to achieve project implementation and operation effectively.

2. Promote the implementation of equity acquisitions under tracking

The Company will devote full effort to promoting the implementation of key equity acquisition projects under tracking, complete the acquisition of the target, steadily increase the proportion of clean energy business within the Group's overall businesses, further expand the industry scale and strengthen the Group's overall profitability.

3. Improve the quality and efficiency of production and operation with all strength

The Group will strengthen communication with customers and guarantee service to precisely control the steam demand and scientifically coordinate maintenance plan and operation model of boilers, ensuring economical and efficient production and operation; advance the completion of several renovation and maintenance efforts to effectively reduce the unit consumption of fuel, water, electricity, and other productions; collaborate with universities and research institutions to carry out technological cooperation, deeply integrate mature AI technology into intelligent control on boiler combustion, with the membrane-based deaeration and waste heat recovery project having been put into operation by Lingang Thermal Power, and achieve substantial breakthroughs in coal-saving, gas-saving and consumption reduction, cost reduction and efficiency increase, thereby laying a solid foundation for the high-quality development of the Group.

4. Expand the green power trading and electricity maintenance business

The Group will capture the development opportunities presented by green energy, actively expand its green power trading business and increase the scale of its market-based electricity transactions. At the same time, it will further develop in the area of the operation and maintenance of power facilities, strengthen the electricity maintenance service, enhance professional operation and maintenance capabilities as well as value-added services and further optimize the business structure, so as to cultivate new profit growth points.

OVERVIEW OF HUMAN RESOURCES

As at December 31, 2025, the Group had 72 employees.

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

Employees' remuneration includes position salary and performance-based salary, among which, the performance-based salary is related to both the performance evaluation of the Group and the performance evaluation results of the respective employees. During the Reporting Period, the Group had incurred labour cost (including salary, welfare and bonus) of RMB28.455 million.

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

In 2025, the Group carried out comprehensive and diversified trainings for management personnel, technical personnel and skilled personnel according to different layers and segments so as to improve the professional capacity and management level of the employees. In 2025, the Company organized 50 safety education trainings for internal employees, and 114 professional skills trainings for the employees from different departments which involving work standards, continuing education, finance, taxation, legal and information system.

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

Employees of the Group are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group contributes to the employees' retirement benefit scheme, the amount of which is calculated based on the applicable average wage and according to a certain percentage agreed by the local municipal government. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity, are recognised as expenses when incurred. Forfeited contributions could not be utilized to reduce the existing level of contribution, thus, as at December 31, 2025, there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

Set forth below is the management discussion and analysis of the Target Company for each of the three years ended 31 December 2023, 2024 and 2025 (collectively, the "**Reporting Period**") based on the financial information on the Target Company set out in Appendix II to this circular.

For the Year ended December 31, 2023

INDUSTRY REVIEW

In 2023, driven by the threefold imperatives of the dual carbon goals, energy supply security and rigid heating demand, the gas-fired combined heat and power (CHP) industry exhibited defining annual characteristics: energy efficiency upgrades, increasingly prominent peak-shaving and supply value, high costs and mounting pressure on enterprises to transform. As an efficient and clean "bridge energy" source, gas-fired CHP plants serve both as a ballast for stable regional energy consumption and as a core pillar of flexible peak shaving in the new power system. At the same time, the industry faces three common challenges: gas supply cost volatility, profitability pressure and customer concentration.

BUSINESS REVIEW FOR THE YEAR OF 2023

1. Completion of construction and overall completion acceptance of the Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone

Since successfully completing the cessation in use and coal-to-gas fuel conversion of its original coal boilers on December 26, 2022, the Target Company has made every effort to carry out the "follow-up" phase of the project's power generation. It overcame difficulties and bottlenecks in the approval process for power generation and set a record for the fastest grid connection achieved by gas-fired units. In September 2023, the No. 2 and No. 1 gas turbine power-generating units of the Lingang Gas Distributed Energy Station Project successively completed the "72+24" hours pilot operation, marking the official transition of the project's power generation segment into commercial operation. With this, all construction, equipment installation and commissioning works for the distributed energy station project were fully completed, and the project completion acceptance was finalized on September 23, 2023.

The project team will, in accordance with requirements, complete the finishing touches such as joint acceptance, project settlement, financial final accounts, transfer of assets to fixed assets and other wrap-up work during the year.

2. Completion of grid connection for power generation of the Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone

The distributed energy station project achieved grid connection for its two power-generating units on August 31, 2023, and completed related tests including load rejection and primary frequency regulation. Following communication with regulatory authorities, all electricity generated by the project will be purchased exclusively by the municipal electric power company.

3. Achieving standardized management at the Target Company

The Target Company has refined its operating management systems, procedures and contingency plans based on actual operating conditions. It has strengthened control over production processes, standardized the operations of centralized control operating personnel, and enhanced emergency response capabilities. Efforts have been intensified in defect analysis and root cause elimination for equipment operation, daily production morning meetings have been maintained, and equipment start-up and shut-down are rationally coordinated.

4. Improving safety and environmental protection systems and enhancing on-site visual management for Phase II

The Company has established and refined work safety responsibility systems and the "Two Lists" (responsibility list and task list), improved the institutional framework, and strengthened the implementation of systems. It has ensured that all safety and environmental protection work is carried out with clear objectives, fully implemented safety management, and responsibilities assigned to specific positions and individuals.

OPERATING RESULTS AND ANALYSIS

In 2023, sales of steam amounted to 1.153 million tons, representing an increase of 0.3% from 1.150 million tons over the corresponding period of the previous year. Sales of electricity amounted to 61.848 million kilowatt-hours, representing an increase of 100.0% from 0 kilowatt-hours over the corresponding period of the previous year. During the year, the Target Company's on-grid power generation amounted to 61.848 million kilowatt-hours, representing an increase of 100.0% from 0 million kilowatt-hours over the corresponding period of the previous year, which was due to the commencement of heat supply operation of the Company's distributed energy station project in 2023, while the power generation part commenced commercial operation in September.

Taking into account the changing trend of operating income and profit before tax in 2022 and 2023, the Target Company has analyzed the indicators which significantly affected the operating income and profit before tax of the Target Company in 2023, details of which are as follows:

1. Operating income

In 2023, the Target Company recorded a consolidated operating income of RMB386.040 million, representing an increase of 22.2% from RMB315.888 million over the corresponding period of the previous year, which was mainly attributable to an increase in electricity sales revenue of RMB27.667 million resulting from the commencement of operation of the power generation part of the Target Company's distributed energy station project.

Power generation and supply segment

In 2023, the income from the Target Company's power generation and supply segment amounted to RMB382.589 million, representing an increase of 21.2% from RMB315.596 million over the corresponding period of the previous year, which was mainly attributable to an increase in electricity sales revenue of RMB27.667 million resulting from the commencement of operation of the power generation part of the Target Company's distributed energy station project.

Other segments

In 2023, the income from the Target Company's other segments amounted to RMB3.451 million, representing an increase of 1,081.8% from RMB0.292 million over the corresponding period of the previous year, which was mainly attributable to an increase in revenue from sales of goods resulting from the Target Company's sale of the remaining coal inventory to the Company in 2023.

2. Other net income

In 2023, the Target Company recorded other net income of RMB1.119 million, as compared to other net income of RMB21.747 million for the year of 2022, which was primarily due to government grants related to assets.

3. Segment costs

Power generation and supply segment

In 2023, the costs of the Target Company's power generation and supply segment amounted to RMB364.192 million, representing an increase of 27.2% from RMB286.211 million over the corresponding period of the previous year, which was mainly attributable to an increase in natural gas procurement volume resulting from the operation of the power generation business in 2023.

Other segments

In 2023, the costs of the Target Company's other segments amounted to RMB4.721 million, representing an increase of 100.0% from RMB0 million over the corresponding period of the previous year, which was mainly attributable to the cost of inventories carried forward in connection with the sale of the remaining coal in 2023.

4. Segment gross profit

Power generation and supply segment

In 2023, the gross profit of the Target Company's power generation and supply segment amounted to RMB18.397 million, representing a decrease of 37.4% from RMB29.385 million over the corresponding period of the previous year, which was mainly attributable to the first year of operation of the distributed energy station projects in 2023, during which higher running-in costs led to increases in both material costs and maintenance costs.

Other segments

In 2023, the gross profit from the Target Company's other segments amounted to RMB-1.270 million, as compared to a gross profit of RMB0.292 million for the other segment in 2022, which was mainly attributable to the decline in coal prices during the sale of the remaining coal inventory by the Target Company in 2023, resulting in a loss.

5. EBITDA

In 2023, the Target Company's EBITDA amounted to RMB30.777 million, representing a decrease of 50.7% from RMB62.483 million over the corresponding period of the previous year, which was primarily due to the decrease in government subsidies in 2023.

6. Finance costs

In 2023, the Target Company recorded finance costs of RMB5.114 million, representing an increase of 14.4% as compared with the corresponding period of the previous year of RMB4.471 million, which was primarily due to the increase in interest expenses resulting from the increase in capital elements of borrowings for the implementation of the distributed energy station projects.

7. Fuel costs

In 2023, the Target Company recorded fuel costs of RMB306.413 million, representing an increase of 52.3% as compared with the corresponding period of the previous year of RMB201.182 million, which was primarily due to the increase in natural gas consumption as a result of the increase in steam revenue and the commencement of the power generation business.

8. Profit before tax

In 2023, the Target Company's profit before tax amounted to RMB6.385 million, representing a decrease of 84.7% from RMB41.681 million over the corresponding period of the previous year, which was primarily due to the decrease in government subsidies and the increase in initial costs for new projects.

9. Income tax expenses

In 2023, the Target Company recorded income tax expenses of RMB1.596 million, representing a decrease of 84.7% as compared with the year of 2022 of RMB10.420 million, which was primarily due to the significant decrease in profit before tax.

10. Profit for the year attributed to the parent company

In 2023, the Target Company's profit for the year attributed to the parent company amounted to RMB4.789 million, representing a decrease of 84.7% from RMB31.261 million over the corresponding period of the previous year, which was primarily due to the decrease in government subsidies and the increase in initial costs for new projects.

FINANCIAL POSITION

1. Assets and liabilities

As of the end of 2023, total assets amounted to RMB570.065 million, representing an increase of 4.3% from RMB546.675 million for the end of 2022, mainly due to an increase in prepayment. Total liabilities amounted to RMB307.328 million, representing an increase of 10.3% from RMB278.728 million for the end of 2022, mainly due to the increase in bank borrowings.

As of the end of 2023, the current assets amounted to RMB162.723 million, representing an increase of 9.2% as compared with the end of 2022 of RMB148.982 million, of which cash and cash equivalents amounted to RMB54.339 million (end of 2022: RMB72.125 million), trade and bill receivables amounted to RMB41.058 million (end of 2022: RMB26.478 million), which mainly included receivables from steam and electricity charges. Our current liabilities amounted to RMB163.711 million (end of 2022: RMB180.983 million), of which trade and other payables amounted to RMB32.742 million (end of 2022: RMB101.522 million), and non-current liabilities amounted to RMB143.617 million (end of 2022: RMB97.745 million).

2. Cash and cash equivalents

As at the end of 2023, the Target Company recorded cash and cash equivalents of RMB54.339 million in aggregate, representing a decrease of 24.7% as compared with the end of the previous year of RMB72.125 million, which was primarily due to the investment in the construction of distributed energy station projects.

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 2023, the Target Company recorded a gearing ratio of 1.17, representing an increase of 12.4% as compared with the end of the previous year of 1.04, which was primarily due to the increase in bank borrowings.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2023, cash capital expenditure of the Target Company was RMB62.318 million, of which, the expenditure of distributed energy station projects was RMB61.995 million and the expenditure for other projects was RMB0.323 million.

On December 31, 2023, the Target Company's provision for capital commitment was approximately RMB17.484 million, which was to be used for the payment of distributed photovoltaic projects.

If the Target Company has other new projects requiring additional capital expenditure or capital commitment, the Target Company will use its own funds or bank loans to finance the implementation of such projects.

2. Liquidity and financial resources

As at December 31, 2023, the Target Company had cash and cash equivalents amounting to RMB54.339 million in aggregate; loans and borrowings of RMB231.909 million which include short-term borrowings of RMB125.173 million and the non-current portion of long-term borrowings of RMB106.736 million, while secured and guaranteed borrowings amounted to RMB101.480 million and unsecured borrowings amounted to RMB130.429 million, of which RMB122.000 million were fixed rate borrowings and RMB109.909 million were floating interest rate borrowings. There were no financial instruments entered into by the Target Company for hedging purpose. In addition, the Target Company had no investments in foreign currency.

3. Material acquisitions and disposals

During the Reporting Period, the Target Company did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures.

4. Significant investments

During the Reporting Period, the Target Company did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period.

5. Contingent liabilities

As at December 31, 2023, the Target Company did not have contingent liabilities.

6. Loans and borrowings of the Target Company

As at December 31, 2023, the Target Company had loans and borrowings of RMB231.909 million which include short-term borrowings of RMB125.173 million, including long-term borrowings due within one year of RMB3.173 million, and the non-current portion of long-term borrowings of RMB106.736 million, while secured and guaranteed borrowings amounted to RMB101.480 million and unsecured borrowings amounted to RMB130.429 million, of which RMB122.000 million were fixed rate borrowings and RMB109.909 million were floating interest rate borrowings.

7. Other debts of the Target Company

As at December 31, 2023, the Target Company had no other liabilities in addition to the loans and borrowings of the Target Company.

8. Charges and pledges on the Target Company's assets

As at December 31, 2023, the Target Company did not have charges and pledges on the assets.

9. Capital structure

As at December 31, 2023, the Target Company had fully paid registered capital of RMB122,500,000.00, which has been used as general working capital of the Target Company.

10. Share scheme

For the year ended December 31, 2023, the Company had not implemented any share scheme.

11. Foreign exchange and exchange rate risk

The Target Company mainly operates in China. Other than bank deposits denominated in foreign currencies (including bank deposits denominated in Hong Kong dollars and US dollars), the Target Company was 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 Target Company. Accordingly, the Target Company did not enter into any hedging arrangement for reducing the exchange rate fluctuation risk during the Reporting Period.

RISK FACTORS AND RISK MANAGEMENT

The Target Company is not currently exposed to any material risk factors that would affect its operations or development. According to the annual risk assessment conducted by the Target Company, the three principal risks are market risk, risk of loss of major customers and policy risk.

1. Market Risk

Uncertainty in the market environment poses significant potential risks to the Target Company's production and operations, primarily manifesting in three dimensions: macroeconomic conditions, industry cyclicality, and changes in demand from core customers in the region. From a national macroeconomic perspective, the economy is undergoing a critical phase of transformation and upgrading. Fluctuations in economic growth directly impact the level of activity in industrial production, which in turn affects demand in the industrial steam market. Should the overall economy experience a downturn, industrial enterprises may reduce their operating rates, leading to a corresponding decline in steam consumption. This would directly result in reduced power generation and heat supply volumes for the Target Company, thereby exerting downward pressure on revenue. In addition, the heat and power industry is profoundly influenced by energy cycles and the carbon peaking and carbon neutrality strategy. Sharp volatility in core fuel prices, such as natural gas and coal (as evidenced by the significant increases in imported natural gas prices and coal procurement costs faced by heat and power enterprises in the Tianjin region in recent years), combined with ongoing optimization of the competitive landscape, including the substitution effect of new energy sources and regional capacity expansion of heat and power projects, continues to compress profit margins for traditional heat and power enterprises.

To mitigate the aforesaid risks, the Target Company will optimize load-matching operations by dynamically adjusting unit start-ups and shutdowns as well as heat and power loads in response to macroeconomic conditions and the operating rates of enterprises within the industrial park. During economic downturns, output from high-energy-consuming units will be reduced, while peak-shifting production and lean dispatching will be implemented to minimize unnecessary fuel consumption and avoid idle costs under conditions of both volume and price declines. Furthermore, the Target Company will strengthen coordination with regional economic forecasts by maintaining communication with local Development and Reform Commissions and industrial park management committees. This will enable early access to regional investment attraction, enterprise commissioning/production suspension plans. An economic sentiment–heat demand forecasting model will be developed to facilitate timely adjustments to production and operational strategies.

2. Risk of Loss of Major Customers

The relatively high customer concentration represents a prominent operational risk for the Target Company. Its customer base is comparatively concentrated, with core customers consisting primarily of several large industrial steam users within its operating region. Most are long-term partners, and the steam procurement volume of individual major customers account for a substantial proportion of the Target Company's total heat supply. Such customer structure limits the resilience of the Company's operations. In extreme scenarios, the loss of any major customer would have a material adverse impact on the Target Company's operating results. First, a significant contraction in revenue: the attrition of a major customer would lead to a sharp decline in steam sales volume, thereby adversely affecting the principal business revenue of the Target Company. Should a core customer be lost and the Target Company fail to cultivate viable replacement customers within a short period of time, the resultant underutilization of production capacity and heightened pressure arising from the absorption of fixed costs would further compress profitability. Second, the deterioration of cash flow stability: major customers typically constitute the primary source of a company's cash flow. The loss of such customers would give rise to difficulties in the recovery of trade receivables and may even entail exposure to bad debt risks, thereby impairing the working capital efficiency of the Target Company and, in turn, constraining the orderly conduct of production operations, equipment maintenance and project investment activities.

To mitigate the aforesaid risks, the Target Company will enter into long-term stable energy supply agreements with core customers, incorporating minimum annual heat offtake volumes, price linkage mechanisms, and supply commitment clauses to reduce the likelihood of arbitrary customer loss. It will also provide differentiated and irreplaceable services, including customized parameters, continuous and stable supply, emergency support, priority fault repair, energy diagnostics, and energy-saving solutions, thereby making it difficult for customers to switch providers. A senior management regular communication mechanism will be established, with monthly/quarterly visits to core customers to proactively monitor their capacity adjustments, relocations, technological upgrades and production suspension plans, enabling early risk identification and response.

3. Policy Risk

As the State and the Tianjin Municipal Government continue to place greater emphasis on ecological and environmental protection as well as production safety, relevant environmental standards, industry regulations and regulatory requirements have been progressively tightened. This has created substantial policy pressure on the Target Company's operations, with core risks centered on increased costs and compliance operations. In terms of environmental protection policies, the State has successively introduced regulations such as the Action Plan for Improving

Industrial Energy Efficiency and the Boiler Energy Conservation and Environmental Protection Technical Specifications. Tianjin has further refined emission standards for heat and power enterprises in line with regional ecological protection requirements, accelerated the phase-out of high-pollution and high-energy-consuming steam supply equipment, and mandated significant reductions in emissions of sulfur dioxide, nitrogen oxides, and particulate matter. At the same time, efforts to promote carbon emission reduction in accordance with carbon peaking and carbon neutrality targets have been intensified.

To comply with continuously rising environmental standards, the Target Company must continue to increase its investment in safety and environmental protection. On the one hand, substantial capital expenditure will be required for the upgrade and retrofitting of environmental protection facilities, including the promotion of green technology transformations such as condensing waste heat recovery systems and low-nitrogen combustion devices, with a view to enhancing its overall environmental governance capabilities. On the other hand, environmental operation and maintenance costs will rise, including procurement of environmental agents, daily upkeep of environmental equipment, testing and monitoring, and compensation for specialized personnel. These expenditures are expected to increase progressively as standards continue to tighten.

BUSINESS OUTLOOK FOR 2024

1. In accordance with the Group's internal policies and taking into account the actual circumstances of the Target Company, revise and enhance the Target Company's relevant systems and management protocols.

2. Building upon the credit facilities obtained in 2023, proactively broaden financing channels to ensure the Target Company maintains a sound liquidity position throughout the year. At the same time, deepen cooperation with major banks and implement prudent drawdown schedules to further reduce financing costs.

3. Ensure safe and stable production operations in 2024

   (1) Strengthen equipment management by conducting the first asset verification upon the conversion of the distributed energy station project to fixed assets. Establish and maintain detailed standing books of equipment, enhance operation and maintenance standards, clearly define equipment maintenance criteria to implement full life-cycle defect supervision and management of equipment and ensure safe operations.

(2) Further refine operating procedures, safety countermeasures and various emergency response plans in accordance with applicable industry standards, requirements from relevant government authorities and directives from the parent company. Continue to intensify hidden danger identification and rectification efforts, strengthen safety management and performance assessment to enhance on-site safety supervision.

4. Fully implement the "6S" management enhancement program across the Target Company. Building on the visual management initiatives rolled out in the gas boiler house in 2023, the Target Company will extend 6S (Sort, Set in order, Sweep, Sanitation, Sustainability and Safety) management practices in 2024 to all operational areas, including production facilities, office premises, plant grounds, canteens and dormitories.

5. Advance the approval process for the biomass boiler update project. Proactively engage with research institutes to gain a comprehensive understanding of all costs associated with biomass boiler upgrade and operation. Determine reasonable site rental rates and steam purchase prices with the relevant parties to facilitate project approval.

6. In line with the commissioning schedule of new steam users among industrial customers, commence the installation and upgrade of the No. 6 gas boiler when appropriate. The plan is to complete project approval and equipment tendering during the 2024 non-heating season, with the objective of achieving commercial operation during the 2024-2025 heating season.

7. Complete the feasibility study for the water treatment and deaeration process upgrade in the water treatment workshop. In 2024, finalize the technical and techno-economic evaluations for converting the Target Company's water treatment process to "RO membrane" technology and the deaeration process to "modular deaeration" technology. Prepare the feasibility study report to establish the project as a standby initiative for implementation when appropriate.

8. Spare no effort in reducing unit consumption of steam supply and power generation

   (1) Complete the implementation of the waste steam and waste heat recovery project for gas boilers in 2024.

   (2) Complete insulation inspection and maintenance of selected heating pipeline network of the Target Company in 2024.

   (3) Rationalize equipment start-up and shutdown based on user demand, and while ensuring output meets requirements, continuously analyze equipment performance patterns, maintain equipment operation at optimal efficiency levels through refined management.

(4) Assess the feasibility of flue gas waste heat recovery from waste heat boilers. Complete the feasibility study report in 2024 to establish the project as a standby initiative for implementation when appropriate.

OVERVIEW OF HUMAN RESOURCES

The Target Company does not have any self-owned employees. All of its staff are assigned by the Company and Kunlun Gas.

For the Year ended December 31, 2024

INDUSTRY REVIEW

In 2024, the gas-fired CHP industry, against the backdrop of deepening energy supply security, accelerating dual carbon transition, falling costs of gas source and rapid deployment of integrated energy solutions, exhibited an overall trend characterized by steady growth in installed capacity, rising energy efficiency, recovering profitability, diversified load profiles and deepening low-carbon integration. As a flexible peak-shaving cornerstone of the new power system and the mainstay of stable energy supply for the grain and oil processing zone, the industry had been undertaking energy-saving technical retrofits and cost-reduction and efficiency-improvement measures, with initiatives emerging in an endless stream, and the pace of technological upgrades and innovations had obviously accelerated. At the same time, it continued to face the challenges of regional overcapacity, customer concentration and a single energy structure.

BUSINESS REVIEW FOR THE YEAR OF 2024

1. Operation performance

(1) Continuously increasing profitability

Since 2024, the grain and oil processing industry in the zone has been challenged by weak market demand and other factors, severely dampening production intentions among enterprises. Particularly since October, as national macro policy adjustments imposed stricter requirements on the customs clearance, inspection, and unloading of imported grains, the Target Company experienced a decline in industrial steam sales for the year of 2024, while partial effects of the drop in steam sales were set off by the stable operation of power generation units.

(2) Emerging achievements in energy-savings and technical upgrades

Through a series of projects, including the "inspection and repair of thermal insulation on certain heating network and the "replacement of steam drum and steam-water separation device", the Target Company reduced pipeline losses while improving steam quality for end-users at the network terminals, with an annual pipeline loss rate of no more than 3%. By implementing a project to recover waste steam, waste heat and waste water from boilers, it recovered heat from the periodical and continuous blowdown of waste heat boilers and fuel-fired boilers, raising the softened water inlet temperature and further reducing steam consumption. The recycling of condensation from gas-fired boilers back into the system has reduced wastewater discharge and further lowered steam water consumption. For the year, the gas consumption and steam consumption of steam supply recorded a year-on-year decline of 1.3% and 5%, respectively.

(3) Comprehensive reduction in procurement costs

The Target Company expects to consume 120 million m^3 of natural gas for the year. Through ongoing negotiations with natural gas suppliers, it has secured lower-cost gas sources to meet its basic production needs. Meanwhile, by strengthening cooperation with potential suppliers, it has developed contingency solutions for exceptional circumstances, effectively reducing gas procurement costs and mitigating steam price volatility. The Target Company is steadily advancing the replacement of imported supplies with domestic alternatives. Filter elements for gas turbines have now been successfully localized, significantly lowering production costs. In 2025, it plans to gradually localize power electronic components in imported equipment to further reduce procurement costs.

(4) Proactive expansion of new customers

The Target Company actively engaged with potential steam customers in the zone, signed a contract with one company and commenced steam supply in July 2024. It is expected that steam supply to another company will commence in 2025.

2. Solid implementation of safety measures

The company implemented a multi-level safety production responsibility system, signed "letter of commitment on safety production target management" at each level, improved the institutional framework and strengthened policy enforcement. The Target Company carried out hazard identification and control activities in a thorough, full-coverage, and end-to-end manner across its entire operations. Operating personnel are subject to strict management, with proper certifications and regular training, and improve technical capabilities, to maintain the safe and

stable operation of equipment. The company strengthened the management of external contractors by rigorously reviewing their required certifications, safety qualifications, safety tools, and safety technical organisation measures. It also reinforced the inspection of work permits and dangerous operation permits. It formulated specific action plans and contingency plans, and conducted regular specialised training and tabletops field drills. The company strictly implemented the "daily control, weekly inspection, monthly coordination" system, ensuring timely testing to maintain stability. It also maintained environmentally compliant emissions, strictly controlled emission indicators during daily operations and inspections, and had "zero tolerance" for any exceedance, with prompt actions to ensure safety.

3. Improvement in internal control

The Target Company carefully reviewed the issues raised by the Group during its inspection, drew lessons to avoid similar problems, completed all corrective actions, and established a long-term prevention mechanism. Additionally, taking into account the Target Company's actual operating conditions, it further improved its rules and regulations system to effectively prevent risks during the operation. During the year, 11 second-level policies were revised and 3 new ones were introduced; 9 third-level rules were revised, 5 new ones were introduced, and 2 were repealed.

OPERATING RESULTS AND ANALYSIS

According to the Target Company's statistics, in 2024, sales of steam amounted to 1.06 million tons, representing a decrease of 8.1% from 1.153 million tons over the corresponding period of the previous year. Sales of electricity amounted to 201.312 million kilowatt hours, representing an increase of 225.5% from 61.848 million kilowatt hours over the corresponding period of the previous year. During the year, the Target Company's on-grid power generation amounted to 201.312 million kilowatt hours, representing an increase of 225.5% from 61.848 million kilowatt hours over the corresponding period of the previous year. The main reason for the decline in steam volume was a reduction in output due to changes in the customer's business arrangements, resulting in lower steam demand. The increase in sales of electricity and on-grid power generation was due to the commencement of operations of distributed energy projects in September 2023, with output throughout 2024 leading to higher electricity generation.

Taking into account the changing trend of operating income and profit before tax in 2023 and 2024, we have analyzed the indicators which significantly affected the operating income and profit before tax of the Target Company in 2024, details of which are as follows:

1. Operating income

In 2024, the Target Company recorded a consolidated operating income of RMB409.348 million, representing an increase of 6.0% from RMB386.040 million over the corresponding period of the previous year, which was primarily due to the increase in sales of electricity.

Power generation and supply segment

In 2024, the Target Company recorded revenue from power generation and supply segment of RMB409.348 million, representing an increase of 7.0% from RMB382.589 million over the corresponding period of the previous year, which was primarily due to the power generation operation throughout 2024, and an increase in the revenue of electricity sales.

Other segments

In 2024, the Target Company recorded revenue from other segments of RMB0, representing a decrease of 100.0% from RMB3.451 million over the corresponding period of the previous year, which was primarily due to such revenue from coal sales in 2023 being provisional nature.

2. Other net income

In 2024, the Target Company recorded other net profit or loss of RMB1.997 million, while the Target Company recorded other net income of RMB1.119 million for the whole year of 2023, which was primarily due to the government subsidies relating to assets.

3. Segment costs

Power generation and supply segment

In 2024, the costs of the Target Company's power generation and supply segment amounted to RMB379.190 million, representing an increase of 4.1% from RMB364.192 million over the corresponding period of the previous year, which was primarily due to the increase in the Target Company's power generation and the higher natural gas consumption in 2024.

Other segments

In 2024, the costs of the Target Company's other segments amounted to RMB0, representing a decrease of 100.0% from RMB4.721 million over the corresponding period of the previous year, which was primarily due to the costs of coal sales in 2023, whereas this business was not conducted in 2024.

4. Segment gross profit

Power generation and supply segment

In 2024, the gross profit from the Target Company's power generation and supply segment amounted to RMB30.158 million, representing an increase of 76.1% from RMB17.127 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam in the first half of 2024, leading to a decrease in gross profit.

Other segments

In 2024, the gross profit from the Target Company's other segments amounted to RMB0, as compared to a gross profit of RMB-1.270 million for the other segment in 2023, which was primarily due to the absence of other business in 2024.

5. EBITDA

In 2024, the Target Company's EBITDA amounted to RMB49.215 million, representing an increase of 59.9% from RMB30.777 million over the corresponding period of the previous year, which was primarily due to the significant increase in gross profit of power generation and supply segment.

6. Finance costs

In 2024, the Target Company recorded finance costs of RMB8.511 million, representing an increase of 64.8% as compared with the corresponding period of the previous year of RMB5.164 million, which was primarily due to the increase in monthly average balance of borrowings in 2024.

7. Fuel costs

In 2024, the Target Company recorded fuel costs of RMB318.198 million, representing an increase of 3.8% as compared with the corresponding period of the previous year of RMB306.413 million, which was primarily due to the higher natural gas consumption as a results of the increase in the Target Company's power generation in 2024.

8. Profit before tax

In 2024, the Target Company's profit before tax amounted to RMB16.999 million, representing an increase of 166.2% from RMB6.385 million over the corresponding period of the previous year, which was primarily due to the significant increase in profit before taxation, principally driven by power generation and supply segment.

9. Income tax expenses

In 2024, the Target Company recorded income tax expenses of RMB4.250 million, representing an increase of 166.3% as compared with the year of 2023 of RMB1.596 million, which was in line with the increase in profit before tax.

10. Profit for the year attributed to the parent company

In 2024, the Target Company's profit for the year attributed to the parent company amounted to RMB12.749 million, representing an increase of 166.2% from RMB4.789 million over the corresponding period of the previous year, which was primarily due to the significant increase in profit contribution from the power generation and supply segment.

FINANCIAL POSITION

1. Assets and liabilities

As of the end of 2024, total assets amounted to RMB520.647 million, representing a decrease of 8.7% from RMB570.065 million for the end of 2023, mainly due to the depreciation and amortization of long-term assets. Total liabilities amounted to RMB255.161 million, representing a decrease of 17.0% from RMB307.328 million for the end of 2023, mainly due to the decrease in the balance of liabilities resulting from the repayment of borrowings and settlement of accounts payable.

As of the end of 2024, our current assets amounted to RMB134.420 million, representing a decrease of 17.4% as compared with the end of 2023 of RMB162.723 million, of which cash and cash equivalents amounted to RMB33.072 million (end of 2023: RMB54.339 million), trade and bill receivables amounted to RMB44.181 million (end of 2023: RMB41.058 million), which mainly included receivables from steam sales and electricity sales. Our current liabilities amounted to RMB102.210 million (end of 2023: RMB163.711 million), of which trade and other payables amounted to RMB10.218 million (end of 2023: RMB32.742 million), and non-current liabilities amounted to RMB152.951 million (end of 2023: RMB143.617 million).

2. Cash and cash equivalents

As at the end of 2024, the Target Company recorded cash and cash equivalents of RMB33.072 million in aggregate, representing a decrease of 39.1% as compared with the end of the previous year of RMB54.339 million, which was primarily due to the payment for construction projects and the repayment of bank borrowings.

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 2024, the Target Company recorded a gearing ratio of 0.96, representing a decrease of 17.8% as compared with the end of the previous year of 1.17, which was primarily due to the repayment of external financing by the Target Company with surplus funds.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2024, cash capital expenditure of the Target Company was RMB28.756 million, of which, the expenditure for distributed energy station project was RMB25.018 million; the expenditure for the flue gas condensate deep treatment and thermal energy utilization project was RMB1.979 million; the expenditure for other projects was RMB1.759 million.

On December 31, 2024, the Target Company's provision for capital commitment was approximately RMB1.270 million, which was expected to be used for payment of distributed photovoltaic project.

If the Target Company has other new projects requiring additional capital expenditure or capital commitment, the Target Company will use its own funds or bank loans to finance the implementation of such projects.

2. Liquidity and financial resources

As at December 31, 2024, the Target Company had cash and cash equivalents amounting to RMB33.072 million in aggregate; loans and borrowings of RMB204.000 million which include short-term borrowings of RMB86.000 million and the non-current portion of long-term borrowings of RMB118.000 million, while secured and guaranteed borrowings amounted to RMB119.000 million and unsecured borrowings amounted to RMB85.000 million, of which RMB85.000 million were fixed rate borrowings and RMB119.000 million were floating interest rate borrowings. There were no financial instruments entered into by the Target Company for hedging purpose. In addition, the Target Company had no investments in foreign currency.

3. Material acquisitions and disposals

During the Reporting Period, the Target Company did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures.

4. Significant investments

During the Reporting Period, the Target Company did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period.

5. Contingent liabilities

As at December 31, 2024, the Target Company did not have contingent liabilities.

6. Loans and borrowings of the Target Company

As at December 31, 2024, the Target Company had loans and borrowings of RMB204.000 million which include short-term borrowings of RMB86.000 million, including long-term borrowings due within one year of RMB1.000 million, and the non-current portion of long-term borrowings of RMB118.000 million, while secured and guaranteed borrowings amounted to RMB119.000 million and unsecured borrowings amounted to RMB85.000 million, of which RMB85.000 million were fixed rate borrowings and RMB119.000 million were floating interest rate borrowings.

7. Other debts of the Target Company

As at December 31, 2024, save for the loans and borrowings of the Target Company, the Target Company did not have any other debts.

8. Charges and pledges on the Target Company's assets

As of December 31, 2024, the Target Company had no charges or pledges on assets.

9. Capital structure

As at December 31, 2024, the Target Company had fully paid registered capital of RMB122,500,000.00, which has been used as general working capital of the Target Company.

10. Share scheme

For the year ended December 31, 2024, the Target Company had not implemented any share scheme.

11. Foreign exchange and exchange rate risk

The Target Company mainly operates in China. Other than bank deposits denominated in foreign currencies (including bank deposits denominated in Hong Kong dollars and US dollars), the Target Company was 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 Target Company. Accordingly, the Target Company did not enter into any hedging arrangement for reducing the exchange rate fluctuation risk during the Reporting Period.

RISK FACTORS AND RISK MANAGEMENT

The Target Company is not currently exposed to any material risk factors that would affect its operations or development. According to the annual risk assessment conducted by the Target Company, the three principal risks are market risk, risk of loss of major customers and policy risk.

1. Market Risk

Uncertainty in the market environment poses significant potential risks to the Target Company's production and operations, primarily manifesting in three dimensions: macroeconomic conditions, industry cyclicality, and changes in demand from core customers in the region. From a national macroeconomic perspective, the economy is undergoing a critical phase of transformation

and upgrading. Fluctuations in economic growth directly impact the level of activity in industrial production, which in turn affects demand in the industrial steam market. Should the overall economy experience a downturn, industrial enterprises may reduce their operating rates, leading to a corresponding decline in steam consumption. This would directly result in reduced power generation and heat supply volumes for the Target Company, thereby exerting downward pressure on revenue. In addition, the heat and power industry is profoundly influenced by energy cycles and the carbon peaking and carbon neutrality strategy. Sharp volatility in core fuel prices, such as natural gas and coal (as evidenced by the significant increases in imported natural gas prices and coal procurement costs faced by heat and power enterprises in the Tianjin region in recent years), combined with ongoing optimization of the competitive landscape, including the substitution effect of new energy sources and regional capacity expansion of heat and power projects, continues to compress profit margins for traditional heat and power enterprises.

To mitigate the aforesaid risks, the Target Company will optimize load-matching operations by dynamically adjusting unit start-ups and shutdowns as well as heat and power loads in response to macroeconomic conditions and the operating rates of enterprises within the industrial park. During economic downturns, output from high-energy-consuming units will be reduced, while peak-shifting production and lean dispatching will be implemented to minimize unnecessary fuel consumption and avoid idle costs under conditions of both volume and price declines. Furthermore, the Target Company will strengthen coordination with regional economic forecasts by maintaining communication with local Development and Reform Commissions and industrial park management committees. This will enable early access to regional investment attraction, enterprise commissioning/production suspension plans. An economic sentiment–heat demand forecasting model will be developed to facilitate timely adjustments to production and operational strategies.

2. Risk of Loss of Major Customers

The relatively high customer concentration represents a prominent operational risk for the Target Company. Its customer base is comparatively concentrated, with core customers consisting primarily of several large industrial steam users within its operating region. Most are long-term partners, and the steam procurement volume of individual major customers account for a substantial proportion of the Target Company's total heat supply. Such customer structure limits the resilience of the Company's operations. In extreme scenarios, the loss of any major customer would have a material adverse impact on the Target Company's operating results. First, a significant contraction in revenue: the attrition of a major customer would lead to a sharp decline in steam sales volume, thereby adversely affecting the principal business revenue of the Target Company. Should a core customer be lost and the Target Company fail to cultivate viable replacement customers within a short period of time, the resultant underutilization of production capacity and heightened pressure arising from the absorption of fixed costs would further compress profitability. Second, the deterioration of cash flow stability: major customers typically constitute

the primary source of a company's cash flow. The loss of such customers would give rise to difficulties in the recovery of trade receivables and may even entail exposure to bad debt risks, thereby impairing the working capital efficiency of the Target Company and, in turn, constraining the orderly conduct of production operations, equipment maintenance and project investment activities.

To mitigate the aforesaid risks, the Target Company will enter into long-term stable energy supply agreements with core customers, incorporating minimum annual heat offtake volumes, price linkage mechanisms, and supply commitment clauses to reduce the likelihood of arbitrary customer loss. It will also provide differentiated and irreplaceable services, including customized parameters, continuous and stable supply, emergency support, priority fault repair, energy diagnostics, and energy-saving solutions, thereby making it difficult for customers to switch providers. A senior management regular communication mechanism will be established, with monthly/quarterly visits to core customers to proactively monitor their capacity adjustments, relocations, technological upgrades and production suspension plans, enabling early risk identification and response.

3. Policy Risk

As the State and the Tianjin Municipal Government continue to place greater emphasis on ecological and environmental protection as well as production safety, relevant environmental standards, industry regulations and regulatory requirements have been progressively tightened. This has created substantial policy pressure on the Target Company's operations, with core risks centered on increased costs and compliance operations. In terms of environmental protection policies, the State has successively introduced regulations such as the Action Plan for Improving Industrial Energy Efficiency and the Boiler Energy Conservation and Environmental Protection Technical Specifications. Tianjin has further refined emission standards for heat and power enterprises in line with regional ecological protection requirements, accelerated the phase-out of high-pollution and high-energy-consuming steam supply equipment, and mandated significant reductions in emissions of sulfur dioxide, nitrogen oxides, and particulate matter. At the same time, efforts to promote carbon emission reduction in accordance with carbon peaking and carbon neutrality targets have been intensified.

To comply with continuously rising environmental standards, the Target Company must continue to increase its investment in safety and environmental protection. On the one hand, substantial capital expenditure will be required for the upgrade and retrofitting of environmental protection facilities, including the promotion of green technology transformations such as condensing waste heat recovery systems and low-nitrogen combustion devices, with a view to enhancing its overall environmental governance capabilities. On the other hand, environmental

operation and maintenance costs will rise, including procurement of environmental agents, daily upkeep of environmental equipment, testing and monitoring, and compensation for specialized personnel. These expenditures are expected to increase progressively as standards continue to tighten.

BUSINESS OUTLOOK FOR 2025

1. Strengthen the inspection and maintenance of gas boilers and gas turbines

Further enhance the operational reliability of equipment, explore new measures for energy saving and consumption reduction, and promote the implementation of the "membrane based deaeration + waste heat recovery from flue gas of waste heat boilers" project, with an aim to keep the average annual unit consumption of natural gas and water per ton of steam supply at no more than 86.5 cubic meters and 1.35 tons, respectively.

2. Actively expand and develop distributed boiler projects

Participate in the Free Trade Zone biomass manufacturing park project, cater to the steam demand of users, proactively plan for the future development of the Lingang, and expand the operating area of the Target Company.

3. Carry out the reuse of idle land resources

Develop a distributed photovoltaic project on the idle land to the west of the second phase plant in 2025 to fully monetize the idle land within the plant area, thereby broadening income sources, reducing costs, increasing profits and enhancing efficiency for the Target Company. Lease out idle site to Tianbao Energy for the storage of idle equipment to increase the thermal power revenue of Lingang Company.

OVERVIEW OF HUMAN RESOURCES

The Target Company does not have its own employees; all personnel are seconded from the Company and Kunlun Gas.

For the Year ended December 31, 2025

INDUSTRY REVIEW

In 2025, the gas-fired combined CHP industry was at a critical juncture characterized by deepening supply security, accelerating transition, structural optimization and risk differentiation. It served both as the flexible peak-shaving core of the new power system and the stable energy supply foundation for industrial parks, as well as a benchmark area in the energy transition where gas and new energy were integrated, and carbon reduction and efficiency improvement were pursued with equal emphasis. For the full year, the industry exhibited the characteristics of "slight growth in installed capacity, leading energy efficiency, recovering profitability, diversified loads, implementation of low-carbon initiatives and accelerating integration". At the same time, it faced with the challenges of overcapacity, high customer concentration, gas price volatility and a single energy structure.

BUSINESS REVIEW FOR THE YEAR OF 2025

1. Operation performance

(1) Continuously increasing profitability

Since 2025, the grain and oil processing industry in the zone has been challenged by weak market demand, unstable raw material supply and other factors, dampening production momentum among enterprises. At the same time, as national macro policy adjustments imposed stricter requirements on the customs clearance, inspection, and unloading of imported grains, the Target Company experienced a slight decline in the annual industrial steam sales volume for the year of 2025. However, as the energy-saving technological transformation implemented in 2024 began to take effect in 2025, both the steam consumption and water consumption of steam supply saw a significant reduction, effectively lowering the operating costs and enhancing profitability.

(2) Emerging achievements in energy-savings and technical upgrades

By strengthening internal management and enhancing equipment maintenance standards, the Target Company effectively reduced the number of boiler startups and shutdowns, as well as the unplanned gas turbine outages throughout the year, thereby lowering the unit consumption of steam supply and power generation. Meanwhile, through a series of projects including the "inspection and repair of thermal insulation on certain heating network", the Target Company reduced pipeline losses while improving steam quality for end-users at the network terminals, with an annual pipeline loss rate of no more than 3%.

(3) Comprehensive reduction in procurement costs

The Target Company expects to consume 120 million m^3 of natural gas for the year. Through ongoing negotiations with natural gas suppliers, it has secured lower-cost gas sources to meet its basic production needs. By leveraging the Shanghai Oil and Gas Trading Platform, it has further reduced natural gas costs. Additionally, it compared prices from multiple potential suppliers to supplement any shortfall in gas volume, effectively reducing gas procurement costs and mitigating steam price volatility.

(4) Proactive expansion of new customers

The Target Company actively engaged with potential steam customers in the zone. One enterprise customer has commenced steam consumption in 2025, and another is expected to commence production and begin steam consumption in 2026.

2. Solid implementation of safety measures

The company implemented a multi-level safety production responsibility system, signed "letter of commitment on safety production target management" at each level, improved the institutional framework and strengthened policy enforcement. The Target Company carried out hazard identification and control activities in a thorough, full-coverage, and end-to-end manner across its entire operations. Operating personnel are subject to strict management, with proper certifications and regular training, and improve technical capabilities, to maintain the safe and stable operation of equipment. The company strengthened the management of external contractors by rigorously reviewing their required certifications, safety qualifications, safety tools, and safety technical organisation measures. It also reinforced the inspection of work permits and dangerous operation permits. It formulated specific action plans and contingency plans, and conducted regular specialised training and tabletops field drills. The company strictly implemented the "daily control, weekly inspection, monthly coordination" system, ensuring timely testing to maintain stability. It also maintained environmentally compliant emissions, strictly controlled emission indicators during daily operations and inspections, and had "zero tolerance" for any exceedance, with prompt actions to ensure safety.

3. Improvement in internal control

The Target Company carefully reviewed the issues raised by the Group during its inspection, drew lessons to avoid similar problems, completed all corrective actions, and established a long-term prevention mechanism. Additionally, taking into account the Target Company's actual

operating conditions, it further improved its rules and regulations system to effectively prevent risks during the operation. During the year, 2 first-level rules, 3 second-level policies and 4 third-level procedures were revised; 2 new third-level procedures were introduced, and 1 was repealed.

OPERATING RESULTS AND ANALYSIS

In 2025, the Target Company's sales of steam amounted to 1.014 million tons, representing a decrease of 4.3% from 1.060 million tons over the corresponding period of the previous year. Sales of electricity amounted to 177.694 million kilowatt hours, representing a decrease of 11.7% from 201.312 million kilowatt hours over the corresponding period of the previous year. During the year, the Target Company's on-grid power generation amounted to 177.694 million kilowatt hours, representing a decrease of 11.7% from 201.312 million kilowatt hours over the corresponding period of the previous year. The decrease in sales of electricity and steam was primarily due to reduced demands for electricity and steam consumption as a result of the drop in orders from users in the park.

Taking into account the changing trend of operating income and profit before tax in 2024 and 2025, we have analyzed the indicators which significantly affected the operating income and profit before tax of the Target Company in 2025, details of which are as follows:

1. Operating income

In 2025, the Target Company recorded a consolidated operating income of RMB381.017 million, representing a decrease of 7.0% from RMB409.348 million over the corresponding period of the previous year, which was primarily due to reduced demands for electricity and steam consumption as a result of the drop in orders from users in the park.

Power generation and supply segment

In 2025, the Target Company recorded revenue from power generation and supply segment of RMB381.017 million, representing a decrease of 7.0% from RMB409.348 million over the corresponding period of the previous year, which was primarily due to reduced demands for electricity and steam consumption as a result of the drop in orders from users in the park in 2025.

2. Other net income

In 2025, the Target Company recorded other net loss of RMB0.933 million, while the Target Company recorded other net income of RMB1.997 million for the whole year of 2024, which was primarily due to the payment of environmental protection tax by the Target Company in 2025, leading to an increase in non-operating expenses and a decrease in other net income.

3. Segment costs

Power generation and supply segment

In 2025, the costs of the Target Company's power generation and supply segment amounted to RMB355.319 million, representing a decrease of 6.30% from RMB379.190 million over the corresponding period of the previous year, which was primarily in line with the decrease in revenue.

4. Segment gross profit

Power generation and supply segment

In 2025, the gross profit from the Target Company's power generation and supply segment amounted to RMB25.698 million, representing a decrease of 14.8% from RMB30.158 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam in 2025, leading to a decrease in gross profit.

5. EBITDA

In 2025, the Target Company's EBITDA amounted to RMB38.550 million, representing a decrease of 21.7% from RMB49.215 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam in 2025, leading to a decrease in EBITDA.

6. Finance costs

In 2025, the Target Company recorded finance costs of RMB5.707 million, representing a decrease of 33.0% as compared with the corresponding period of the previous year of RMB8.511 million, which was primarily due to the decrease in external financing of the Target Company to reduce finance costs.

7. Fuel costs

In 2025, the Target Company recorded fuel costs of RMB294.094 million, representing a decrease of 7.6% as compared with the corresponding period of the previous year of RMB318.198 million, which was primarily due to reduced customer demand for steam, leading to a corresponding decrease in procurement costs.

8. Profit before tax

In 2025, the Target Company's profit before tax amounted to RMB8.892 million, representing a decrease of 47.7% from RMB16.999 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam from the Target Company in 2025, leading to an increase in non-operating expenses and a decrease in profit before tax.

9. Income tax expenses

In 2025, the Target Company recorded income tax expenses of RMB2.983 million, representing a decrease of 29.8% as compared with the year of 2024 of RMB4.250 million, which was primarily due to the decrease in profit before tax.

10. Profit for the year attributed to the parent company

In 2025, the Target Company's profit for the year attributed to the parent company amounted to RMB5.909 million, representing a decrease of 53.7% from RMB12.749 million over the corresponding period of the previous year, which was primarily due to reduced customer demand for steam from the Target Company in 2025, leading to a decrease in profit for the year attributed to the parent company.

FINANCIAL POSITION

1. Assets and liabilities

As of the end of 2025, total assets amounted to RMB485.535 million, representing a decrease of 6.7% from RMB520.647 million for the end of 2024, mainly due to the amortisation of long-term assets such as fixed assets, as well as the decrease in natural gas prepayments. Total liabilities amounted to RMB224.140 million, representing a decrease of 12.2% from RMB255.161 million for the end of 2024, mainly due to the decrease in external financing of the Target Company.

As of the end of 2025, current assets amounted to RMB122.205 million, representing a decrease of 9.1% as compared with the end of 2024 of RMB134.420 million, of which cash and cash equivalents amounted to RMB31.069 million (end of 2024: RMB33.072 million), trade and bill receivables amounted to RMB41.967 million (end of 2024: RMB44.181 million), which mainly included receivables from steam sales and electricity sales. Current liabilities amounted to RMB75.119 million (end of 2024: RMB102.210 million), of which trade and other payables amounted to RMB7.572 million (end of 2024: RMB10.218 million), and non-current liabilities amounted to RMB149.021 million (end of 2024: RMB152.951 million).

2. Cash and cash equivalents

As at the end of 2025, the Target Company recorded cash and cash equivalents of RMB31.069 million in aggregate, representing a decrease of 6.1% as compared with the end of the previous year ofRMB33.072 million, which was primarily due to a reduction in the balance of cash and cash equivalents as a result of the use of surplus funds to repay external financing.

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 2025, the Target Company recorded a gearing ratio of 0.86, representing a decrease of 10.4% as compared with the end of the previous year of 0.96, which was primarily due to the repayment of external financing by the Target Company with surplus funds.

OTHER SIGNIFICANT EVENTS

1. Capital expenditure and capital commitment

In 2025, cash capital expenditure of the Target Company was RMB3.164 million, of which, the expenditure for gas distributed energy station project was RMB2.848 million; and the expenditure for other projects was RMB0.37 million.

On December 31, 2025, the Target Company's provision for capital commitment was approximately RMB0.082million, which was expected to be used for the payment of distributed photovoltaic projects.

If the Target Company has other new projects requiring additional capital expenditure or capital commitment, the Target Company will use its own funds or bank loans to finance the implementation of such projects.

2. Liquidity and financial resources

As at December 31, 2025, the Target Company had cash and cash equivalents amounting to RMB31.069 million in aggregate; loans and borrowings of RMB178.000 million which include short-term borrowings of RMB62.000 million and the non-current portion of long-term borrowings of RMB116.000 million, while secured and guaranteed borrowings amounted to RMB118.000 million and unsecured borrowings amounted to RMB60.000 million, of which RMB60.000 million were fixed rate borrowings andRMB118.000 million floating interest rate borrowings. There were no financial instruments entered into by the Target Company for hedging purpose. In addition, the Target Company had no investments in foreign currency.

3. Material acquisitions and disposals

During the Reporting Period, the Target Company did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures.

4. Significant investments

During the Reporting Period, the Target Company did not have any significant investment in any investees outside the Group that accounted for 5% or more of the Company's total assets as at the end of the Reporting Period.

5. Contingent liabilities

As at December 31, 2025, the Target Company did not have contingent liabilities.

6. Loans and borrowings of the Target Company

As at December 31, 2025, the Target Company had loans and borrowings of RMB178.000 million which include short-term borrowings of RMB62.000 million, including long-term borrowings due within one year of RMB2.000 million, and the non-current portion of long-term borrowings of RMB116.000 million, while secured and guaranteed borrowings amounted to RMB118.000 million and unsecured borrowings amounted to RMB60.000 million, of which RMB60.000 million were fixed rate borrowings and RMB118.000 million were floating interest rate borrowings.

7. Other debts of the Target Company

As at December 31, 2025, the Target Company did not have lease liabilities in addition to the loans and borrowings of the Target Company.

8. Charges and pledges on the Target Company's assets

As at December 31, 2025, the Target Company did not have charges and pledges on the assets.

9. Capital structure

As at December 31, 2025, the Target Company had fully paid registered capital of RMB122,500,000.00, which has been used as general working capital of the Target Company.

10. Share scheme

For the year ended December 31, 2025, the Target Company had not implemented any share scheme.

11. Foreign exchange and exchange rate risk

The Target Company mainly operates in China. Other than bank deposits denominated in foreign currencies (including bank deposits denominated in Hong Kong dollars and US dollars), the Target Company was 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 Target Company. Accordingly, the Target Company did not enter into any hedging arrangement for reducing the exchange rate fluctuation risk during the Reporting Period.

RISK FACTORS AND RISK MANAGEMENT

The Target Company is not currently exposed to any material risk factors that would affect its operations or development. According to the annual risk assessment conducted by the Target Company, the three principal risks are market risk, risk of loss of major customers and policy risk.

1. Market Risk

Uncertainty in the market environment poses significant potential risks to the Target Company's production and operations, primarily manifesting in three dimensions: macroeconomic conditions, industry cyclicality, and changes in demand from core customers in the region. From a national macroeconomic perspective, the economy is undergoing a critical phase of transformation and upgrading. Fluctuations in economic growth directly impact the level of activity in industrial production, which in turn affects demand in the industrial steam market. Should the overall economy experience a downturn, industrial enterprises may reduce their operating rates, leading to a corresponding decline in steam consumption. This would directly result in reduced power

generation and heat supply volumes for the Target Company, thereby exerting downward pressure on revenue. In addition, the heat and power industry is profoundly influenced by energy cycles and the carbon peaking and carbon neutrality strategy. Sharp volatility in core fuel prices, such as natural gas and coal (as evidenced by the significant increases in imported natural gas prices and coal procurement costs faced by heat and power enterprises in the Tianjin region in recent years), combined with ongoing optimization of the competitive landscape, including the substitution effect of new energy sources and regional capacity expansion of heat and power projects, continues to compress profit margins for traditional heat and power enterprises.

To mitigate the aforesaid risks, the Target Company will optimize load-matching operations by dynamically adjusting unit start-ups and shutdowns as well as heat and power loads in response to macroeconomic conditions and the operating rates of enterprises within the industrial park. During economic downturns, output from high-energy-consuming units will be reduced, while peak-shifting production and lean dispatching will be implemented to minimize unnecessary fuel consumption and avoid idle costs under conditions of both volume and price declines. Furthermore, the Target Company will strengthen coordination with regional economic forecasts by maintaining communication with local Development and Reform Commissions and industrial park management committees. This will enable early access to regional investment attraction, enterprise commissioning/production suspension plans. An economic sentiment–heat demand forecasting model will be developed to facilitate timely adjustments to production and operational strategies.

2. Risk of Loss of Major Customers

The relatively high customer concentration represents a prominent operational risk for the Target Company. Its customer base is comparatively concentrated, with core customers consisting primarily of several large industrial steam users within its operating region. Most are long-term partners, and the steam procurement volume of individual major customers account for a substantial proportion of the Target Company's total heat supply. Such customer structure limits the resilience of the Company's operations. In extreme scenarios, the loss of any major customer would have a material adverse impact on the Target Company's operating results. First, a significant contraction in revenue: the attrition of a major customer would lead to a sharp decline in steam sales volume, thereby adversely affecting the principal business revenue of the Target Company. Should a core customer be lost and the Target Company fail to cultivate viable replacement customers within a short period of time, the resultant underutilization of production capacity and heightened pressure arising from the absorption of fixed costs would further compress profitability. Second, the deterioration of cash flow stability: major customers typically constitute the primary source of a company's cash flow. The loss of such customers would give rise to

difficulties in the recovery of trade receivables and may even entail exposure to bad debt risks, thereby impairing the working capital efficiency of the Target Company and, in turn, constraining the orderly conduct of production operations, equipment maintenance and project investment activities.

To mitigate the aforesaid risks, the Target Company will enter into long-term stable energy supply agreements with core customers, incorporating minimum annual heat offtake volumes, price linkage mechanisms, and supply commitment clauses to reduce the likelihood of arbitrary customer loss. It will also provide differentiated and irreplaceable services, including customized parameters, continuous and stable supply, emergency support, priority fault repair, energy diagnostics, and energy-saving solutions, thereby making it difficult for customers to switch providers. A senior management regular communication mechanism will be established, with monthly/quarterly visits to core customers to proactively monitor their capacity adjustments, relocations, technological upgrades and production suspension plans, enabling early risk identification and response.

3. Policy Risk

As the State and the Tianjin Municipal Government continue to place greater emphasis on ecological and environmental protection as well as production safety, relevant environmental standards, industry regulations and regulatory requirements have been progressively tightened. This has created substantial policy pressure on the Target Company's operations, with core risks centered on increased costs and compliance operations. In terms of environmental protection policies, the State has successively introduced regulations such as the Action Plan for Improving Industrial Energy Efficiency and the Boiler Energy Conservation and Environmental Protection Technical Specifications. Tianjin has further refined emission standards for heat and power enterprises in line with regional ecological protection requirements, accelerated the phase-out of high-pollution and high-energy-consuming steam supply equipment, and mandated significant reductions in emissions of sulfur dioxide, nitrogen oxides, and particulate matter. At the same time, efforts to promote carbon emission reduction in accordance with carbon peaking and carbon neutrality targets have been intensified.

To comply with continuously rising environmental standards, the Target Company must continue to increase its investment in safety and environmental protection. On the one hand, substantial capital expenditure will be required for the upgrade and retrofitting of environmental protection facilities, including the promotion of green technology transformations such as condensing waste heat recovery systems and low-nitrogen combustion devices, with a view to enhancing its overall environmental governance capabilities. On the other hand, environmental

operation and maintenance costs will rise, including procurement of environmental agents, daily upkeep of environmental equipment, testing and monitoring, and compensation for specialized personnel. These expenditures are expected to increase progressively as standards continue to tighten.

BUSINESS OUTLOOK FOR 2026

1. Strengthen the inspection and maintenance of gas boilers and gas turbines

Further enhance the operational reliability of equipment, explore new measures for energy saving and consumption reduction, and promote the implementation of the "membrane based deaeration + waste heat recovery from flue gas of waste heat boilers" project, with an aim to keep the average annual unit consumption of natural gas and water per ton of steam supply at no more than 86.5 cubic meters and 1.35 tons, respectively.

2. Carry out the reuse of idle land resources

Develop a distributed photovoltaic project on the roofs of office buildings, coal storage facilities, and other locations in 2026 to fully monetize the idle resources within the plant area, thereby broadening income sources, reducing costs, increasing profits and enhancing efficiency for the Target Company.

OVERVIEW OF HUMAN RESOURCES

The Target Company does not have any self-owned employees. All of its staff are assigned by the Company and Kunlun Gas.

CUSHMAN & WAKEFIELD
戴 德 梁 行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

June 8, 2026

The Directors
Tianjin Tianbao Energy Co., Ltd.
40th Floor, Dah Sing Financial Centre
No.248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

Re: The market value of 40 percent equity interest in Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (天津天保臨港熱電有限公司) (the "Target Company")

Instructions, Purpose & Valuation Date

We refer to the instructions from Tianjin Tianbao Energy Co., Ltd.* (the "**Company**") to us to conduct a valuation of the market value of 40 percent equity interest in the Target Company. We are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing you with our market value estimate of 40 percent equity interest in the Target Company as at December 31, 2025 (the "**Valuation Date**").

The purpose of this valuation is for circular reference for the Company.

Definition of Market value

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

* *for identification purposes only*

Method of Valuation

In arriving at our assessed value of the equity interest, we have considered three generally accepted approaches, namely, Market Approach, Asset Based Approach and Income Approach. The selection of a valuation approach is based on, among others, the quantity and quality of the information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that Market Approach is more appropriate for this valuation.

Source of Information

We have relied to a considerable extent on information provided by the management of the Company (the "**Management**") in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In the implementation of the valuation, we adhere to the principles of independence, objectivity and fairness. According to the information we collected during the course of valuation, the contents of the valuation report are objective. The evaluation conclusion should not be regarded as any guarantee for the valuation object's achievable price.

Unless otherwise stated, all monetary amounts stated in this valuation report are in RENMINBI ("**RMB**").

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of 40 percent equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	**December 31, 2025**
Market value of 40% Equity Interest in the Target Company	**RMB106,900,000 (RENMINBI ONE HUNDRED SIX MILLION NINE HUNDRED THOUSAND ONLY)**

The following pages outline the factors considered, methodologies and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Bruce Oong
CPA
Senior Director
Valuation & Advisory Services, Greater China

This report has been reviewed by

Grace Lam
MRICS, MHKIS, R.P.S. (GP)
Senior Director
Valuation & Advisory Services, Greater China

1. INTRODUCTION

This report has been prepared in accordance with the instructions from the Company to express an independent opinion of the market value of 40 percent equity interest in the Target Company as at December 31, 2025.

2. PURPOSE OF VALUATION

The purpose of this valuation is for circular reference for the Company.

3. BASIS OF VALUE

Our valuation has been carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

4. BACKGROUND

The Target Company was established in the People's Republic of China (the "**PRC**") and principally engaged in production of industrial steam for industrial and commercial users in Tianjin Port Free Trade Zone, as well as generation of electricity from cogeneration.

The Target Company is a limited liability company jointly held by Tianjin Tianbao Energy Co., Ltd.* (天津天保能源股份有限公司), Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd.* (天津自貿試驗區新興科技產業集團有限公司) and PetroChina Kunlun Gas Co., Ltd.* (中石油昆侖燃氣有限公司) of shareholding of 45%, 40% and 15% respectively.

5. QUALIFICATION

The subject valuation exercise is led and signed by Mr. Bruce Oong, and reviewed by Ms. Grace Lam.

* *for identification purposes only*

Mr. Oong is a Senior Director of Cushman & Wakefield Limited. He is a Chartered Professional Accountant of Canada and has over 18 years' experience in business valuation.

Ms. Lam is a Senior Director of Cushman & Wakefield Limited. She is a registered professional surveyor, a member of the Royal Institution of Chartered Surveyors as well as a member the Hong Kong Institute of Surveyors, and has over 30 years' experience in property valuation.

6. SCOPE OF WORK

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted bases and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of the Target Company;
- Examined the relevant bases and assumptions of the financial information in respect of the Target Company;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, overview of the Target Company, related key business descriptions, source of information, major assumptions, valuation methodology and our opinion of value in this report.

7. SOURCE OF INFORMATION

To perform our valuation of the market value of the Target Company's equity interest, we have relied on the following information provided by the Management, as well as other publicly available information that we have gathered through our own research, including but not limited to the following:

- Copies of business licenses and other relevant documents of the Target Company;
- Audited financial report of the Target Company as at December 31, 2024 and December 31, 2025;
- Publicly available information of comparable companies;

- Financial information obtained from iFinD database, Bloomberg Terminal; and
- Other public information relating to the valuation.

We have not independently verified any of the information which has been provided to us. In analyzing the information, we have held discussions with the Management. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of 40 percent equity interest in the Target Company, namely Market Approach, Income Approach and Asset Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

Market Approach values a business entity by comparing prices at which other business entities of a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. Market Approach comprises two methods namely Guideline Public Company Method and Guideline Transaction Method.

Guideline Public Company Method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the subject company. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

Guideline Transaction Method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When Guideline Transaction Method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the subject company being valued. The application of Guideline Transaction Method results in an estimate of the price reasonably expected to be realized from the sale of the subject company.

Income Approach

Income Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, Income Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset Based Approach

Asset Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets are individually valued, their sum represents the value of a business entity and is equal to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed. This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that Market Approach is more appropriate for this valuation.

While useful for certain purposes, Asset Based Approach is not considered applicable to the valuation of the Target Company, as it does not capture future earning stream of the business. Also, we consider that Income Approach is inappropriate as it requires detailed financial forecast of the Target Company, which involves adoption of much more subjective assumptions such as energy cost and utilization rates, not all of which can be easily quantified or ascertained. Under Market Approach, Guideline Transaction Method is not considered applicable in this valuation due to the lack of sufficient comparable transactions.

Thus, we consider Guideline Public Company Method to be more appropriate for valuing the 40 percent equity interest in the Target Company as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

9. MAJOR ASSUMPTIONS

In determining the market value of 40 percent equity interest of the Target Company, the following principal assumptions have been adopted:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operate or intend to operate would be officially obtained and renewable upon expiry;

- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic, or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;

- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing;

- The core business operation of the Target Company will not differ materially from those of present or expected; and

- The information regarding the Target Company provided by the Management is true and accurate.

The valuation result as at the Valuation Date is mainly based on the following assumptions:

Selection Criteria for Comparable Companies

In this valuation task, we applied Guideline Public Company Method by selecting companies within power and heat generation sector. Comparable companies were identified and selected based on the following criteria:

- the comparable companies mainly engage in the traditional electricity, heating or steam generation business using fossil fuels, with combined revenue contribution more than 60%;

- the comparable companies' earnings before interest, taxes, depreciation, and amortisation (EBITDA) were positive as at the Valuation Date, which is a key factor in determining the enterprise value to EBITDA (EV/EBITDA) multiple;

- the comparable companies' market capitalization as at the Valuation Date was less than RMB5 billion; and

- the comparable companies are listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, or the Shenzhen Stock Exchange, with their financial information publicly available.

Comparable Companies

A list of nine comparable companies (individually the "**Comparable Company**" or collectively the "**Comparable Companies**") satisfying the above selection criteria were identified. The list of comparable companies is exhaustive in terms of the above criteria. The enterprise value and earnings before interest, tax, depreciation and amortization of the Comparable Companies are extracted from iFinD Terminal.

Selection of Value Multiples

In this valuation task, we have considered various commonly used value multiples, including (i) price to earnings ("**P/E**"); (ii) price to book ("**P/B**"); (iii) enterprise value to earnings before interest, tax, depreciation and amortization ("**EV/EBITDA**"). P/E multiple is commonly used in the valuation of profitable enterprises. However, it ignores the capital structure of a company, which is critical in reflecting the fair value of the equity interest in the Target Company. P/B multiple is usually adopted in the valuation of asset-intensive companies. However, it does not

take into consideration of the profitability of a company. We consider EV/EBITDA multiple as the most appropriate multiple as it has taken both profitability factor and capital structure into consideration, and has thus adopted EV/EBITDA multiple in this valuation task.

The EV/EBITDA multiples of the Comparable Companies were arrived at based on the enterprise value as at the Valuation Date and the EBITDA of the trailing twelve months with information available. The financial data of the Comparable Companies is based on publicly available market information as of April 30, 2026. Details of the Comparable Companies are as follows:

Stock Code	Company Name	Description	Market Capitalization as at the Valuation Date *(HKD/RMB millions)*	Enterprise Value as at the Valuation Date *(HKD/RMB millions)*	EBITDA of the trailing twelve months *(HKD/RMB millions)*	EV/EBITDA
2481.HK	Wise Living Technology Co Ltd	Wise Living Technology Co., Ltd operates a cross provincial heat service provider. The Comparable Company provides heat services to residential and non residential heat service customers. In 2025, heating and heat transmission and distribution business accounted for approximately 82% of its total revenue. The Comparable Company also offers engineering construction services, energy management contract services, and other services.	HKD772	HKD952	HKD614	1.55x
1853.HK	Jilin Province Chuncheng Heating Co Ltd	Jilin Province Chuncheng Heating Company Limited operates as a heat service provider in Jilin Province. The Comparable Company supplies heat procured from local cogeneration plants and coal-fired boilers. The Comparable Company also offers engineering construction, engineering maintenance, design services, and electrical and instrument maintenance and repair services. In 2025, revenue from heating and heat distribution accounted for approximately 93% of its total operating revenue.	HKD747	HKD92	HKD304	0.30x

Stock Code	Company Name	Description	Market Capitalization as at the Valuation Date *(HKD/RMB millions)*	Enterprise Value as at the Valuation Date *(HKD/RMB millions)*	EBITDA of the trailing twelve months *(HKD/RMB millions)*	EV/EBITDA
0090.HK	Puxing Energy Ltd	Puxing Energy Limited operates power plants. The Comparable Company offers natural gas-fired power plants development, electricity supply, operation, management, and other services. The Comparable Company conducts businesses in Zhejiang and Hong Kong. In 2025, electricity and heat accounted for approximately 87% and 7% of total revenue, respectively.	HKD582	HKD708	HKD91	7.77x
1671.HK	Tianjin Tianbao Energy Co Ltd	Tianjin Tianbao Energy Co., Ltd. provides electricity generation services. The Company offers electricity transmission, distribution, power transformation, and other related services. The Company also provides steam supplying services. In 2025, energy production and power distribution accounted for approximately 67% and 28% of its total revenue, respectively.	HKD106	HKD571	HKD89	6.45x
000692.SZ	Shenyang Huitian Thermal Power Co Ltd	Shenyang Huitian Thermal Power Co., Ltd. operates in city centralized heat supply business and provides heating engineering services. The Comparable Company also develops and manages in real estate properties. In 2025, the Comparable Company derived its revenue mainly from heating operations, which accounted for approximately 92% of total operating revenue.	RMB1,833	RMB4,455	RMB391	11.40x

Stock Code	Company Name	Description	Market Capitalization as at the Valuation Date *(HKD/RMB millions)*	Enterprise Value as at the Valuation Date *(HKD/RMB millions)*	EBITDA of the trailing twelve months *(HKD/RMB millions)*	EV/EBITDA
600719.SH	Dalian Thermal Power Co Ltd	Dalian Thermal Power Co., Ltd. operates thermal electric stations in the city of Dalian. The Comparable Company generates electricity and distributes and sells steam to residential, commercial, and industrial customers. In 2025, the Comparable Company generated approximately 87% of its revenue from heating and 12% of its revenue from electricity.	RMB2,638	RMB4,173	RMB131	31.85x
002893.SZ	Beijing Jingneng Thermal Co Ltd	Beijing Jingneng Thermal Co,. Ltd. operates as a heating company. The Comparable Company offers heat supply project investment, heat supply trusteeship operation, contract energy management, heat supply energy saving technology development, heat supply management consulting, and other services. The Comparable Company also operates office equipment repairing. In 2025, heating services, accounted for approximately 81% of its total operating revenue.	RMB2,950	RMB2,692	RMB227	11.86x
600396.SH	Huadian Liaoning Energy Development Co Ltd	Huadian Liaoning Energy Development Co., Ltd. generates and sells electricity. The Comparable Company produces heat and steam. The Comparable Company sells energy to residential and industrial customers in the northeast of China. In 2025, electricity and heating business accounted for approximately 80% and 19% of operating revenue, respectively.	RMB4,197	RMB16,094	RMB1,216	13.24x

Stock Code	Company Name	Description	Market Capitalization as at the Valuation Date *(HKD/RMB millions)*	Enterprise Value as at the Valuation Date *(HKD/RMB millions)*	EBITDA of the trailing twelve months *(HKD/RMB millions)*	EV/EBITDA
600982.SH	Ningbo Energy Group Co Ltd	Ningbo Energy Group Co., Ltd. offers cogeneration services. The Comparable Company provides district heating, thermal power generation, ash production, and other services. The Comparable Company also conducts nickel and natural rubber products sales, investment, and other businesses. In 2025, the Comparable Company generated approximately 31% of its revenue from electricity and 39% of its revenue from steam business.	RMB4,815	RMB14,398	RMB804	17.90x

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In the valuation, we consider 8.7% is sufficient to reflect the lack of marketability of the 40% equity interests in the Target Company, which was with reference to Stout Restricted Stock Study, an online resource that provides empirical support for quantifying DLOM.

Applying the Median EV/EBITDA Multiple and DLOM to the EBITDA of the Target Company

The median EV/EBITDA multiples of the Comparable Companies ("**Median EV/EBITDA**") was then applied to trailing twelve-month EBITDA of the Target Company as at the Valuation Date ("**EBITDA**") to arrive at the enterprise value of the Target Company, and adjusted with cash and cash equivalents, total debt and DLOM, to arrive at the fair value of the Target Company ("**FV**"). Details are listed below:

Median EV/EBITDA of the Comparable Companies	11.4x
EBITDA of the Target Company as at the Valuation Date	38,550,000
Estimated enterprise value of the Target Company	439,548,537
Add: Cash and cash equivalent of the Target Company	31,069,000
Less: Debt of the Target Company	178,000,000
Estimated 100% equity value of the Target Company	292,617,537
Less: DLOM	25,457,726
Fair value of the 100% Equity of Target Company	RMB267,159,812
Fair value of the 40% Equity of Target Company (Rounded)	RMB106,900,000

10. LIMITING CONDITION

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability is assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management of the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Sustainability and Environmental, Social, and Governance ("**ESG**") factors are considerations which some market participants may take into account in their decision-making and may be reflected in pricing. In the course of our valuation, we have, where applicable, taken into account, to the extent that current market participants would, of the material sustainability features of the Target Company as observed from information supplied or notified to us by the Company. For the avoidance of doubt, our valuation does not constitute ESG risk assessments or ratings, which are outside our expertise and require additional specialists' advice beyond the scope of the valuer.

Neither the whole nor any part of this report or any reference hereto may be included in any published document, circular or statement, or published in any way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of the contents.

11. REMARKS

We hereby confirm that we have neither present nor prospective interests in the Target Company.

12. OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of 40 percent equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	**December 31, 2025**
Market value of 40% Equity Interest in the Target Company	**RMB106,900,000 (RENMINBI ONE HUNDRED SIX MILLION NINE HUNDRED THOUSAND ONLY)**

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

This report has been reviewed by

Bruce Oong
CPA
Senior Director
Valuation & Advisory Services, Greater China

Grace Lam
MRICS, MHKIS, R.P.S. (GP)
Senior Director
Valuation & Advisory Services, Greater China

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Property of Lingang Thermal Power in the PRC as at March 31, 2026.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

June 8, 2026

The Board of Directors
Tianjin Tianbao Energy Co., Ltd.
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instruction of Tianjin Tianbao Energy Co., Ltd. (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value certain property interest to be acquired by the Company and/or its subsidiaries (together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the property as at March 31, 2026 (the "**Valuation Date**").

VALUATION BASIS

Our valuation of the property represents its market value which in accordance with the HKIS Valuation Standards 2024 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and The HKIS Valuation Standards 2024 published by The Hong Kong Institute of Surveyors.

Our valuation of the property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have relied on the information and advice given by the Group and the Company's PRC legal adviser (the "**PRC Legal Adviser**"), Beijing W&H (Tianjin) Law Firm, regarding the titles to the property. Unless otherwise stated in the legal opinion, in valuing the property, we have prepared our valuation on the basis that the owner has enforceable titles to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use terms as granted and that any premium payable has already been fully paid.

The status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals, and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

VALUATION METHOD

Due to the specific nature of the property and lack of sales transactions of properties of the same characteristics in the vicinity, we have adopted Depreciated Replacement Costs ("**DRC**") Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration

and all relevant forms of obsolescence and optimization. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the property, construction cost, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We have been provided by the Company with extracts of documents in relation to the current title to the property, but no searches have been made. We are also unable to ascertain the title of the property and we have therefore relied on the advice given by the Company or the Company's PRC Legal Adviser regarding the nature of interest of the property. In the course of our valuation, we have relied to a consideration extent on the information given by the Company and its PRC Legal Adviser in respect of the title to the property.

However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our Tianjin Office valuer, Ada J Wang (Manager, over 9 years' experience in the PRC), inspected the exterior and, wherever possible, the interior of the property on March 19, 2026. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No test was carried out to any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi ("**RMB**") which is the official currency of the PRC.

We attach herewith the valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MHKIS, MRICS, R.P.S. (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held for owner-occupation by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2026
The production facility located at No. 418 Haihe Middle Road, Lingang Economic Zone, Binhai New District, Tianjin, the PRC	The property comprises the production facility of Lingang Thermal Power on a site of 85,999.2 sq m having a total gross floor area of 28,345.56 sq m mainly erected in 2011, with subsequent phases completed in 2017, 2022 and 2023 respectively. The property is located at No. 418 Haihe Middle Road, Lingang Economic Zone. Lingang Economic Zone, also known as Lingang Industrial Park, is a large-scale industrial park. There are lots of industrial plants in the nearby area such as Jingliang (Tianjin) Grain & Oil Industry Co., Ltd (京糧(天津)糧油工業有限公司) and Louie Dafu (Tianjin) Food Technology Co. Ltd. (路易達孚(天津)食品科技有限責任公司). According to the Company, the property is for public facilities use. There are no environmental issues and litigation dispute; there is no plan to change the use of the property. The land use rights of the property have been granted for a term of 50 years due to expire on February 21, 2062 for public facilities use.	As at the Valuation Date, pursuant to the information provided by the Company, the property was occupied and used by the owner for the production and supply of steam.	RMB200,200,000 (RENMINBI TWO HUNDRED MILLION TWO HUNDRED THOUSAND)

Notes:

(1) According to Real Estate Title Certificate No. Jin (2024) Bin Hai Xin Qu Lin Gang Jing Ji Qu Bu Dong Chan Quan Di 0529404 Hao issued by the Tianjin Municipal Planning and Natural Resources Bureau (天津市規劃和自然資源局) on August 30, 2024, the land use rights of the property with a site area of 85,999.2 sq m have been vested in Lingang Thermal Power Co., Ltd. (the "**Target Company**") for a term of 50 years due to expire on February 21, 2062 for public facilities use. The building ownership of the property with a total gross floor area of 28,345.56 sq m has been vested in Lingang Thermal Power Co., Ltd. for non-residential use.

(2) According to State-owned Land Use Rights Grant Contract No. TJ12262011004 dated November 8, 2011, the land use rights of the property are contracted to be granted as below:

Grantee:	Lingang Thermal Power Co., Ltd.
Site Area:	86,004.70 sq m
Land Use Term:	50 years for public facilities use
Land Premium:	RMB66,653,643
Plot Ratio:	>0.7

(3) According to Business License No. 911201166877273016 dated June 30, 2025, Lingang Thermal Power Co., Ltd. was established on May 8, 2009 as a limited liability company with a registered capital of RMB122,500,000.

(4) We have been provided with a legal opinion regarding the property interest prepared by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(i) The Target Company has obtained Real Estate Title Certificate No. Jin (2024) Bin Hai Xin Qu Lin Gang Jing Ji Qu Bu Dong Chan Quan Di 0529404 Hao for the land site area of 85,999.2 sq m and for the buildings with total gross floor area of 28,345.56 sq m;

(ii) The land use term is due to expire on February 21, 2062 for non-residential use;

(iii) There are no mortgages, guarantees, other encumbrances or dispute on the land use rights and building ownership;

(iv) The Target Company legally owns the above-mentioned land use rights and building ownership, and has the right to possess, use, transfer, lease, mortgage, or otherwise dispose of such land use rights and building ownership during the validity period of the Real Estate Title Certificate.

(5) The status of the title and grant of major approvals and license in accordance with the information provided by the Company:

Real Estate Title Certificate	Yes
State-owned Land Use Rights Grant Contract	Yes
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in Shares and underlying Shares and debentures of the Company

As at the Latest Practicable Date, to the best of the Directors' knowledge, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules.

Directors' rights to acquire Shares or debentures

As at the Latest Practicable Date, none of the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements which enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

Substantial Shareholders' and other person' interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following, not being a Director or the chief executives of the Company, have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	**Capacity in which interests in the H Shares are held**	**Number of H Shares held** *(Note 2)*	**Approximate percentage of Shares in issue as at the Latest Practicable Date** *(Note 3)*
Tianjin Tianbao Holdings Limited ("**Tianbao Holdings**") (*Note 1*)	Beneficial owner	109,606,538 (L)	68.54%
Tianjin Free Trade Zone Investment Holdings Group Co., Ltd. ("**TFIHC**") (*Note 1*)	Interest of a controlled corporation	115,600,907 (L)	72.29%
Yuan Andy Yun Nan	Beneficial owner	12,592,000 (L)	7.87%

Notes:

1. Tianbao Holdings is interested in 109,606,538 H Shares, and Tianjin Free Trade Zone Investment Company Limited ("**Tianbao Investment**") is interested in 5,994,369 H Shares. Since Tianbao Holdings and Tianbao Investment are wholly-owned subsidiaries of TFIHC, TFIHC is deemed to be interested in the H Shares held by Tianbao Holdings and Tianbao Investment by virtue of the SFO.

2. The letter "L" denotes the relevant person's long position in such Shares.

3. This calculation is based on the 159,920,907 H Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares or underlying Shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Enlarged Group nor were there any proposed service agreements which would not expire or be determinable by the member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTOR'S INTERESTS IN ASSETS, CONTRACTS AND OTHER INTERESTS

(a) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Group was made up), acquired or disposed of by, or lease to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(b) Interests in contracts of significance

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group.

(c) Interests in competing business

As at the Latest Practicable Date, pursuant to Rule 8.10 of the Listing Rules, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and, insofar as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The Equity Transfer Agreement is the only contract that is or may be material, entered into by a member company of the Group within the two years immediately preceding the date of this circular (not a contract entered into in the ordinary course of business).

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which is contained in this circular:

Name	Qualifications
Cushman & Wakefield Limited	Independent property valuer
SHINEWING (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s), report(s), opinion and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts had no shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the expert had no direct or indirect interest in any assets which have been, since 31 December 2025 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (http://www.tjtbny.com) for a period of 14 days from the date of this circular:

(a) the annual reports of the Company for the financial years ended 31 December 2023, 2024 and 2025;

(b) the report from SHINEWING (HK) CPA Limited in respect of the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(c) the report from SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(d) the equity market value valuation report issued by Cushman & Wakefield Limited, the text of which is set out in Appendix VI to this circular;

(e) the property valuation report issued by Cushman & Wakefield Limited, the text of which is set out in Appendix VII to this circular;

(f) the written consents referred to in the paragraph headed "7. Experts and Consents" in this appendix;

(g) the material contracts referred to in the paragraph headed "6. Material Contracts" in this appendix;

(h) the Equity Transfer Agreement; and

(i) this circular.

9. MISCELLANEOUS

(a) Mr. LAU Kwok Yin is a company secretary of the Company. He was appointed as a joint company secretary of the Company on May 30, 2018 and a company secretary of the Company on February 28, 2019. He has over 16 years' experience in corporate secretarial services, finance and bank operations. He holds a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong (香港大學), and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charterholder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

(b) The registered address of the Company is at No. 35 Haibinba Road, Tianjin Pilot Free Trade Zone (Tianjin Port Free Trade Zone), the PRC, and the principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

(c) The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2026 TO BE HELD ON JUNE 29, 2026

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Tianjin Tianbao Energy Co., Ltd.* (the "**Company**") will be held at 10 a.m. on June 29, 2026 (Monday) at the meeting room, 3/F, No. 35 Haibinba Road, Tianjin Pilot Free Trade Zone (Tianjin Port Free Trade Zone), the PRC, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. (i) The conditional equity transfer agreement (the "**Equity Transfer Agreement**") dated May 26, 2026 entered into between the Company (as the purchaser) and Tianjin Pilot Free Trade Zone Emerging Technology Industry Group Co., Ltd.* (天津自貿試驗區新興科技產業集團有限公司) (as the Vendor), and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

   (ii) Chairman or his authorised person(s) be and is/are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder and the implementation thereof.

* *For identification purpose only*

2. (i) The guarantee provided by the Company to China Construction Bank Corporation for Lingang Thermal Power's bank loan be and is hereby approved.

(ii) The Company's Chairman or his authorised person(s) be and is/are hereby authorised to handle the aforementioned guarantee matters in accordance with subsequent actual circumstances, including but not limited to all actions and matters related to the aforementioned guarantee, such as adjusting the guarantee plan and the guarantee amount, and signing relevant agreements.

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

Tianjin, the People's Republic of China, June 8, 2026

Notes:

1. For the purpose of determining shareholders' eligibility to attend and vote at the EGM (or at any adjournment of it), the register of members of the Company will be closed from June 24, 2026 to June 29, 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's H Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 23, 2026. The record date in respect of the EGM will be June 29, 2026.

2. An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her/its stead at the EGM (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company.

3. In order to be valid, the completed proxy form must be received by the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 24 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Company's H Share Registrar together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.

4. Where there are joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she/it were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

5. A proxy form for use at the EGM is enclosed.

6. As set out in the Letter from the Board included in the circular, each of the resolutions set out in this notice should be voted on by poll.

As at the date of this notice, the Board comprises Mr. ZHOU Shanzhong, Mr. MAO Yongming, Mr. YAO Shen and Ms. YIN Ning as executive Directors; Ms. YANG Dingjing and Ms. SHI Wei as non-executive Directors; and Mr. CHAN Wai Dune, Ms. ZHANG Huan and Ms. YANG Wei as independent non-executive Directors.