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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 securities broker or other registered 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, the accompanying form of proxy and reply slip 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)**

**MAJOR TRANSACTIONS**

- (1) POTENTIAL CAPITAL INCREASE IN A SUBSIDIARY;  
(2) PROCUREMENT OF GAS TURBINES;  
AND  
(3) POTENTIAL CONSTRUCTION WORKS**

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Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 30 of this circular.

The Potential Capital Increase, the Gas Turbines Procurement and the Potential Construction Works have been approved by way of written shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

\* *for identification purposes only*

March 8, 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the same meanings as set out below:*

“Announcements”	the announcements of the Company dated December 28, 2021, January 31, 2022, February 15, 2022 and March 1, 2022 in relation to, among other things, the Capital Increase Public Tender, the Potential Capital Increase, the Proposed Capital Increase Mandate, the Gas Boilers Procurement, the Gas Turbines Procurement, the Construction Tender, the Potential Construction Works and the Proposed Construction Mandate, and the transactions contemplated thereunder
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement to be entered into between Lingang Thermal Power, TFEI, the Company and the Potential Investor in relation to the Potential Capital Increase
“Capital Increase Public Tender”	the public tender being conducted by Lingang Thermal Power on TPRE in relation to the Potential Capital Increase
“Company”	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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Agreement”	the engineering and construction agreement to be entered into between Lingang Thermal Power and the Potential Contractor in relation to the Potential Construction Works
“Construction Tender”	the tender to be conducted by Lingang Thermal Power (through an independent tendering agent) in relation to the Potential Construction Works

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## DEFINITIONS

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“Construction Warranty Period”	the warranty period for the Potential Construction Works to be provided by the Potential Contractor to Lingang Thermal Power pursuant to the Construction Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Gas Boilers”	five gas boilers with output of 40 tons/hour each and their respective ancillary equipment under the Gas Boilers Procurement
“Gas Boilers Procurement”	the procurement of the Gas Boilers by Lingang Thermal Power pursuant to the Gas Boilers Procurement Agreement
“Gas Boilers Procurement Agreement”	the gas boilers procurement agreement dated January 31, 2022 entered into between Lingang Thermal Power and Taiyuan Boiler Group Co., Ltd.* (太原鍋爐集團有限公司), details of which are stated in the announcement of the Company dated January 31, 2022
“Gas Distributed Energy Station Project”	the gas distributed energy station project in Tianjin Lingang Grain and Oil Processing Zone to be engaged by Lingang Thermal Power
“Gas Turbines”	two 15MW graded gas turbines and two 29 tons/hour waste heat steam boilers and their accessories under the Gas Turbines Procurement
“Gas Turbines Consideration”	RMB85.20 million, being the total consideration payable by Lingang Thermal Power to the Vendor for the Gas Turbines pursuant to the Gas Turbines Procurement Agreement
“Gas Turbines Procurement”	the procurement of the Gas Turbines by Lingang Thermal Power pursuant to the Gas Turbines Procurement Agreement
“Gas Turbines Procurement Agreement”	the gas turbines procurement agreement dated February 15, 2022 entered into between Lingang Thermal Power and the Vendor in relation to the Gas Turbines Procurement

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## DEFINITIONS

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“Gas Turbines Warranty Period”	the warranty period for the Gas Turbines to be provided by the Vendor to Lingang Thermal Power pursuant to the Gas Turbines Procurement Agreement
“Group”	the Company and its subsidiaries
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	March 1, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lingang Thermal Power”	Tianjin Tianbao Lingang Thermal Power Co., Ltd.* (天津天保臨港熱電有限公司) (formerly known as Tianjin Jinneng Lingang Thermal Power Co., Ltd.* (天津津能臨港熱電有限公司)), a limited liability company established in the PRC on May 8, 2009, a non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Potential Capital Increase”	the proposed capital increase of Lingang Thermal Power for no less than RMB40.8240 million and RMB9.1646 million by the Potential Investor and the Company, respectively
“Potential Construction Works”	the proposed engineering and construction works in relation to the Gas Distributed Energy Station Project to be conducted by the Potential Contractor
“Potential Contractor”	the successful bidder of the Construction Tender
“Potential Investor”	the successful bidder of the Capital Increase Public Tender

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## DEFINITIONS

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“PRC”	the People’s Republic of China
“Proposed Capital Increase Mandate”	the general mandate to be granted in advance by the Shareholders to the Group to conduct the Potential Capital Increase
“Proposed Construction Mandate”	the general mandate to be granted in advance by the Shareholders to the Group to conduct the Potential Construction Works
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“TFEI”	Tianjin Free Trade Zone Environment Investment Development Group Co., Ltd.* (天津港保稅區環境投資發展集團有限公司), a limited liability company established on October 10, 2007 in the PRC and a direct shareholder of 49.0% equity interest in Lingang Thermal Power
“TFIHC”	Tianjin Free Trade Zone Investment Holdings Group Co., Ltd.* (天津保稅區投資控股集團有限公司), a company with limited liability established in the PRC, and a subsidiary held as to 90.55% and 9.45% by Tianjin Port Free Trade Zone State-owned Assets Administration Bureau* (天津港保稅區國有資產管理局) and Tianjin Zhonglian Real Estate Co., Ltd. (天津中聯置業有限公司) (a wholly-owned subsidiary of the Tianjin Municipal Bureau of Finance), respectively, one of the controlling shareholders of the Company

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## DEFINITIONS

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“Tianbao Holdings”	Tianjin Tianbao Holdings Limited* (天津天保控股有限公司), a company with limited liability established in the PRC on January 28, 1999 and a wholly-owned subsidiary of TFIHC, one of the controlling shareholders of the Company
“Tianbao Investment”	Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司), a state-owned enterprise established in the PRC on January 18, 2002 and a wholly-owned subsidiary of TFIHC, one of our Shareholders
“TPRE”	Tianjin Property Rights Exchange* (天津產權交易中心)
“Vendor”	Lei Shing Hong Energy (Kunshan) Co., Ltd.* (利星行能源(昆山)有限公司), a limited liability company established in the PRC
“%”	per cent.

\* *for identification purposes only*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. ZHOU Shanzhong (*Chairman*)  
Mr. MAO Yongming  
Mr. XING Cheng

*Registered Address in the PRC:*

No. 35 Haibinba Road  
Tianjin Port Free Trade Zone  
Tianjin City  
PRC

*Non-executive Directors:*

Mr. WANG Xiaotong  
Ms. DONG Guangpei

*Headquarters/Principal Place of Business in  
the PRC:*

No. 35 Haibinba Road  
Tianjin Port Free Trade Zone  
Tianjin City  
PRC

*Independent Non-executive Directors:*

Mr. CHAN Wai Dune  
Mr. HAN Xiaoping  
Ms. YANG Ying

*Principal Place of Business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

March 8, 2022

*To the Shareholders,*

Dear Sir/Madam,

**MAJOR TRANSACTIONS**

**(1) POTENTIAL CAPITAL INCREASE IN A SUBSIDIARY;**

**(2) PROCUREMENT OF GAS TURBINES;**

**AND**

**(3) POTENTIAL CONSTRUCTION WORKS**

**I. INTRODUCTION**

Reference is made to the Announcements in relation to, among other things, the commencement of the Capital Increase Public Tender, the Potential Capital Increase, the Proposed Capital Increase Mandate, the Gas Boilers Procurement, the Gas Turbines Procurement, the Construction Tender, the Potential Construction Works and the Proposed Construction Mandate.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, further details of the Capital Increase Public Tender, the Potential Capital Increase, the Proposed Capital Increase Mandate, the Gas Turbines Procurement, the Construction Tender, the Potential Construction Works, the Proposed Construction Mandate, and the transactions contemplated thereunder.

### II. THE POTENTIAL CAPITAL INCREASE

#### Background

On January 30, 2022, the Board resolved to approve the Potential Capital Increase of Lingang Thermal Power for no less than RMB40.8240 million and RMB9.1646 million by the Potential Investor and the Company, respectively.

As the Company is a PRC state-owned enterprise and the equity interests in Lingang Thermal Power is regarded as state-owned assets, the Potential Capital Increase is subject to a public tender organized by an approved equity exchange in accordance with the relevant PRC laws and regulations. The Potential Capital Increase is being conducted by way of public tender on TPRE. The Capital Increase Public Tender has commenced on December 29, 2021 and has initially ended on February 28, 2022 but is being extended pursuant to the relevant public tender procedures of TPRE until a successful bidder is identified, during which interested parties may apply to bid in the Capital Increase Public Tender. Upon completion of the Capital Increase Public Tender, a successful bidder will be identified and it will, together with the Company, TFEI and Lingang Thermal Power, enter into the Capital Increase Agreement in accordance with the relevant rules of TPRE regarding capital increases in enterprises.

#### Principal terms of the Capital Increase Public Tender and the Potential Capital Increase

The principal terms of the Capital Increase Public Tender and the Potential Capital Increase are set out as follows:

Subject matter:	It is proposed that Lingang Thermal Power to conduct a capital increase for no less than RMB40.8240 million and RMB9.1646 million by the Potential Investor and the Company, respectively.
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## LETTER FROM THE BOARD

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Consideration:

Pursuant to the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) and other relevant PRC laws and regulations, the minimum bidding price in respect of the Potential Capital Increase shall take reference to the appraised value of the net asset value of Lingang Thermal Power of approximately RMB222.1712 million as at June 30, 2021 (as the evaluation base date), accordingly the capital increase price for each RMB1.0 in Lingang Thermal Power's registered capital shall be no less than approximately RMB2.221712. The appraised net asset value of Lingang Thermal Power was based on the equity evaluation report of Lingang Thermal Power prepared by an independent valuer for the purpose of compliance with the relevant PRC state-owned assets administration requirements that adopted asset-based approach in respect of the assets and liabilities of Lingang Thermal Power. The full text of the equity evaluation report is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

Equity interests of Lingang  
Thermal Power:

Regardless of the final amount of capital increase (but in any event no less than RMB40.8240 million and RMB9.1646 million from the Potential Investor and the Company, respectively), the Potential Investor shall subscribe for 15% of the enlarged registered capital of Lingang Thermal Power. The actual amount of capital increase exceeding the amount of subscribed registered capital will be attributed to the capital reserves of Lingang Thermal Power.

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## LETTER FROM THE BOARD

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Other rights: The board of directors of Lingang Thermal Power shall comprise of five directors upon completion of the Proposed Capital Increase. The Potential Investor shall be entitled to nominate one director and deputy general manager of Lingang Thermal Power. The Company and TFEI shall be entitled to nominate three directors and one director, respectively. The chairman of the board of directors and general manager of Lingang Thermal Power shall be elected by its board of directors among representative directors of the Company and nominated by the Company, respectively.

Qualification requirements of potential bidders: Set out below are the qualification requirements of the potential bidders to participate in the Capital Increase Public Tender:

- (i) The potential bidder shall be a legal entity duly established in the PRC with more than 20 years of continuous operation;
- (ii) The potential bidder shall be primarily engaged in businesses such as operation of compressed natural gas, liquified petroleum gas, combustion gas and urban natural gas project investment (based on the business license);
- (iii) The audited paid up registered capital and net profit for 2020 of the potential bidder shall be no less than RMB8,000 million and RMB4,000 million, respectively, and its assets and liabilities ratio shall not be more than 60%; and
- (iv) The Capital Increase Public Tender is not open to financial investors, funds and trusts, natural persons or nominee investors.

In addition, it is expected that the Potential Investor shall be an independent third party not connected with the Company and its connected persons.

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## LETTER FROM THE BOARD

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Procedures of the Capital  
Increase Public Tender:

Lingang Thermal Power has commenced the Capital Increase Public Tender on TPRE on December 29, 2021 and has initially ended on February 28, 2022. As no qualified tender is received during the initial period, the tender period shall be extended for each subsequent period of five working days pursuant to the relevant public tender procedures of TPRE until a successful bidder is identified. During such period, interested parties may apply to bid in the Capital Increase Public Tender through TPRE.

Upon the completion of the tender period and the receipt of qualified tenders, Lingang Thermal Power will consider the tender and confirm the successful bidder. In the event that more than one qualified tender is received, Lingang Thermal Power will conduct competitive negotiations with the potential bidders and determine the successful bidder based on (i) the amount of capital increase proposed by the potential bidders; (ii) the overall capability of the potential bidders, including its background, credibility, reputation, capital strength, financial condition and corporate governance; (iii) the potential bidders' recognition of the Group's corporate culture, development strategy and management, with priority for potential bidders which may create potential synergy with the Group, intend to establish long term cooperation, or has existing strategic or business collaboration with the Group; (iv) the experience of successful investment with state-owned enterprises; (v) the resources, project, operation and experience of the potential bidders which could enhance the management system, create synergies in utilization of resources and in industry, create further profits for the Group; and (vi) the experience of the potential bidders and their respective subsidiaries in implementing relevant projects.

After confirming to be the successful bidder, the Potential Investor shall further finalise and enter into the Capital Increase Agreement with Lingang Thermal Power, TFEI and the Company.

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## LETTER FROM THE BOARD

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The details of the Capital Increase Public Tender, including the eligibility of potential bidders, conditions of the Potential Capital Increase and selection criteria of the successful bidders, have been released on the website of TPPE at [www.tpre.cn](http://www.tpre.cn) on December 28, 2021. Further announcements will be made by the Company in relation to, among other things, the identity of the successful bidder and the Capital Increase Agreement as and when appropriate.

Payment of the amount of  
Potential Capital Increase:

Within five working days after confirmation of its qualification to participate in the Potential Capital Increase, each of the potential bidders shall pay a deposit of RMB12.0000 million to TPPE to be held in escrow for Lingang Thermal Power, which shall be used to satisfy part of the final amount of the Potential Capital Increase if such potential bidder is successful in the Capital Increase Public Tender, or returned in full (without interest) if such potential bidder was unsuccessful in the Capital Increase Public Tender.

However, the deposit may be forfeited by Lingang Thermal Power if (i) a withdrawal from the Capital Increase Public Tender by the potential bidder after the deposit has been paid; (ii) the potential bidder failing to participate in the competitive negotiation after completion of the bidding period; (iii) the successful bidder failing to execute the Capital Increase Agreement and pay the full amount for the Potential Capital Increase within the time limit set by TPPE; or (iv) other breaches of the terms and conditions of the Capital Increase Public Tender by the potential bidder.

Use of proceeds:

The proceeds to be raised from the Potential Capital Increase is intended to be used for the construction and operation of the Gas Distributed Energy Station Project, details of which are further provided in the section headed "V. Reasons for and Benefits of the Transactions" in this circular.

Other conditions precedent:

It is expected that the Potential Capital Increase be subject to the following conditions precedent:

- (i) The Capital Increase Agreement becoming effective;

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## LETTER FROM THE BOARD

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- (ii) The Potential Capital Increase has been duly approved by the relevant parties, including but not limited to the approvals by their respective board of directors and shareholders;
- (iii) TFEI has undertaken to give up its pre-emptive rights in respect of the Potential Capital Increase;
- (iv) The relevant parties have obtained the approval from state-owned assets regulatory authorities or their authorized regulatory units in respect of the Potential Capital Increase (if required);
- (v) the Potential Capital Increase has been approved by relevant authorities, including but not limited to any governmental and regulatory authorities and stock exchange (if required); and
- (vi) the issuance of a capital contribution certificate to the Company and the Potential Investor by Lingang Thermal Power.

As at the Latest Practicable Date, conditions precedent (iii) and (iv) have been satisfied. On the basis of not infringing any rules and regulations or the relevant rules of the Listing Rules and which would not affect the substance and legality of the Proposed Capital Increase, the parties thereto may agree to waive certain of the above conditions precedent.

Lingang Thermal Power reserves the right to enter into the Capital Increase Agreement with the Potential Investor at its absolute discretion. The terms and conditions of the Capital Increase Agreement to be entered into shall be materially similar, if not identical, to the terms described hereinabove and that of the Capital Increase Public Tender. The Company will make further announcements in relation to, among other things, the Capital Increase Agreement as and when appropriate.

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## LETTER FROM THE BOARD

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### Changes to the shareholding structure of Lingang Thermal Power

The following table sets forth the shareholding structure of Lingang Thermal Power as at the Latest Practicable Date and upon completion of the Potential Capital Increase:

Shareholders	As at the Latest Practicable Date		Upon completion of the Potential Capital Increase <sup>Note</sup>	
	Registered capital (RMB'000)	Percentage of equity interest (%)	Registered capital (RMB'000)	Percentage of equity interest (%)
Company	51,000	51.00	55,125	45.00
TFEI	49,000	49.00	49,000	40.00
Potential Investor	–	–	18,375	15.00
<b>Total</b>	<b><u>100,000</u></b>	<b><u>100.00</u></b>	<b><u>122,500</u></b>	<b><u>100.00</u></b>

*Note:* Assuming the minimum capital increase amount of RMB40.8240 million and RMB9.1646 million by the Potential Investor and the Company, respectively, and the remainder capital increase amount will be attributed to the capital reserves of Lingang Thermal Power.

### The Proposed Capital Increase Mandate

Pursuant to the relevant rules of TPRE, once the successful bidder is identified, the Company, TFEI, Lingang Thermal Power and the Potential Investor shall enter into the Capital Increase Agreement and, subject to the terms and conditions thereunder, complete the Potential Capital Increase. Accordingly, the Board intends to seek the advance approval of the Proposed Capital Increase Mandate from the Shareholders to authorize the Board and its authorized persons to deal with all matters in connection with the Potential Capital Increase, including but not limited to:

1. authorize the Board to handle and determine specific matters relating to the Potential Capital Increase including but not limited to, confirming the successful bidder from the Capital Increase Public Tender, the capital increase amount, the corporate governance structure of Lingang Thermal Power after the Potential Capital Increase, and the execution of the Capital Increase Agreement, in accordance with the laws, regulations, regulatory documents, resolutions of the Shareholders and regulatory opinions of the Stock Exchange;
2. authorize the Board to handle all administrative matters in relation to the Potential Capital Increase, handle the change of industry and commerce registration and the change of ownership procedures;

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## LETTER FROM THE BOARD

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3. proceed with the Capital Increase Public Tender procedures, sign, supplement, revise and execute or affix seals (or contract seals) to contracts, agreements and other relevant legal documents related to Potential Construction Works, and handle matters relating to the Potential Capital Increase such as making disclosure and obtaining shareholders' approval (if necessary) in accordance with the relevant requirements of the Listing Rules; and
4. authorize the Board to take all necessary actions to determine and handle other matters relating to the Potential Capital Increase.

The Proposed Capital Increase Mandate shall be effective for 12 months from date of the approval by the Shareholders. After obtaining the Shareholders' approval for the Proposed Capital Increase Mandate, the Group will continue with completing the Capital Increase Public Tender process, identifying the Potential Investor, executing the Capital Increase Agreement and completing the Potential Capital Increase.

### Financial information of Lingang Thermal Power

Set out below is selected figures extracted from the audited financial information of Lingang Thermal Power for the two financial years ended December 31, 2019 and 2020, and the six months ended June 30, 2021 prepared in accordance with the China Accounting Standards for Business Enterprises:

	<i>RMB'000</i>		
	<b>For the year ended</b>		<b>For the</b>
	<b>December 31,</b>		<b>six months</b>
	<b>2019</b>	<b>2020</b>	<b>ended</b>
			<b>June 30,</b>
			<b>2021</b>
Revenue	191,503	193,757	99,424
Net profit before tax	27,315	42,158	8,424
Net profit after tax	20,482	31,619	6,318

The net asset value extracted from audited financial information of Lingang Thermal Power as at June 30, 2021 was approximately RMB200.417 million.

### Property Valuation Reconciliation

Cushman & Wakefield Limited has conducted a valuation of the selected property interest of Lingang Thermal Power as at January 31, 2022. The texts of its letter and the valuation certificate are set out in Appendix III to this circular. The table below sets forth the reconciliation between the net book value of the properties of Lingang Thermal Power as at June 30, 2021 amounted to RMB188.8 million comprising selected property, plant and



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## LETTER FROM THE BOARD

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equipment and right-of-use assets for properties amounted to RMB130.3 million and RMB58.5 million, separately, and valuation amount as extracted from the property valuation report as included in Appendix III to this circular as at January 31, 2022.

	<i>RMB'000</i>
<b>Net book value of the properties of Lingang Thermal Power as at June 30, 2021</b>	188,841
Less:	
Depreciation	3,771
Net book value of the properties of Lingang Thermal Power as at January 31, 2022	185,070
Net valuation surplus as at January 31, 2022	6,830
<b>Valuation amount as at January 31, 2022</b>	191,900

### **Financial effects of the Potential Capital Increase**

As at the Latest Practicable Date, Lingang Thermal Power is a non-wholly owned subsidiary of the Company. If the Capital Increase Public Tender is successful and the Potential Capital Increase is completed, the registered capital of Lingang Thermal Power will be increased from RMB100.0 million to RMB122.5 million and the equity interest held by the Company in Lingang Thermal Power will decrease from 51.00% to 45.00%. As the board of directors of Lingang Thermal Power is expected to comprise of five directors upon completion of the Proposed Capital Increase, the majority (three out of five) and chairman of which are representatives of the Company, the Directors are of the view that the Company will continue to exert control over the board of directors of Lingang Thermal Power by holding the majority of voting right over it, and Lingang Thermal Power will remain as a non-wholly-owned subsidiary of the Company and its accounts will continue to be recorded in the Group's consolidated accounts.

The effect of the Potential Capital Increase will not result in a loss of the Company's control over Lingang Thermal Power. Pursuant to IFRS 10 Consolidated Financial Statements *"When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent."* Thus, changes in the Company's ownership interest in its subsidiary Lingang Thermal Power that do not result in the loss of control are accounted for as equity transactions and no gain or loss is recognised but is instead recognised in equity. Also, no adjustment is made to the carrying amounts of existing assets (including goodwill) or liabilities as a result of the Potential Capital Increase.

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## LETTER FROM THE BOARD

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Upon completion of the Potential Capital Increase (assuming with the final amount of capital increase under the Potential Capital Increase being RMB40.8240 million by the Potential Investor and RMB9.1646 million by the Company) and without considering the use of the proceeds from the Potential Capital Increase, the consolidated total assets of the Group is expected to increase by RMB40.8240 million and the consolidated net assets of the Group is expected to increase by RMB40.8240 million, which represents the proceeds of the Potential Capital Increase received by the Group from the Potential Investor.

### Listing Rules Implications

It is expected that upon completion of the Potential Capital Increase, there will be a decrease of the equity interest held by the Company in Lingang Thermal Power. Accordingly, the Potential Capital Increase constitutes a deemed disposal of the Group under Rule 14.29 of the Listing Rules. In addition, taking into account the estimated capital increase amount of the Potential Capital Increase, the highest applicable percentage ratio (calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the Potential Capital Increase is expected to be more than 25% but less than 75%. Therefore, the Potential Capital Increase, if materialized, will constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### III. PROCUREMENT OF GAS TURBINES

#### Background

On February 15, 2022, Lingang Thermal Power entered into the Gas Turbines Procurement Agreement with the Vendor, pursuant to which Lingang Thermal Power has conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell the Gas Turbines at an aggregate Gas Turbines Consideration of RMB85.20 million.

#### Principal terms of the Gas Turbines Procurement Agreement

The principal terms of the Gas Turbines Procurement Agreement are set out as follows:

<b>Date</b>	:	February 15, 2022
<b>Parties</b>	:	<b>Purchaser</b> : Lingang Thermal Power <b>Vendor</b> : Lei Shing Hong Energy (Kunshan) Co., Ltd.* (利星行能源(昆山)有限公司)
<b>Assets to be acquired</b>	:	The Gas Turbines, being two 15MW graded gas turbines and two 29 tons/hour waste heat steam boilers and their accessories.

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## LETTER FROM THE BOARD

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**Gas Turbines Consideration** : The Gas Turbines Consideration payable under the Gas Turbines Procurement Agreement is RMB85.20 million and shall be payable by Lingang Thermal Power to the Vendor as follows:

- (1) RMB17.04 million, being 20% of the Gas Turbines Consideration, within one month upon execution of the Gas Turbines Procurement Agreement and 15 days after Lingang Thermal Power's review of the corresponding VAT invoice provided by the Vendor, and the Vendor shall provide Lingang Thermal Power with a letter of guarantee of equivalent amount which expiration date shall be August 31, 2022;
- (2) RMB42.60 million, being 50% of the Gas Turbines Consideration, within 15 days upon delivery of the Gas Turbines and the Vendor providing the corresponding VAT invoices;
- (3) RMB17.04 million, being 20% of the Gas Turbines Consideration, (i) within 30 days upon completion of the testing, tuning (if required) and acceptance of the Gas Turbines and the Vendor providing the corresponding receipt and the VAT invoice of RMB25.56 million (being 30% of the Gas Turbines Consideration); or (ii) if no tuning and acceptance could be completed within 200 days after delivery due to reasons of Lingang Thermal Power, 30 business days after the earlier of the 201st day after delivery or 180 days after installation; and
- (4) RMB8.52 million, being the remainder 10% of the Gas Turbines Consideration, within 30 business days after the expiration of the Gas Turbines Warranty Period and 30 days after the provision of the corresponding receipt by the Vendor.

**Delivery** : The Vendor shall commence delivering the Gas Turbines to Lingang Thermal Power by August 31, 2022 in accordance with the relevant delivery procedures pursuant to the Gas Turbines Procurement Agreement.

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## LETTER FROM THE BOARD

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- Gas Turbines Warranty Period** : The Vendor shall provide a Gas Turbines Warranty Period of 12 months from the completion of testing and acceptance date of the Gas Turbines or 18 months from the delivery date of the Gas Turbines, whichever is earlier. If the operation of the Gas Turbines is suspended or their installation is delayed due to their replacement or repair caused by the Vendor, the Gas Turbines Warranty Period shall be extended in accordance with the actual period delayed by the repair and replacement.
- Conditions precedent** : The Gas Turbines Procurement Agreement shall be effective upon its due execution and the approval by the Shareholders of the Company.

Lingang Thermal Power had undertaken public tender for the procurement of Gas Turbines and selected the Vendor as the winner of the tender after taking into account a series of factors including the technical capabilities of the Vendor to provide the Gas Turbines at the required specifications, the commercial terms proposed, the competitive tender price proposal and payment schedule. Among the four bidders that participated in the public tender, the Vendor has provided the most competitive overall proposal with normal commercial terms and its price proposal is also similar to that of the other bidders. The Gas Turbines Consideration shall be settled as to 30% by internal resources of Lingang Thermal Power and 70% by bank borrowings.

### **Information of the Gas Turbines**

The Gas Turbines includes two 15MW graded gas turbines and two 29 tons/hour waste heat steam boilers and their accessories, in which the waste heat steam boilers will use the waste heat (smoke) generated by the gas turbines to produce steam for other industrial heating. Accordingly, waste heat may be utilized for further power production, thereby enhancing the overall production efficiency and improve the profitability of power generation.

### **Financial effects of the procurement of Gas Turbines**

Upon the completion of the procurement of the Gas Turbines, the property, plant and equipment of the Group are expected to increase by approximately RMB75.40 million, net of value-added tax, and value-added tax recoverable will be increased by RMB9.80 million while the cash balance of the Group would decrease by approximately RMB25.56 million. The total liabilities will increase by RMB59.64 million, representing the bank borrowings for the Gas Turbines Procurement.

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## LETTER FROM THE BOARD

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### **Listing Rules Implications**

As the Gas Boilers Procurement, the Gas Turbines Procurement and the Potential Construction Works relating to the Gas Distributed Energy Station Project are for the Group's own use in its usual course of business, according to Rule 14.23A of the Listing Rules, the transactions contemplated under the Gas Boilers Procurement Agreement, the Gas Turbines Procurement Agreement and the Construction Agreement are not required to be aggregated and treated as one transaction on the sole basis of the factor as set out in Rule 14.23(3) of the Listing Rules (involving the acquisition or disposal of parts of one asset). Nonetheless, as the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Gas Turbines Procurement Agreement is more than 25% but less than 100%, the transaction contemplated thereunder constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **IV. POTENTIAL CONSTRUCTION WORKS**

#### **Background**

On January 30, 2022, the Board resolved to approve the Potential Construction Works of the Gas Distributed Energy Station Project of Lingang Thermal Power.

Lingang Thermal Power intends to select the Potential Contractor to conduct the Potential Construction Works by way of tender. The information of the Construction Tender will be submitted to and be publicly available on the government's website Tianjin Engineering Construction Information Website\* (天津工程建設信息網), and is expected to commence in around April 2022, during which any qualified engineering and construction works contractors may apply for and submit proposals to bid in the Construction Tender. Upon completion of the Construction Tender, a successful bidder will be identified as the Potential Contractor and it will enter into the Construction Agreement with Lingang Thermal Power in respect of the Potential Construction Works.

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### Principal terms of the Construction Tender and the Potential Construction Works

The principal terms of the Construction Tender and the Potential Construction Works are set out as follows:

- Subject matter:
- It is proposed that the Potential Contractor shall be responsible for the Potential Construction Works in relation to the Gas Distributed Energy Station Project, including but not limited to:
- (i) the construction works relating to the simple gas turbines recycling system comprising the Gas Turbines (being two 15MW graded gas turbines and two 29 tons/hour waste heat steam boilers) and the Gas Boilers (being five gas boilers with output of 40 tons/hour each) and all their respective ancillary equipment; and
  - (ii) except the booster transformer and power transmission works in the project site, all pile foundation engineering, construction engineering, decoration engineering, gas engineering, thermal engineering, automatic control engineering, flue gas online continuous monitoring system (CEMS), electrical equipment installation engineering, water supply and drainage engineering, heating cooling and ventilation system engineering, fire protection engineering, greening engineering, road engineering, security monitoring engineering in the project site and all engineering projects connected with the original production system at the site of Lingang Thermal Power.

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## LETTER FROM THE BOARD

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Construction Consideration: It is expected that a tender price ceiling of RMB74.87 million for the Potential Construction Works will be set in the Construction Tender. The tender price shall include all costs to be incurred by the Potential Contractor relating to the Potential Construction Works including the engineering and construction works, construction materials, construction equipment, all related professional works, subcontracting fees (if applicable) and any repair and maintenance during the defect liability period.

The tender price ceiling was set by Lingang Thermal Power based on the total cost estimated by PowerChina Hebei Electric Power Engineering Co., Ltd.\* (中國電建集團河北省電力勘測設計研究院有限公司), an independent state-owned grade A surveyance and design company which assisted with the design of construction works required for the Gas Distributed Energy Station Project, and taking into account the proposed scope, complexity and scale of work involved, the machineries and ancillary equipment to be set up, the required standards of the Potential Construction Works, the minimum qualification requirements of potential bidders and prices for similar construction services.

The consideration for the Potential Construction Works is expected to be settled as to 30% by the internal resources of Lingang Thermal Power and 70% by bank borrowings.

Qualification requirements of potential bidders: Set out below are the qualification requirements of the potential bidder to participate in the Construction Tender:

- (i) The potential bidder shall be qualified as a grade three and above electrical projects construction contractor\* (電力工程施工總承包三級及以上);
- (ii) The business license, proof of qualification and safety production permits of the potential bidder shall be valid and existing;

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## LETTER FROM THE BOARD

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- (iii) The potential bidder shall be able to designate one project manager, one deputy project manager, one engineering person-in-charge who is also the project manager or deputy project manager, one technical management person-in-charge for the Potential Construction Works, all of whom shall meet the specified qualification and experience requirements and are employees of the potential bidder;
- (iv) The potential bidder shall have a certificate of grade three and above for Special Equipment Installation, Transformation and Maintenance License (Boilers)\* (《特種設備安裝改造維修許可證》(鍋爐)3級及以上) or grade B or above for PRC Special Equipment Production Permit (Boilers, including installation)\* (《中華人民共和國特種設備生產許可證》(鍋爐)B級(含安裝)); and
- (v) Potential bidders that are dishonest and have been stated as dishonest persons subject to enforcement on Credit China ([www.creditchina.gov.cn](http://www.creditchina.gov.cn)) will be disqualified and no tenders submitted jointly by different parties will be accepted.

In addition, it is expected that the Potential Contractor shall be an independent third party not connected with the Company and its connected persons.

### Procedures of the Construction Tender:

After obtaining the Shareholders' approval for the Proposed Construction Mandate, Lingang Thermal Power will commence the formal process of the Construction Tender by appointing an independent tendering agent to prepare the tender document and administer the tender process for the Potential Construction Works. The Construction Tender information will be publicly available on the government's website Tianjin Engineering Construction Information Website\* (天津工程建設信息網) for engineering and construction work contractors to consider and apply for the tender.



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The Construction Tender and relevant matters is governed by the Tianjin Port Free Trade Zone State Land Planning and Construction and Transportation Bureau\* (天津港保稅區規劃國土和建設交通局). The tender period is expected to be a period of 21 days from the date of announcing the Construction Tender. In the event that less than three qualified tenders are received and if Lingang Thermal Power intends to proceed with the Potential Construction Works, the tender period shall be extended for each subsequent period of five working days until three or more qualified tenders are received.

Upon the completion of the tender period and the receipt of qualified tenders, Lingang Thermal Power will consider the tenders and confirm the successful bidder through a scoring system in accordance with the requirements under Notice of the Municipal Construction Commission on Printing and Distributing the Applicable Scope of the Construction Bidding and Evaluation Measures (Jinjianzhaobiao [2014] No.459)\* (《市建委關於印發施工招標評標辦法適用範圍的通知》(津建招標[2014]459號)), in which tenders that meet the criteria set out in the tender documents (such as the qualifications and technical capabilities of the potential bidders to engineer and construct the Potential Construction Works at the required specifications) are first shortlisted. The mechanism for selecting the final successful tender depends on the number of qualified tenders received:

- (i) If there are five qualified tenders or less, the shortlisted tender with the lowest tender price proposal shall be selected;
- (ii) If there are six qualified tenders, the shortlisted tender with the lowest tender price proposal (but above the average of all qualified price proposals) among the five tenders with the highest scores in technical assessment shall be selected; or

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- (iii) If there are seven or more qualified tenders, an average of all qualified price proposals shall first be calculated (First Average) and then an average of the price proposals below the First Average shall be calculated (Second Average), and the shortlisted tender with the lowest tender price proposal but above the Second Average among the five tenders with the highest scores in technical assessment shall be selected.

After confirming to be the successful bidder, the Potential Contractor shall further finalise and enter into the Construction Agreement with Lingang Thermal Power. Further announcements will be made by the Company in relation to, among other things, the identity of the successful bidder and the Construction Agreement as and when appropriate.

Lingang Thermal Power reserves the right to enter into the Construction Agreement with the Potential Contractor at its absolute discretion. The terms and conditions of the Construction Agreement to be entered into shall be materially similar, if not identical, to the terms described hereinabove and that of the Construction Tender. The Company will make further announcements in relation to, among other things, the Construction Agreement as and when appropriate.

Expected date of commencement and completion:

Subject to successful completion of the Construction Tender and the due execution of the Construction Agreement, the Potential Construction Works are tentatively expected to commence by May 31, 2022 and to be completed in June 2023.

Construction Warranty Period:

It is proposed that the Construction Warranty Period shall be two years after the Potential Construction Works has passed the project completion acceptance; and the waterproof warranty period shall be five years after the Potential Construction Works has passed the project completion acceptance.

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## LETTER FROM THE BOARD

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### **The Proposed Construction Mandate**

In order to facilitate the project progress of the Gas Distributed Energy Station Project and the procedures for commencing the Potential Construction Works, the Board intends to seek the advance approval of the Proposed Construction Mandate from the Shareholders to authorize the Board and its authorized persons to deal with all matters in connection with the Potential Construction Works, including but not limited to:

1. authorize the Board to handle and determine specific matters relating to the Potential Construction Works including but not limited to, confirming the successful bidder from the Construction Tender, the final construction sum, the scope of work, and the execution of the Construction Agreement, in accordance with the laws, regulations, regulatory documents and resolutions of the Shareholders;
2. authorize the Board to handle all administrative matters in relation to the Potential Construction Works, submit, handle and proceed with the Construction Tender;
3. sign, supplement, revise and execute contracts, agreements and other relevant legal documents related to Potential Construction Works or affix seals (or contract seals), and matters such as making disclosure and obtaining shareholders' approval (if necessary) in accordance with the relevant requirements of the Listing Rules; and
4. authorize the Board to take all necessary actions to determine and handle other matters relating to the Potential Construction Works.

The Proposed Construction Mandate shall be effective for 12 months from date of the approval by the Shareholders. After obtaining the Shareholders' approval for the Proposed Construction Mandate, the Group will handle all relevant formal processes of the Construction Tender, identify the Potential Contractor, execute the Construction Agreement and complete the Potential Construction Works.

### **Financial effects of the Potential Construction Works**

The Company considers that there will not be any material effect on the earnings of the Group immediately after the execution and completion of the Construction Agreement (which shall be executed if the Construction Tender is successful and the Potential Contractor could be identified), assuming the interest on incremental bank loans will be capitalised to the project since it is attributable to the said project. After the completion of the Potential Construction Works and the full payment of the consideration under the Construction Agreement (which shall be no more than RMB74.87 million as set in the Construction Tender), the property, plant and equipment of the Group will be increased by approximately RMB67.92 million net of value-added tax, value-added tax recoverable will be increased by RMB6.95 million, the cash and cash equivalents of the Group will be decreased by approximately RMB22.461 million and the loans and borrowings of the Group will be increased by approximately RMB52.409 million. As a result, the total assets and total liabilities are expected to increase accordingly.

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### **Listing Rules Implications**

As the Gas Boilers Procurement, the Gas Turbines Procurement and the Potential Construction Works relating to the Gas Distributed Energy Station Project are for the Group's own use in its ordinary and usual course of business, according to Rule 14.23A of the Listing Rules, the transactions contemplated under the Gas Boilers Procurement Agreement, the Gas Turbines Procurement Agreement and the Construction Agreement are not required to be aggregated and treated as one transaction on the sole basis of the factor as set out in Rule 14.23(3) of the Listing Rules (involving the acquisition or disposal of parts of one asset). Nonetheless, as the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Potential Construction Works is more than 25% but less than 100%, the transaction contemplated thereunder may constitute a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group is an integrated power operator in Tianjin Port Free Trade Zone (Seaport and Lingang) and has formed a diversified industrial structure with the supply of electricity, steam, heating and other power as the mainstay, supplemented by value-added services such as the development and operation of distributed photovoltaic power stations, electricity maintenance services and sales of electrical equipment. As set forth in the 14th Five-Year Strategic Development Plan of the Group, the Group will vigorously expand its clean energy business and taking into account the guidance of National Development and Reform Commission and the National Energy Administration on the promotion of load and storage integration in power supply networks and the development of multiple energy resources and based on the actual development situation, establish gas distributed energy projects during the 14th Five-Year Plan period.

According to the Plan on Electricity in Tianjin Binhai New District Lingang Economic Zone (《天津濱海新區臨港經濟區電力專項規劃》), the construction of natural gas distributed energy stations may assist in fulfilling the power demand, relieve the supply stress and required scale of transformation substations and the power grid in Tianjin Lingang Grain and Oil Processing Zone and neighbouring zones. It is also beneficial to the simplification and enhancement of the electricity supply network in the relevant area. In addition, as the latest governmental policies requires for the reduction and cessation in use of coal boilers, gas distributed energy systems may make up for the gap in the supply of steam for industrial use, thereby safeguarding the continuous stability of power supply for manufacturers in the relevant area.

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Accordingly, the Group intends to engage in the Gas Distributed Energy Station Project, which will involve establishing a gas and steam production system at the existing production site of Lingang Thermal Power and replacing the existing coal and steam production system. Upon completion of the project, the steam production of Lingang Thermal Power will be solely fueled by natural gas and the production capacity of Lingang Thermal Power will also increase. The Gas Distributed Energy Station Project is an important project for the transformation and upgrading of the Group.

The Potential Capital Increase, if materialized, represents a recognition by the potential bidders in the Capital Increase Public Tender of the Group as an integrated power operator in Tianjin Port Free Trade Zone (Seaport and Lingang) and its strategic development direction. The concurrent participation by the Company in the Potential Capital Increase also reflects the Group's commitment to the transformation and upgrading of the energy structure of the Group and the development of Lingang Thermal Power.

Furthermore, based on the stringent qualification requirements to participate in the Capital Increase Public Tender, it is expected that the Potential Investor will have a well-established background, recognised credibility and reputation, strong capital and financial position and good corporate governance. Upon the Potential Investor becoming a shareholder of Lingang Thermal Power, the Group may leverage on the resources and experiences of the Potential Investor in the Group's strategic development, operations and management. The Group may also deepen its cooperation with the Potential Investor, create other synergies, which is a win-win situation and may facilitate the sustainable growth of Lingang Thermal Power and the Group as a whole.

In addition, the Potential Capital Increase is an additional financing that provides fresh capital to Lingang Thermal Power for its future business development and expansion of its scale of business and operation. In particular, proceeds from the Potential Capital Increase shall be used for the Gas Distributed Energy Station Project, which is expected to include the procurement of the Gas Boilers and the Gas Turbines, and the carrying out of the Potential Construction Works, such that the new clean energy production system of Lingang Thermal Power can be constructed in time and reach its expected production capacity as soon as possible.

As part of the Gas Distributed Energy Station Project to switch the steam production of Lingang Thermal Power to become solely fueled by natural gas and increase its production capacity, the main machineries required are the Gas Boilers and the Gas Turbines. As explained in the Announcements, the new Gas Boilers replacing the existing coal boilers of Lingang Thermal Power will be able to generate more steam with the same amount of fuel calorific value while reducing the emission of nitrogen oxides, carbon dioxide, dust and other pollutants. On the other hand, the Gas Turbines are new machineries procured by Lingang Thermal Power aimed at enhancing its production efficiency through producing power and recycling waste heat (smoke) by the waste gas boilers for further steam production. Accordingly, the Gas Turbines complements the overall strategy of the Group in upgrading its production facilities and increasing production capacity, while reducing waste emissions to

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achieve cleaner energy production. In addition, with additional power generated through the Gas Turbines, the Group is better equipped to expand its business by supplying additional power to satisfy its existing customers' growing demand or other new potential customers. The Gas Turbines also assists in meeting the demand for power and promotes the construction of a green energy system in the neighbouring areas.

In order to engage in the Gas Distributed Energy Station Project to transform and upgrade Lingang Thermal Power's production system, Lingang Thermal Power shall procure certain machineries such as Gas Boilers, and a contractor shall be engaged to conduct the Potential Construction Works, which involve the engineering and constructions works to set up the Gas Boilers and the Gas Turbines, and all other engineering and construction works for the establishment of the gas distributed energy stations. Lingang Thermal Power may also leverage on the technical expertise and experiences of the Potential Contractor which increases the efficiency of the Potential Construction Works while ensuring that the relevant machineries will be set up timely to the required standard for smooth operation.

Based on the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of each of the tender processes and agreements relating to the Potential Capital Increase, the Gas Turbines Procurement and the Potential Construction Works are or will be fair and reasonable, in the Group's ordinary and usual course of business expansion and could meet the operational needs of the Group. The Directors are of the view that the transactions contemplated thereunder are in line with the business strategy of the Group and is in the interest of the Company and the Shareholders as a whole.

### VI. 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 of which 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 maintenance for the Grain and Oil Industrial Park of Tianjin Port Free Trade Zone (Lingang). The Company is the first state-owned power operator in Tianjin engaging in cogeneration of steam, electricity, heating and cooling listed on the Main Board of the Stock Exchange.

#### TFEI

Tianjin Free Trade Zone Environment Investment Development Group Co., Ltd.\* (天津港保稅區環境投資發展集團有限公司), a limited liability company established in the PRC on October 10, 2007 and held as to 91.6% by State-owned Assets Supervision and Administration Commission of Tianjin Binhai New Area People's Government\* (天津市濱海新區人民政府國有資產監督管理委員會) and 8.4% by Tianjin Zhonglian Real Estate Co., Ltd. (天津中聯置業

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有限公司) (a wholly-owned subsidiary of the Tianjin Municipal Bureau of Finance). It is principally engaged in the business of construction, maintenance and management of municipal greening and sanitation, telecommunications, environmental protection and water affairs and urban properties.

### **Lingang Thermal Power**

Lingang Thermal Power is a company with limited liability established in the PRC on May 8, 2009, which as at the Latest Practicable Date, is owned as to 51% by the Company and 49% by TFEI. 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). For further information, please refer to the section headed “II. The Potential Capital Increase” in this circular.

### **Vendor**

The Vendor is a company established in the PRC with limited liability and is principally engaged in the investment, sales, contractual energy management of clean energy projects such as natural gas distributed energy, photovoltaic, energy storage and micro-grid. It is the indirect subsidiary of Lei Shing Hong Limited (a conglomerate headquartered in Hong Kong engaging in automobile distribution, machinery and equipment distribution, property investment and development, trading and financial services) and its ultimate beneficial owner is Mr. Poh Yeow Kim Lawrence (傅耀生). To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

## **VII. CONTROLLING SHAREHOLDERS' WRITTEN APPROVAL**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their respective associates have any material interests in any of the Potential Capital Increase, the Gas Turbines Procurement, the Potential Construction Works and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Potential Capital Increase, the Gas Turbines Procurement, the Potential Construction Works and the transactions contemplated thereunder.

The Company has obtained the written shareholders' approval on February 21, 2022 from a closely allied group of Shareholders (being Tianbao Holdings and Tianbao Investment, which is interested in 109,606,538 H Shares and 5,994,369 H Shares, respectively, and together holding 115,600,907 H Shares, representing approximately 72.29% of the total issued share capital of the Company as at the Latest Practicable Date) in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules for approving the transactions abovementioned. Tianbao Holdings and Tianbao Investment are wholly-owned subsidiaries of TFIHC and acting under its direction and therefore together with TFIHC, are the Company's controlling

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## LETTER FROM THE BOARD

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shareholders and a closely allied group of Shareholders. Accordingly, no general meeting of the Company will be convened for the purpose of approving any of the Potential Capital Increase, the Gas Turbines Procurement and the Potential Construction Works.

### VIII. RECOMMENDATION

Having considered the reasons set out herein, the Directors (including independent non-executive Directors) consider that the Potential Capital Increase, the Gas Turbines Procurement, the Potential Construction Works 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. Although a general meeting will not be convened by the Company to approve the Potential Capital Increase, the Gas Turbines Procurement or the Potential Construction Works, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Potential Capital Increase, the Gas Turbines Procurement and the Potential Construction Works.

### IX. ADDITIONAL INFORMATION

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

**As completion of each of the transactions is conditional upon, and subject to the fulfilment of, the success of the Capital Increase Public Tender and/or the Construction Tender, conditions precedent to be set out in the Capital Increase Agreement, the Gas Turbines Procurement Agreement and the Construction Agreement, the transactions contemplated therein may or may not materialize. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

Yours faithfully,  
By order of the Board  
**Tianjin Tianbao Energy Co., Ltd.\***  
**ZHOU Shanzhong**  
*Chairman*

Tianjin, the People's Republic of China, March 8, 2022



**I. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Company for the financial years ended December 31, 2018, 2019, 2020 and the unaudited condensed consolidated financial statements of the Company for the six months ended June 30, 2021, together with the relevant notes thereof are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.tjtbn.com](http://www.tjtbn.com)):

- (i) the annual report of the Company for the year ended December 31, 2018 (pages 80 to 144) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423420.pdf>);
- (ii) the annual report of the Company for the year ended December 31, 2019 (pages 84 to 156) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200509.pdf>);
- (iii) the annual report of the Company for the year ended December 31, 2020 (pages 99 to 171) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300947.pdf>); and
- (iv) the interim report of the Company for the six months ended June 30, 2021 (pages 19 to 40) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0909/2021090900337.pdf>).

**II. STATEMENT OF INDEBTEDNESS**

As at the close of business on January 31, 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings and lease liabilities in aggregate of approximately RMB289.5 million comprising:

- (i) bank loans of approximately RMB262.9 million, amount which approximately RMB76.7 million are guaranteed bank loans and approximately RMB186.2 million are unsecured bank loans;
- (ii) other borrowings of approximately RMB25.0 million; and
- (iii) lease liabilities of approximately RMB1.6 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, as of January 31, 2022, 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.

### III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds, together with the available banking facilities and facility granted by finance lease institution amounted to RMB86.0 million and RMB125.0 million, respectively, as at January 31, 2022, as well as the external fund raised from the Potential Capital Increase amounted to RMB40.8 million, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances such as natural disasters including typhoon, storm, flooding, fire, earthquake or other natural disasters and diseases, war and civil unrest.

### IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is an integrated power operator in Tianjin Port Free Trade Zone (Seaport) and Tianjin Port Free Trade Zone (Lingang) and has formed a diversified industrial structure with the supply of electricity, steam, heating and other power as the mainstay, supplemented by value-added services such as the development and operation of distributed photovoltaic power stations, electricity maintenance services and sales of electrical equipment.

Upon completion of the Gas Distributed Energy Station Project, the Group will be better equipped to respond to the nation's call for development of clean energy. Lingang Thermal Power will be transformed from a supplier of only steam into an integrated power service provider of both steam and electricity. The electricity generated by Lingang Thermal Power, will be traded with the steam users it serves in accordance with the market-based trading mode of distributed power generation upon commencement of the market. This will effectively safeguards the power supply of Lingang Economic Zone while achieving the graded utilization of quality natural gas and greatly improves the efficiency of energy utilization. In addition, by using natural gas instead of coal as fuel, Lingang Thermal Power has significantly reduced carbon emissions and responded to the national "30/60 double carbon target", ensuring the low-carbon, efficient and sustainable development of the regional energy production and supply enterprises, and playing a key role in the Group's future sustainable, high-quality development.

In addition, the introduction of strategic investors in the Potential Capital Increase represents the Group's reform towards market-oriented structure, providing the Group with synergistic effect with powerful external enterprises, and greatly enhancing the development of the Group in various aspects. The introduction of strategic investors will further optimize the relatively simple shareholding structure of Lingang Thermal Power, give full play to the resources of each shareholder, facilitate the development of Lingang Thermal Power's businesses and supports the Group's overall development in the future. In addition, the introduction of strategic investors in Lingang Thermal Power is a reflection of the Group's alignment with the direction of market-oriented reform and meeting the requirements of the Three-year Action Plan for SOE Reform (2020-2022) (《國企改革三年行動方案(2020-2022年)》) to improve the modern enterprise system with Chinese characteristics. Upon the

completion of the Potential Capital Increase, Lingang Thermal Power's capital strength will be significantly enhanced, thus better enabling it to carry out production and increasing its contribution to the Group's overall productivity. In addition, through the introduction of strategic investors, Lingang Thermal Power gains better viability, profitability and competitiveness, and at the same time improves its performance and shareholders' returns.

Nevertheless, Lingang Thermal Power may be exposed to potential risks such as increased electricity sales cost and fuel cost, or decreased selling price of steam after the completion of the Gas Distributed Energy Station Project. Based on the industry experience, the Group has formulated corresponding countermeasures to avoid or reduce the potential risks. The Directors believe that the Group has well-developed response mechanisms in place to deal with such potential risks.

Looking ahead, the Group will continue to consolidate its existing business, expand and reach out to new markets, enhance operational efficiency, lower overall operational costs, and based on the principle of steady development of the Group's situation, appropriately expand its business scope and set out the foundation for the future development of the Group, thereby generating profit for the Shareholders and investors of the Company.

#### **V. MATERIAL ADVERSE CHANGE**

The Directors confirm that to the best of the Directors' knowledge, there was no material adverse change in the financial or trading position of the Group since December 31, 2020 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

**This Asset Appraisal Report is compiled in accordance with the Chinese Asset Appraisal Standards**

**Tianjin Tianbao Lingang Thermal Power Co., Ltd.  
Asset Appraisal Report  
of All Shareholders' Equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.  
Involved in the Proposed Capital Increase and Share Enlargement  
Tianjin Guangyu Appraisal Report (2021) No. 162  
(Volume 1 of 2)**

October 15, 2021

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**STATEMENT**

- I. This Asset Appraisal Report is compiled in accordance with the Basic Asset Appraisal Standard issued by the Ministry of Finance as well as the and Asset Appraisal Practice Standard and the Occupational Ethics Standard for Asset Appraisal published by the China Appraisal Society.
- II. The Principal or other users of this Asset Appraisal Report shall use this Asset Appraisal Report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the Principal or other users of this Asset Appraisal Report use this Asset Appraisal Report in violation of the preceding provisions, the Asset Appraisal Agency and its asset appraisal professionals shall bear no liability thereof.
- III. This Asset Appraisal Report shall be used only by the Principal, other users of this Asset Appraisal Report as agreed in the Commission Contract on Asset Appraisal and the users of this Asset Appraisal Report stipulated by laws and administrative regulations. Any other institutions or individuals shall not become the users of this Asset Appraisal Report.
- IV. The users of this Asset Appraisal Report shall correctly understand and use the appraisal conclusion, which is not equivalent to the realizable price of the appraised object. The appraisal conclusion shall not be considered as a guarantee for the realizable price of the appraised object.
- V. The users of this Asset Appraisal Report shall pay attention to the hypotheses and conditions precedent establishing the appraisal conclusion as well as the special notes and restrictions over use contained herein.
- VI. The Asset Appraisal Agency and its asset appraisal professionals shall abide by the laws, administrative regulations and the Asset Appraisal Standard, adhere to the principles of independence, objectivity and equality, and bear the liability for this Asset Appraisal Report they have provided according to laws.
- VII. The lists of assets and liabilities involved in the appraised objects were declared by the Principal or the appraised institution and confirmed by the Principal or the appraised institution by adopting the signature, affixing the seal or taking other forms allowed by laws. The Principal and other concerned parties shall be responsible for the authenticity, integrity and legality of the documents they have provided according to laws.
- VIII. The Asset Appraisal Agency and the asset appraisal professionals are not interested, either presently or expectedly, in the appraised entity contained in this Asset Appraisal Report, not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.

- IX. The asset appraisal professionals have surveyed the appraised entity and its involved assets contained in this Asset Appraisal Report on the site. We have paid necessary attention to the legal property right status of the appraised entity and validated the legal property right documents of the appraised entity and its involved assets. We have disclosed the findings as they are and reminded the Principal and other relevant concerned parties to refine the proprietorship to meet the requirements for issuing this Asset Appraisal Report.
- X. The analysis, judgment and conclusion in this Asset Appraisal Report this Asset Appraisal Agency has issued are restricted by the assumptions and restrictions in this Asset Appraisal Report. Users of this Asset Appraisal Report shall give full consideration to the influence of the assumptions, restrictions and notes on special affairs on the appraisal conclusion.

**Tianjin Tianbao Lingang Thermal Power Co., Ltd.**  
**Abstract of Asset Appraisal Report**  
**of All Shareholders' Equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.**  
**Involved in the Proposed Capital Increase and Share Enlargement**  
Tianjin Guangyu Appraisal Report (2021) No. 162

After accepting the consignment of Tianjin Tianbao Lingang Thermal Power Co., Ltd., Tianjin Guangyu Asset Appraisal Co., Ltd. has performed the necessary appraisal procedure in accordance with relevant laws, regulations, asset appraisal standard, observed the principles of independence, objectivity and equality and appraised the market value of all the shareholders' equity of Tianjin Tianbao Lingang Thermal Power Co., Ltd. as on the appraisal base day. Now, this Asset Appraisal Report is abstracted as follows:

**Purpose of appraisal:** With the intent of capital increase and share enlargement, Tianjin Tianbao Lingang Thermal Power Co., Ltd. has the need to appraise all of its shareholders' equities and provide a value reference and basis for the values of these shareholders' equities on the appraisal base day.

**Appraised object:** The values of all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.

**Scope of appraisal:** All of the audited assets and related liabilities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. on the appraisal base day. The book assets amount to RMB337,793,688.63, including current assets worth RMB52,457,165.35 and non-current assets worth RMB285,336,523.28, the book liabilities add up to RMB137,377,006.19, including the current liabilities in an amount of RMB72,940,557.39 and the non-current liabilities in an amount of RMB64,436,448.80, and the book net assets are RMB200,416,682.44.

**Appraisal base day:** June 30, 2021.

**Value type:** Market value.

**Appraisal method:** Asset base approach and income approach.

**Appraisal conclusion:** This Appraisal Report has employed the asset base approach to draw the final appraisal conclusion as follows:

The book value of total assets is RMB337,793,700, and the appraisal value is RMB330,111,100, representing an appraised impairment of RMB7,682,600 and an impairment rate of 2.27%;



The book value of total liabilities is RMB137,377,000, and the appraisal value is RMB107,939,900, representing an appraised impairment of RMB29,437,100 and an impairment rate of 21.43%;

The book value of net assets is RMB200,416,700, and the appraisal value is RMB222,171,200, representing an appraised appreciation of RMB21,754,500 and an appreciation rate of 10.85%.

See the table below for the appraisal results:

### Summary Statement on Asset Appraisal Results

Unit: RMB10,000

Item	Book value A	Appraisal value B	Change C=B-A	Appreciation rate % D=C/A×100%
1 Current assets	5,245.72	5,306.98	61.27	1.17
2 Non-current assets	28,533.65	27,704.12	-829.53	-2.91
3 Of which: Financial assets	-	-	-	
available for sale				
4 Investments held to maturity	-	-	-	
5 Long-term receivables	-	-	-	
6 Long-term equity investments	-	-	-	
7 Real estate held for investment	-	-	-	
8 Fixed assets	22,907.24	22,864.83	-42.41	-0.19
9 Construction in progress	24.13	24.13	-	-
10 Project materials	-	-	-	
11 Liquidation of fixed assets	3.69	2.32	-1.37	-37.07
12 Productive biological assets	-	-	-	
13 Oil and gas assets	-	-	-	
14 Intangible assets	5,598.60	4,812.85	-785.75	-14.03
15 Development expenditures	-	-	-	
16 Goodwill	-	-	-	
17 Long-term deferred expenses	-	-	-	
18 Deferred income tax assets	-	-	-	
19 Other non-current assets	-	-	-	
20 <b>Total assets</b>	<b>33,779.37</b>	<b>33,011.11</b>	<b>-768.26</b>	<b>-2.27</b>
21 Current liabilities	7,294.06	7,294.06	-	-
22 Non-current liabilities	6,443.64	3,499.94	-2,943.71	-45.68
23 <b>Total liabilities</b>	<b>13,737.70</b>	<b>10,793.99</b>	<b>-2,943.71</b>	<b>-21.43</b>
24 <b>Net assets (owners' equities)</b>	<b>20,041.67</b>	<b>22,217.12</b>	<b>2,175.45</b>	<b>10.85</b>

This Asset Appraisal Report is only intended to provide the value references for the economic behaviors described herein. The current appraisal conclusion shall keep in effect within one year after the appraisal base day, and this Asset Appraisal Report shall not be used after the expiration of the usable period.

Special affairs that affect on the appraisal conclusion:

1. The house proprietorship certificates have not been obtained for some houses included in the current scope of appraisal, and the appraised institution has provided the relevant letter of proprietorship commitment, warranting that these houses without the certificate are their properties and involve no dispute in proprietorship. This appraisal has been performed, assuming that the aforesaid houses involve no dispute in proprietorship, and not taken into consideration the expenses that will be required to obtain the house proprietary certificate.
2. We have appraised and measured the pipelines and other concealed works that can't be surveyed in accordance with the proprietorship evidence, financial accounting data, production and operation data of the enterprise, shop drawings, some settlement reports and other materials provided by the appraised institution for the Appraisal Agency and the appraisers; We have not performed the technical test on the internal quality and working statuses of the equipment, and have surveyed the buildings and equipment on the site mainly by checking their external appearances and relevant inspection records and interviewing the managers on the site.
3. The appraised institution can't provide the paper versions of the as-built settlement statements or other settlement documents for the houses, buildings and structures included in the current scope of appraisal, and the appraisers have appraised and measured these items in accordance with the electronic bills of quantities and other materials provided by the appraised institution. If the materials provided by the appraised institution are false, conceal the facts or truths or have other problems, these appraisal results shall be invalid, and related consequences arising therefrom shall be attributable to the appraised institution, and the Company will not bear any liability thereof.
4. According to the Pledge Contract of Shanghai Pudong Development Bank on Maximum Rights (borrower: Tianjin Tianbao Energy Co., Ltd., and the lender: Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd.) (ZZ770520200000032), on December 28, 2020, the shareholder Tianjin Tianbao Energy Co., Ltd. pledged its 51% equities in Tianjin Tianbao Lingang Thermal Power Co., Ltd. to Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd., signed the M&A Loan Contract of Shanghai Pudong Development Bank (77112020280085), and obtained a loan of RMB50 million used to replace the free capital it had earlier used to acquire the 51% equities in Tianjin Tianbao Lingang Thermal Power Co., Ltd., and the loan term is from December 30, 2020 to December

24, 2026. The borrower has warranted that during the loan term, the borrower shall keep unchanged its actual controller's status in the target enterprise, and shall not transfer, dispose of or pledge the equities in the target company, or the borrower shall repay the M&A loan to the lender ahead of schedule. Until the appraisal base day, the 51% equities held by Tianjin Tianbao Energy Co., Ltd. in Tianjin Tianbao Lingang Thermal Power Co., Ltd. remain in the pledge status.

5. The scope of appraisal includes the long-term borrowings, where the lender is Tianjin Branch of China Development Bank. The loan is a guaranteed loan, and the guarantors are Tianjin Free Trade Zone Environment Investment Development Group Co., Ltd. (which provides a guarantee for 49% of all the principal, interest, penalty interest, compound interest, compensation, liquidated damage, damage compensation and expenses for realizing the credit unpaid by the borrower under the master contract to the lender) and Tianjin Tianbao Energy Co., Ltd. (which provides a guarantee for 51% of all the principal, interest, penalty interest, compound interest, compensation, liquidated damage, damage compensation and expenses for realizing the credit unpaid by the borrower under the master contract to the lender). At the same time, the loan is also a pledged loan, and the collateral is the accounts receivable. As of June 30, 2021, the total loan balance is RMB38,000,000.00, including RMB25,000,000.00 repayable within one year.
6. Two accounts numbered 75460188000567317 and 75460188000567496 opened with the Banking Department of Tianjin Binhai Branch of China CITIC Bank are the escrow accounts for environmental protection funds, the cash and cash equivalents of RMB6,890,891.76 deposited in these two accounts are the exclusive environmental protection funds, and on the appraisal base day, the use of these funds was restricted. Before the issuance of this Appraisal Report, the fund has been transferred to the account numbered 12001860800052503127 opened with the Banking Department of Tianjin Branch of China Construction Bank Corporation, and the restriction has been cancelled.
7. The real estate proprietorship of the appraised institution (Tianjin (2020) Binhai New Area Lingang Economic Zone Real Estate Proprietorship Certificate No. 1000883) indicates a land area of 85,999.2 square meters, and the land transfer contract specifies an area of 86,004.7 square meters, leading to an area difference. This is because the 1950 Xi'an Coordinate System was used when the land was acquired in 2011, and the appraised institution replaced the original housing proprietorship certificate with the real estate proprietorship certificate in 2020, and adopted the 2000 Tianjin Urban Coordinate System during the secondary measurement. This appraisal has used the area of 85,999.2 square meters indicated on the certificate to perform the measurement.

8. The appraised institution has the assets off the book – 15 software copyrights. We have learned that the institution has not used these 15 software copyrights and consigned an agent to execute the research, development, application and registration. However, both parties have not signed a consignment contract or agreed upon the consignment fee, rendering it unable to confirm their costs and liabilities. Thus, this appraisal has ruled out the values of these 15 software copyrights and their related payables.
9. For phase I of the coal-fired boiler facility included in the current scope of appraisal, its original book value is RMB197,287,084.1, and the net book value is RMB115,237,981.5. We have learned from the staff of the enterprise that the expected time of disposal is the end of 2025, assuming the settlement time point for the asset disposal income is the beginning of 2026. This appraisal assumes Tianjin Tianbao Lingang Thermal Power Co., Ltd. can complete the asset disposal on schedule and obtain the related asset disposal income, and also assumes that after the base day, there will be no force majeure events that will deliver a material adverse impact on its disposal of the operation assets related to phase I coal-fired boiler.
10. This Appraisal Report has referred to the technical parameters and indicators of the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd. with respect to the asset and future profit forecast data pertaining to the operation target of phase II gas distributed energy station project. The suggestions and restrictive conditions for the appraised institution mentioned in the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone are also applicable in this Report. We are hereby reminding the users of this Report to note.

Related technical parameters and indicators are listed as follows:

<b>Operating parameter</b>	<b>Unit</b>	<b>Value</b>
Annual power supply	10,000 kWh	25,090
Annual steam supply	10,000 t	140.8
<b>Production operation parameter</b>	<b>Unit</b>	<b>Value</b>
Annual natural gas consumption	10,000 Nm <sup>3</sup> /a	15,822
Annual consumption of dehydrating water	10,000 m <sup>3</sup> /a	146.5
Annual consumption of tap water	10,000 m <sup>3</sup> /a	1.84
Service power rate	%	2.1

The appraisers have performed the necessary analysis of the aforesaid economic parameters based on the growth trend of natural gas consumption by cereal & oil enterprises in the adjacent areas and the high-voltage power distribution grid of Tianjin Lingang Economic Zone North Area, and the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone has advised the construction of the phase II gas-fired boiler as follows:

- (1) Suggest the appraised institution should finalize the electric access system plan with the related department of the power grid company as soon as possible.
  - (2) Suggest the appraised institution should determine the natural gas supply parameters as soon as possible to confirm whether it is necessary to add superchargers and sign the natural gas supply agreement as soon as possible.
  - (3) Suggest the appraised institution should complete the environmental impact assessment of the project as soon as possible to determine the chimney heights of the residual heat boiler and the gas-fired steam boiler.
  - (4) Suggest the appraised institution determine as soon as possible whether the water supply can be assured for the reconstruction project of dehydrating water production with gray water that the appraised institution will implement in the second half of 2021.
11. On July 29, Tianjin Tianbao Lingang Thermal Power Co., Ltd. secured the Reply of Tianjin Development and Reform Commission on Approving the Gas Distributed Energy Project of Tianjin Tianbao Lingang Thermal Power Co., Ltd. in Tianjin Lingang Grain and Oil Processing Zone (Tianjin Development & Reform License [2021] No. 48) promulgated by Tianjin Development and Reform Commission, approving the construction of two 15MW graded gas turbines and two 29 tons waste heat boilers and five 40 tons/hour gas steam boilers. The project involves a total investment of RMB231.89 million (inclusive of tax) and a construction period from October 2021 to October 2022.

This Asset Appraisal Report is a professional report issued after the Asset Appraisal Agency and its asset appraisers, based on the consignment, have performed the necessary asset appraisal procedures in accordance with laws, administrative regulations and the asset appraisal standard. It shall be stamped by the Asset Appraisal Agency, signed by the asset appraisers and filed (rectified) by the state-owned asset supervision and administration authority or the enterprise contributing the capital before its formal use.

**Users of this Asset Appraisal Report shall give full consideration to the influence of the assumptions, restrictions and notes on special affairs on the appraisal conclusion.**

**The aforesaid contents are abstracted from the Asset Appraisal Report. Please read through the Asset Appraisal Report to know details of this appraisal project and correctly understand the appraisal conclusion.**

**Tianjin Tianbao Lingang Thermal Power Co., Ltd.**  
**Main Body of Asset Appraisal Report**  
**of All Shareholders' Equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.**  
**Involved in the Proposed Capital Increase and Share Enlargement**  
Tianjin Guangyu Appraisal Report (2021) No. 162

Tianjin Tianbao Lingang Thermal Power Co., Ltd.,

After accepting the consignment of your Company, Tianjin Guangyu Asset Appraisal Co., Ltd. (hereafter referred to as "the Company") has performed the appropriate appraisal procedure in accordance with laws, regulations and asset appraisal standards, adhered to the principles of independence, objectivity and equality and appraised the market value of all the shareholders' equity of your Company involved in the proposed capital increase and share enlargement of your Company on June 30, 2021 using the market approach and the income approach. The appraisal is hereby reported as follows:

**I. Principal, Appraised Institution and Other Users of Appraisal Report Specified in the Appraisal Consignment Contract**

The Principal and the appraised institution of this asset appraisal are both Tianjin Tianbao Lingang Thermal Power Co., Ltd., and the other users of this Report specified in the appraisal consignment contract are the other users of this Report stipulated by the laws and regulations of the state.

**(I) Profile of Principal and appraised institution**

*1. Overview:*

Company Name: Tianjin Tianbao Lingang Thermal Power Co., Ltd.  
Registration No.: 911201166877273016  
Type: Limited liability company  
Domicile: 418 Haihe Middle Avenue, Tianjin Binhai New Area Lingang Economic Zone  
Legal representative: Xing Cheng  
Registered Capital: RMB100 million  
Date of Establishment: May 8, 2009  
Operating Period: May 8, 2009 to long term  
Business Scope: Thermal power generation; heating supply and refrigerating service; development, production and operation of coal ash, desulfurized gypsum and related building material products; seawater desalination, sewage treatment and related technical consulting services (Business activities that require approval in accordance with the law shall be subject to the business scope approved by the relevant authorities).

2. *Historical Evolution*

In May 2009, Tianjin Tianbao Lingang Thermal Power Co., Ltd. (former Tianjin Jinneng Lingang Thermal Power Co., Ltd.) was founded with the registered capital of RMB16 million paid in full amount by the shareholder Tianjin Jinneng Investment Company and verified by Tianjin Xingye Certified Public Accountants Limited in the Capital Verification Report (Tianjin Xingye Verification Report [2009] No. 050). The shareholders and equity structure of the Company at the establishment are shown in the table below:

*Monetary Unit: RMB10,000*

Shareholder's Name	Capital Contribution	Contribution Ratio	Paid-in Amount	Paid-in Ratio
Tianjin Jinneng Investment Company	1,600.00	100%	1,600.00	100%
Total	1,600.00	100%	1,600.00	100%

On July 9, 2010, the appraised institution changed the registered capital from formerly RMB16 million to RMB50 million, with the additional registered capital of RMB34 million contributed by the shareholder Tianjin Jinneng Investment Company. The capital increase was verified by Tianjin Xingye Certified Public Accountants Limited in the Capital Verification Report (Tianjin Xingye Verification Report [2010] No. 057). The shareholders and equity structure of the Company after the change are shown in the table below:

*Monetary Unit: RMB10,000*

Shareholder's Name	Capital Contribution	Contribution Ratio	Paid-in Amount	Paid-in Ratio
Tianjin Jinneng Investment Company	5,000.00	100%	5,000.00	100%
Total	5,000.00	100%	5,000.00	100%

On August 20, 2012, the Shareholders' Meeting of the appraised adopted the resolution to increase the registered capital from RMB50 million to RMB100 million, where Tianjin Jinneng Investment Company would contribute RMB51 million and Tianjin Lingang Utility Development Co., Ltd. contributed RMB49 million, and change the company type from "limited liability company (sole proprietorship of legal person)" to "limited liability company". The capital increase was verified by Tianjin Xingye Certified Public Accountants Limited in the Capital Verification Report (Tianjin Xingye Verification Report [2012] No. 109). The shareholders and equity structure of the Company after the capital increase are shown in the table below:

*Monetary Unit: RMB10,000*

Shareholder's Name	Capital Contribution	Contribution Ratio	Paid-in Amount	Paid-in Ratio
Tianjin Jinneng Investment Company	5,100.00	51%	5,100.00	51%
Tianjin Lingang Utility Group Co., Ltd.	4,900.00	49%	4,900.00	49%
Total	10,000.00	100%	10,000.00	100%

On July 9, 2014, the Company approved the Proposal on Equity Change of Tianjin Tianbao Lingang Thermal Power Co., Ltd. according to the Resolution of the Shareholders' Meeting of Tianjin Tianbao Lingang Thermal Power Co., Ltd. in 2014, whereby Tianjin Jinneng Investment Company would transfer the 51% equity in Tianjin Tianbao Lingang Thermal Power Co., Ltd. to Tianjin Jinneng Binhai Heating Supply Group Co., Ltd., and both parties signed the Gratuitous Equity Transfer Agreement. The shareholders and equity structure of the Company after the change are shown in the table below:

*Monetary Unit: RMB10,000*

Shareholder's Name	Capital Contribution	Contribution Ratio	Paid-in Amount	Paid-in Ratio
Tianjin Jinneng Binhai Heating Supply Group Co., Ltd.	5,100.00	51%	5,100.00	51%
Tianjin Lingang Utility Group Co., Ltd.	4,900.00	49%	4,900.00	49%
Total	10,000.00	100%	10,000.00	100%



On February 17, 2020, Tianjin Tianbao Energy Co., Ltd. and Tianjin Jinneng Binhai Heating Supply Group Co., Ltd. signed the Equity Transaction Contract, whereby Tianjin Jinneng Binhai Heating Supply Group Co., Ltd. would transfer its 51% equity in the appraised institution to Tianjin Tianbao Energy Co., Ltd. for RMB100.88 million, and on June 4, 2020, Tianjin Jinneng Lingang Thermal Power Co., Ltd. was renamed to Tianjin Tianbao Lingang Thermal Power Co., Ltd. On June 18, 2020, Tianjin Lingang Utility Group Co., Ltd., the shareholder of Tianjin Tianbao Lingang Thermal Power Co., Ltd. was renamed to TFEI

Illustrated below is the equity structure as on the appraisal base day:

*Monetary Unit: RMB10,000*

Shareholder's Name	Capital Contribution	Contribution Ratio	Paid-in Amount	Paid-in Ratio
Tianjin Tianbao Energy Co., Ltd.	5,100.00	51%	5,100.00	51%
TFEI	4,900.00	49%	4,900.00	49%
Total	10,000.00	100%	10,000.00	100%

### 3. *Operating situation*

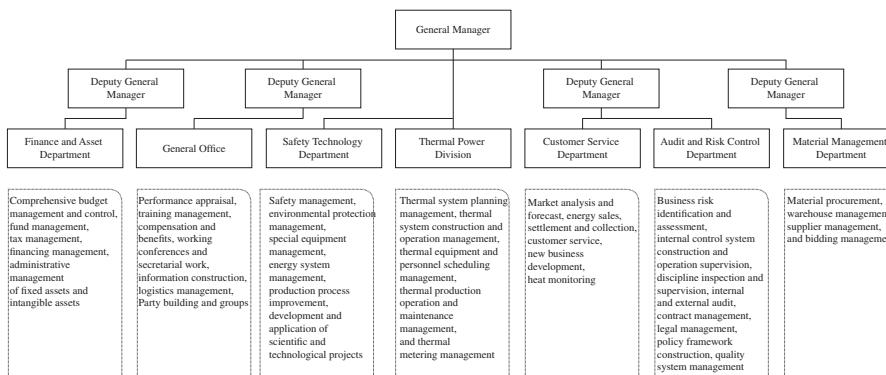
Tianjin Tianbao Lingang Thermal Power Co., Ltd., located in the grain and oil industrial area of Tianjin Port Bonded Area Lingang Area, is an infrastructure service provider in Lingang Area. Its phase I project involves 5x75 t/h steam boilers with the designed supply capacity of 1,293,000t/a. Business Scope: thermal power generation; heating supply and refrigerating service; development, production and operation of coal ash, desulfurized gypsum and related building material products; seawater desalination, sewage treatment and related technical consulting services. Engaged in the industrial steam sales, the Company mainly supplies productive steam to multiple cereal and oil enterprises in the area, and the downstream customers are six steam users in the industrial zone, including COFCO, Beijing Grain Group, ADM and Louis Dreyfus Company, and the annual sales volume reaches RMB190 million.

The main product of the Company is the saturated steam. Located in the cereal & oil area of the Lingang Economic Zone, the Company is an enterprise offering the supporting service and features a fixed sales channel and a simple supply network. As an enterprise offering the supporting service to the neighboring cereal & oil enterprises, it has no rivals in the area.

After acquired by Tianjin Tianbao Energy Co., Ltd. in May 2020, the Company has no formal employees. At present, the Company provides management, production operation and maintenance services to external customers.

The Company has formulated more than 150 policy documents and established a sound policy framework covering administration, Party and government, production, safety, environmental protection, finance, material procurement, archive management, audit and information management.

4. *Operation management structure of the Company*



5. *Qualifications*

Pollutant Emission License (No.: 911201166877273016001R).

6. *Financial and operating status in the past two years and on base day*

Listed below are the financial statuses of the appraised institution in the most recent two years and one period:

*Monetary Unit: RMB*

Item	December 31, 2019	December 31, 2020	June 30, 2021
Cash and cash equivalents	52,889,160.27	43,492,584.29	31,074,606.67
Accounts receivable			13,721,276.00
Advances to suppliers	1,728,711.19	11,517.43	18,583.75
Other receivables	81,743.12		161,499.56
Inventories	6,607,997.40	8,177,384.18	3,457,040.95
Other current assets	8,330,363.45	5,453,907.45	4,024,158.42
<b>Current assets</b>	<b>69,637,975.43</b>	<b>57,135,393.35</b>	<b>52,457,165.35</b>
Fixed assets	236,367,513.82	237,204,611.52	229,109,272.84
Construction in progress	908,343.49	130,188.68	241,251.68
Intangible assets	58,077,630.36	56,685,267.02	55,985,998.76
<b>Non-current assets</b>	<b>295,353,487.67</b>	<b>294,020,067.22</b>	<b>285,336,523.28</b>
<b>Total assets</b>	<b>364,991,463.10</b>	<b>351,155,460.57</b>	<b>337,793,688.63</b>
Short-term borrowings	40,000,000.00	29,900,000.00	18,000,000.00
Accounts payable and notes payable	1,610,377.24	12,867,849.91	20,899,611.11
Advances from customers	2,381.00		
Taxes and duties payable	1,007,013.85	2,239,206.58	711,002.41
Interest payable	219,844.58	134,481.17	92,202.67
Other payables	3,197,232.86	5,503,092.69	5,871,191.20
Non-current liabilities due within one year	37,198,500.00	27,308,700.00	27,366,550.00
<b>Current liabilities</b>	<b>83,235,349.53</b>	<b>77,953,330.35</b>	<b>72,940,557.39</b>
Long-term borrowings	74,707,900.00	38,399,200.00	25,187,000.00
Deferred income	34,567,975.00	40,704,159.96	39,249,448.80
<b>Total non-current liabilities</b>	<b>109,275,875.00</b>	<b>79,103,359.96</b>	<b>64,436,448.80</b>
<b>Total liabilities</b>	<b>192,511,224.53</b>	<b>157,056,690.31</b>	<b>137,377,006.19</b>
Paid-in capital	100,000,000.00	100,000,000.00	100,000,000.00
Capital reserve	1,320,200.00	1,320,200.00	1,320,200.00
Surplus reserve	11,310,321.97	14,472,175.14	14,472,175.14
Other comprehensive incomes			
Undistributed profit	59,849,716.60	78,306,395.12	84,624,307.30
Total owners' equity (or shareholders' equity) attributable to the parent company	172,480,238.57	194,098,770.26	200,416,682.44
<b>Total owners' equity</b>	<b>172,480,238.57</b>	<b>194,098,770.26</b>	<b>200,416,682.44</b>

Listed below are the operating statuses of the appraised institution in the most recent two years and one period:

*Monetary Unit: RMB*

Item	2019	2020	January-June 2021
<b>I. Total Operating Revenue</b>	<b>191,503,167.50</b>	<b>193,757,109.35</b>	<b>99,424,132.32</b>
Including: Revenue from principal operation	191,503,167.50	193,757,109.35	99,424,132.32
<b>II. Total Operating Cost</b>	<b>167,149,786.73</b>	<b>155,654,547.95</b>	<b>92,754,985.82</b>
Including: Operating cost	153,643,222.15	144,257,682.76	88,010,509.81
Taxes and surcharges	2,305,099.56	1,734,262.01	834,259.54
Sales expenses			
Administrative expenses	4,968,536.07	3,974,987.50	1,630,521.78
Financial expenses	6,232,928.95	5,687,615.68	2,279,694.69
Other incomes	2,896,320.00	3,749,113.79	1,454,736.41
Asset disposal income	2,514.70		
<b>III. Operating Profit</b>	<b>27,252,215.47</b>	<b>41,851,675.19</b>	<b>8,123,882.91</b>
Plus: Non-operating revenue	77,692.96	306,500.00	300,000.00
Less: Non-operating expenditure	15,000.00	25.2	
<b>IV. Total Profit</b>	<b>27,314,908.43</b>	<b>42,158,149.99</b>	<b>8,423,882.91</b>
Less: Business income tax	6,832,537.11	10,539,618.30	2,105,970.73
<b>V. Net Profit</b>	<b>20,482,371.32</b>	<b>31,618,531.69</b>	<b>6,317,912.18</b>

Tianjin Guangxin Certified Public Accountants Limited has audited the financial data of 2019 and issued the standard unqualified audit report Tianjin Guangxin Audit Audit Report (2020) No. II 004. Tianjin Tiantong Taihe Certified Public Accountants Co., Ltd. has audited the financial data of 2020 and issued the standard unqualified audit report Tianjin Tiantong Taihe Audit Report (2021) No. 1013. Tianjin Guangxin Certified Public Accountants Limited has audited the financial data in January-June 2021 and issued the standard unqualified audit report Tianjin Guangxin Audit Audit Report (2021) No. 279.

#### 7. Major accounting standards tax items and rates of the enterprise

- (1) The enterprise mainly carries out the Accounting Standards for Business Enterprises – Basic Standards (promulgated by the Ministry of Finance under Decree No. 33 and amended by the Ministry of Finance under Decree No. 76) and 42 concrete accounting standards, application guides to the accounting standards for enterprises, interpretations of the accounting standards for enterprises and other provisions issued on February 15, 2006 and later.

- (2) The appraised institution values the inventory by the actual cost at acquisition and by the moving weighted average at shipment.
- (3) The fixed asset depreciation of the appraised institution is accrued with the straight-line method. Listed below are the expected service lives, salvage value rates and annual depreciation rates of various fixed assets:

<b>Fixed asset type</b>	<b>Expected salvage value (%)</b>	<b>Expected service life</b>	<b>Annual depreciation rate (%)</b>
Buildings and structures	3-5	16-40	2.38-6.06
Transportation facility	3-5	8	11.88-12.26
Machinery equipment	3-5	3-16	5.94-32.33
Tools, devices, instruments and apparatuses	3-5	5-16	5.94-32.33
Office equipment	3-5	3-16	5.94-32.33

- (4) Main types of taxes and tax rates applicable to the enterprise

<b>Tax</b>	<b>Tax base</b>	<b>Tax rate (%)</b>
Value-added tax	The base output VAT for sales of goods and taxable services is calculated in accordance with the provisions of the tax law and, after deducting the amount of input tax permitted for the current period, the difference is the VAT payable	9 and 13
Urban maintenance and construction tax	Calculated and paid as per the sum of value-added tax and consumption tax actually paid	7
Educational surcharge	Calculated and paid as per the sum of value-added tax and consumption tax actually paid	3
Local educational surcharge	Calculated and paid as per the sum of value-added tax and consumption tax actually paid	2
Business income tax	Calculated and paid as per taxable income	25

(5) Tax preference and approval

None.

***(II) Other Users of Asset Appraisal Report Specified in the Appraisal Consignment Contract***

This Asset Appraisal Report shall be used only by the Principal and users of this Asset Appraisal Report stipulated by laws and administrative regulations. Any other third parties shall not use or rely on this Asset Appraisal Report.

**II. Appraisal Purpose**

With the intent of capital increase and share enlargement, Tianjin Tianbao Lingang Thermal Power Co., Ltd. has the need to appraise all of its shareholders' equities and provide a value reference and basis for the values of these shareholders' equities on the appraisal base day. The purpose of appraisal involves the following economic behavior documents:

1. Meeting Minutes of Party Sub-branch Committee of Tianjin Tianbao Energy Co., Ltd. (Tianjin Tianbao Energy Party Minutes [2021] No. 17) (July 27, 2021);
2. Report on Application to Engage Intermediaries for the Start of the Capital Increase and Share Enlargement Project of the Company prepared by the Coal-to-Gas Project Team of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (August 2, 2021);
3. Minutes of General Manager's Working Meeting of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (Tianjin Tianbao Energy Minutes [2021] No. 21) (August 6, 2021);
4. Minutes of General Manager's Working Meeting of Tianjin Tianbao Energy Co., Ltd. (Tianjin Tianbao Energy Minutes [2021] No. 23) (August 13, 2021).

**III. Object and Scope of Appraisal**

***(I) Appraisal object***

The appraised is the values of all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.

*(II) Scope of appraisal*

Scope of appraisal: All of the audited assets and related liabilities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. on the appraisal base day. The book assets amount to RMB337,793,688.63, including current assets worth RMB52,457,165.35 and non-current assets worth RMB285,336,523.28, the book liabilities add up to RMB137,377,006.19, including the current liabilities in an amount of RMB72,940,557.39 and the non-current liabilities in an amount of RMB64,436,448.80, and the book net assets are RMB200,416,682.44. The concrete asset types and audited book values are shown in the table below:

*Monetary Unit: RMB*

Subject name	Book value	Subject name	Book value
<b>Total current assets</b>	<b>52,457,165.35</b>	<b>Total current liabilities</b>	<b>72,940,557.39</b>
Cash and cash equivalents	31,074,606.67	Short-term borrowings	18,000,000.00
Accounts receivable	13,721,276.00	Notes payable	
Advances to suppliers	18,583.75	Accounts payable	20,899,611.11
Other receivables	161,499.56	Taxes and duties payable	711,002.41
Inventories	3,457,040.95	Interest payable	92,202.67
Non-current assets due within one year		Other payables	5,871,191.20
Other current assets	4,024,158.42	Non-current liabilities due within one year	27,366,550.00
<b>Total non-current assets</b>	<b>285,336,523.28</b>	<b>Total non-current liabilities</b>	<b>64,436,448.80</b>
Financial assets available for sale		Long-term payables	
Long-term equity investments		Long-term borrowings	25,187,000.00
Fixed assets	229,109,272.84	Deferred income	39,249,448.80
Construction in progress	241,251.68	Deferred income tax liabilities	
Intangible assets	55,985,998.76	Other non-current liabilities	
Deferred income tax assets		Total liabilities	137,377,006.19
Other non-current assets		<b>Total owners' equity</b>	<b>200,416,682.44</b>
<b>Total assets</b>	<b>337,793,688.63</b>	<b>Total liabilities and owners' equity</b>	<b>337,793,688.63</b>

The assets included in the current scope of appraisal also comprise the assets off the book – 15 software copyrights. For details, please see the appraisal breakdown statement.

The object and scope of the consigned appraisal are consistent with the appraised object and appraisal scope involved in the economic behaviors. Tianjin Guangxin Certified Public Accountants Limited has audited the financial data in January-June 2021 and issued the standard unqualified audit report Tianjin Guangxin Audit Report (2021) No. 279.

*(III) Major assets of the enterprise**1. Fixed assets*

The major fixed assets of the appraised institution on the appraisal base day mainly include:

- (1) Buildings and structures: There are a total of 14 buildings and structures, including those with the certificates covering a total floor space of 24,607.96 square meters. They have an original book value of RMB101,858,338.91 and a net value of RMB79,286,095.94.
- (2) Structures and other auxiliary facilities: There are a total of 34 items, mainly including supporting facilities, steam pipelines and fresh water pond in the plant area. In particular, the residue terminal is included in the real estate proprietorship certificate indicating an area of 128.7 square meters. They have an original book value of RMB84,098,835.79 and a net value of RMB48,810,601.86.
- (3) Machinery equipment: The machinery equipment contained in the appraisal scope mainly includes a total of 838 heating supply and power distribution equipment items. Until the appraisal base day, the machinery equipment under the consigned appraisal maintains normal maintenance, service and function. The Company has established various sound equipment management rules and implemented the mechanism that the dedicated person in the dedicated position is responsible for the dedicated equipment. It has a professional equipment repair team, keeps in place the equipment repair and service rules as well as the evaluation standard for on-site equipment management, and pays attention to routine repair and maintenance. The operation & repair records and annual inspection documents are basically complete for the key equipment, and the equipment can work normally.
- (4) Electronic equipment: There are a total of 213 items, mainly including various computers, printers, air-conditioners and other office equipment. They have an original book value of RMB1,755,363.24 and a net value of RMB198,272.87.
- (5) Vehicles: A total of 8 items, mainly sedans. They have an original book value of RMB1,188,323.56 and a net value of RMB334,046.68.



*(IV) Types and quantities of assets off the book declared by the enterprise*

Intangible assets – 15 software copyrights (For details, please see the appraisal breakdown statement).

*(V) Proprietorship defects, mortgages (pledges), litigations and renting statuses of assets*

The long-term borrowings included in the appraisal scope – A loan in an amount of RMB200 million from Tianjin Branch of China Development Bank, which involves a balance of RMB38 million as of the appraisal base day and the accounts receivable as the collateral. The shareholder Tianjin Tianbao Energy Co., Ltd. has pledged its 51% equity in Tianjin Tianbao Lingang Thermal Power Co., Ltd. to Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd.

*(VI) Types, quantities and book values (or appraised values) of assets involved in quotation of report conclusions issued by other agencies*

1. The financial data of 2019 are quoted from the standard unqualified audit report Tianjin Guangxin Audit Report (2020) No. II 004 issued by Tianjin Guangxin Certified Public Accountants Limited, the financial data of 2020 are quoted from the standard unqualified audit report Tianjin Tiantong Taihe Audit Report (2021) No. 1013 issued by Tianjin Tiantong Taihe Certified Public Accountants Co., Ltd., and the financial data in January-June 2021 are quoted from the standard unqualified audit report Tianjin Guangxin Audit Report (2021) No. 279 issued by Tianjin Guangxin Certified Public Accountants Limited.
2. The Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd.

**IV. Value Type**

The value type is a general term of various value definitions that reflect specific value connotations, attributes and rational directions of the appraised object, and includes the market value and other value types.

After full communication with the Principal, the asset appraisers have finally determined the market value as the value type for the appraised object according to the purpose of this appraisal, market condition, internal condition of the appraised object and other factors.

Market value means the estimated value of the appraisal object on the base day of appraisal under the normal fair trade when a voluntary seller and a voluntary buyer behave at their respective discretion and without being forced in whatever way.

**V. Appraisal Base Day**

The appraisal base day for this Report is June 30, 2021.

The Principal has selected the appraisal base day in accordance with the principle that will conduce to the realization of the economic behavior, in consideration of the linkage with the time point of audit and also in consideration of the asset appraisal that is intended to provide a value reference for the assets at certain time point. The Principal has determined the appraisal base day, considering the schedule for the proposed economic behavior and the nature of the economic behavior.

**VI. Appraisal Basis****(I) Basis of economic behavior**

1. Meeting Minutes of Party Sub-branch Committee of Tianjin Tianbao Energy Co., Ltd. (Tianjin Tianbao Energy Party Minutes [2021] No. 17) (July 27, 2021);
2. Report on Application to Engage Intermediaries for the Start of the Capital Increase and Share Enlargement Project of the Company prepared by the Coal-to-Gas Project Team of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (August 2, 2021);
3. Minutes of General Manager's Working Meeting of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (Tianjin Tianbao Energy Minutes [2021] No. 21) (August 6, 2021);
4. Minutes of General Manager's Working Meeting of Tianjin Tianbao Lingang Thermal Power Co., Ltd. (Tianjin Tianbao Energy Minutes [2021] No. 23) (August 13, 2021).

**(II) Legal basis**

1. The Asset Appraisal Law of the People's Republic of China (President's Order No. 46 of the People's Republic of China, adopted at the twenty-first session of the Standing Committee of the Twelfth National People's Congress on July 2, 2016);
2. The Civil Code of the People's Republic of China (adopted at the third session of the Thirteenth National People's Congress of the People's Republic of China on May 28, 2020);

3. Measures on Fiscal Supervision and Administration of Asset Appraisal Industry (amended under the Ministry of Finance Order No. 86 in 2019);
4. The Law of the People's Republic of China on State-owned Assets of Enterprises (President's Order No. 5);
5. Opinions on the Work of Reforming the Administration of State-owned Assets Appraisal and Strengthening the Supervision and Administration of Asset Appraisal (State Council Office Document No. [2001] No. 102);
6. Notice of the Ministry of Finance on Carrying Out and Implementing the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Finance on the Work of Reforming the Administration of State-owned Assets Appraisal and Strengthening the Supervision and Administration of Asset Appraisal (MOF Enterprise [2002] No. 8);
7. Measures on Penalty against Illegal Behaviors in State-owned Asset Appraisal (MOF Order [2001] No. 15);
8. Interim Regulation Concerning Supervision and Administration of State-owned Assets in Enterprises (State Council Order No. 378, amended in 2019);
9. Measures for the Administration of Appraisal of State-owned Assets (State Council Order No. 91, amended in 2020);
10. Detailed Rules for Implementation of the Measures for the Management of Appraisal of State-owned Assets issued by the former State-owned Assets Administration (SASAC Office Document [1992] No. 36);
11. Provisions on Several Issues Concerning the Management of Appraisal of State-owned Assets (the Ministry of Finance Order No. 14);
12. Interim Measures Concerning Administration of Appraisal of State-owned Assets in Enterprises (SASAC Order No. 12);
13. Notice on Strengthening the Administration of Appraisal of State-owned Assets in Enterprises (SASAC Property [2006] No. 274);
14. Measures Concerning Supervision and Administration of Trading of State-owned Assets in Enterprises (Order No. 32 of the Ministry of Finance and SASAC of the State Council);

15. Opinions of the General Office of the State Council on Strengthening and Improving the Supervision of State-owned Assets in Enterprises and Preventing the Drainage of State-owned Assets (State Council Office Document [2015] No. 79);
16. Measures of Tianjin State-owned Assets Supervision and Administration Commission Concerning Supervision of Appraisal of State-owned Assets in Enterprises (Tianjin SASAC [2018] No. 5); Notice on Relevant Matters Concerning the Review of the Appraisal Report on State-owned Assets in Enterprises (State Council SASAC Property [2009] No. 941);
17. Note on the Guidelines for Registration of State-owned Asset Appraisal Projects of Enterprises (SASAC Property [2013] No. 64);
18. Notice of Tianjin State-owned Assets Supervision and Administration Commission on Relevant Matters Involving the Adjustment of Administrative Privilege for Asset Appraisal Filing (Tianjin SASAC Proprietorship [2014] No. 3 issued by the State-owned Assets Supervision and Administration Commission of the People's Government of Tianjin Municipality);
19. Guidelines to the Filing of State-owned Asset Appraisal Projects of Enterprises under Tianjin Municipality (Tianjin SASAC Proprietorship [2016] No. 18);
20. The Law of the People's Republic of China on Business Income Tax (revised at the seventh session of the Standing Committee of the Thirteenth National People's Congress on December 29, 2018);
21. The Implementation Regulation for the Law of the People's Republic of China on Business Income Tax (adopted at the 197th Executive Meeting of the State Council on November 28, 2007, and revised under the State Council Order No. 714 on April 23, 2019);
22. The Implementation Rules for the Interim Value-added Tax Regulation of the People's Republic of China (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, adopted and revised under Order No. 65 of the Ministry of Finance and the State Administration of Taxation);
23. Notice on Comprehensive Promotion of the Pilot of Business Tax to Value-added Tax (MOF Tax [2016] No. 36);
24. Interim Value-added Tax Regulation of the People's Republic of China (Order No. 538 of the State Council of the People's Republic of China);

25. Notice on Several Issues in Transformation and Reform of Value-added Tax (MOF Tax [2008] No. 170);
26. Circular on Relevant Policies for Deepening the Value-added Tax Reform (Document [2019] No. 39 published by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
27. The Law of the People's Republic of China on Vehicle Purchase Tax (adopted at the seventh session of the Thirteenth National People's Congress of the People's Republic of China on December 29, 2018);
28. Circular on Clarifying Several Issues Concerning Collection and Administration of Value-added Tax, including Second-hand Vehicle Distribution (SAT Circular [2020] No. 9);
29. Accounting Standards for Business Enterprises – Basic Standards (revised under Order No. 33 and Order No. 76 of the Ministry of Finance);
30. Accounting Standards for Business Enterprises – Application Guide (MOF Accounting [2006] No. 18 and 42 concrete accounting standards, application guides to the accounting standards for enterprises, interpretations of the accounting standards for enterprises and other provisions issued later);
31. Guiding Opinions on Promoting State-owned Shareholders and Listed Companies under Control to Resolve Peer Competition and Regulating Related Transactions (SASAC Proprietorship [2013] No. 202);
32. Other related laws and regulations.

***(III) Basis of appraisal standards***

1. Basic Asset Appraisal Standard (MOF Asset [2017] No. 43);
2. Occupational Ethics Standards for Asset Appraisal (China Appraisal Society [2017] No. 30);
3. Terms of Asset Appraisal Standard (China Appraisal Society [2020] No. 31);
4. Asset Appraisal Practice Standard – Asset Appraisal Procedure (China Appraisal Society [2018] No. 36);
5. Asset Appraisal Practice Standard – Asset Appraisal Report (China Appraisal Society [2018] No. 35);

6. Asset Appraisal Practice Standard – Asset Appraisal Consignment Contract (China Appraisal Society [2017] No. 33);
7. Asset Appraisal Practice Standard – Asset Appraisal Archive (China Appraisal Society [2018] No. 37);
8. Asset Appraisal Practice Standard – Use of Expert Work and Related Reports (China Appraisal Society [2017] No. 35);
9. Asset Appraisal Practice Standard – Asset Appraisal Methods (China Appraisal Society [2019] No. 35);
10. Asset Appraisal Practice Standard – Enterprise Value (China Appraisal Society [2018] No. 38);
11. Asset Appraisal Practice Standard – Intangible Assets (China Appraisal Society [2017] No. 37);
12. Asset Appraisal Practice Standard – Immovable Properties (China Appraisal Society [2017] No. 38);
13. Asset Appraisal Practice Standard – Machinery and Equipment (China Appraisal Society [2017] No. 39);
14. Guide to Appraisal Report on State-owned Assets in Enterprises (China Appraisal Society [2017] No. 42);
15. Guide to Business Quality Control for Asset Appraisal Agencies (China Appraisal Society [2017] No. 46);
16. Guiding Opinions on Value Types for Asset Appraisal (China Appraisal Society [2017] No. 47);
17. Guiding Opinions on Legal Ownership for Asset Appraisal (China Appraisal Society [2017] No. 48);
18. Expert Guide to Asset Appraisal No. 7 – Business Quality Control for Small & Medium-sized Asset Appraisal Agencies (China Appraisal Society [2015] No. 68);
19. Expert Guide to Asset Appraisal No. 8 – Verification and Authentication in Asset Appraisal (China Appraisal Society [2019] No. 39);

20. Expert Guide to Asset Appraisal No. 10 – Reasonable Performance of Asset Appraisal Procedures during Novel Coronavirus-infected Pneumonia Epidemic (China Appraisal Society [2020] No. 6);
21. Expert Tips for Asset Appraisal Operation – Use and Disclosure of Appraisal Hypothesis (Exposure Draft) (China Appraisal Society [2014] No. 209).

***(IV) Property right basis***

1. Enterprise Business License;
2. Real Estate Proprietorship Certificate of the People’s Republic of China;
3. Vehicle Driving License and Vehicle Proprietorship Registration License;
4. Relevant asset transfer contracts;
5. Enterprise Proprietorship Registration Form;
6. Other proprietorship certificates.

***(V) Valuation basis***

1. Benchmark interest rates on deposits and loans of banks on the appraisal base day;
2. Budgetary Base Price of Tianjin Municipality for Construction Works, Budgetary Base Price of Tianjin Municipality for Installation Works and Budgetary Base Price of Tianjin Municipality for Decoration Works in 2020 as well as the project cost information in Tianjin in June 2021;
3. Notice on the Administrative Provisions Concerning the Construction Cost of Basic Construction Projects (MOF Construction [2016] No. 504);
4. Operating guide of the 2021 Inquiry System for Electromechanical Product Price Information;
5. The latest version of the “Common data & parameter manual for asset appraisal” (China Machine Press);
6. Notice of the National Development and Reform Commission on Reducing Charge Rates of Construction Projects, Regulating Charge Behavior and Other Issues (NDRC Price [2011] No. 534);

7. Interim Regulation on Agency Tendering Service Charge (SPC Price [2002] No. 1980);
8. Regulations Concerning Construction Project Supervision and Relevant Service Charge (NDRC Price [2007] No. 670 issued by the National Development and Reform Commission and the Ministry of Construction);
9. Interim Provisions Concerning the Advisory Charge for Early Work of Construction Project (SPC Price [1999] No. 1283);
10. Supplementary Notice on Relevant Issues Concerning the Administrative Provisions Regarding Engineering Survey and Design Charge (SPC Price [2002] No. 1153);
11. Notice on Project Cost Consulting Service Items and Prices (Tianjin Price Real Estate [2008] No. 136 issued by Tianjin Construction Administration Commission);
12. Charge Standard of Tianjin Municipality for Security Assessment (implemented as of December 1, 2004);
13. Materials obtained by the appraisers from the inquiry to equipment manufacturers and sellers;
14. Financial accounting documents and operation documents provided by the appraised institution;
15. Other relevant materials collected by the appraisers through field survey, market survey and other channels;
16. Wind Information;
17. Data on transaction cases in land market on the appraisal base day;
18. Update Result on Benchmark Land Price in Tianjin Municipality (Effective date: implemented as of December 15, 2017);
19. Project Feasibility Study Report provided by the enterprise;
20. Table on current and expected future market sales prices provided by the enterprise;
21. Contracts, accounting vouchers and other documents related to the enterprise's acquisition and use of assets;
22. Field survey records of the asset appraisal professionals and other valuation information and data that are collected.



*(VI) Other reference basis*

1. The financial data of 2019 are quoted from the standard unqualified audit report Tianjin Guangxin Audit Report (2020) No. II 004 issued by Tianjin Guangxin Certified Public Accountants Limited, the financial data of 2020 are quoted from the standard unqualified audit report Tianjin Tiantong Taihe Audit Report (2021) No. 1013 issued by Tianjin Tiantong Taihe Certified Public Accountants Co., Ltd., and the financial data in January-June 2021 are quoted from the standard unqualified audit report Tianjin Guangxin Audit Report (2021) No. 279 issued by Tianjin Guangxin Certified Public Accountants Limited. The Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd.
2. Sales/purchasing contracts/service contracts;
3. Correspondence letters and bank letters;
4. Market inquiry;
5. List of assets and asset appraisal breakdown statement provided by the appraised institution;
6. Settlement reports, audit reports on final financial accounts upon completion and authentication reports for some projects;
7. Field survey and investigation forms of the asset appraisal professionals and other valuation information and data that are collected;
8. The Real Estate Valuation Specifications of the People's Republic of China (GB/T50291-2015);
9. The Urban Land Valuation Specifications of the People's Republic of China (GB/T18508-2014);
10. The database of Tianjin Guangyu Asset Appraisal Co., Ltd.

**VII. Appraisal Methods*****(I) Selection of appraisal method***

The basic asset appraisal methods include the market approach, the income approach and the cost approach. According to the Asset Appraisal Standard – Enterprise Value, when implementing the enterprise appraisal business, the asset appraiser shall analyze the suitability of the three basic asset appraisal methods, including the income approach, market approach and asset base approach, and properly select one or more basic asset appraisal methods according to the appraisal purpose, appraisal object, value type, data collection and other relevant conditions.

***1. Basic appraisal methods******(1) Market approach***

The market approach is an appraisal method determining the value of the appraised entity by comparing the appraised entity to comparable listed companies or comparable cases. Common methods of the market approach include the listed company comparison method and the transaction case comparison method.

The listed company comparison method means obtaining and analyzing operating and financial data of listed companies, calculating an appropriate value ratio, and comparing the listed companies to the appraised enterprise to determine the value of the appraised enterprise.

The transaction case comparison method means obtaining and analyzing the information on sale, purchase, acquisition and merger cases of listed enterprises, calculating an appropriate value ratio, and comparing the listed companies to the appraised enterprise to determine the value of the appraised enterprise.

The conditions precedent for the application of the market approach are: (1) there is an active open market and market data are relatively sufficient; (2) there are comparable transaction cases in the open market.

***(2) Income approach***

The income approach to the value appraisal of enterprises is an appraisal method of capitalizing or discounting the expected income to determine the value of the appraised object. Common methods of the approach include the dividend discount method and the cash flow discount method.

The dividend discount method is a concrete method discounting the expected dividend into the present value to determine the value of the appraisal object, and usually applies to the value appraisal of part of the shareholders' equity without the controlling right.

The cash flow discount method usually includes the free cash flow discount model for the enterprise or equity. The asset appraiser and other appraisal professionals shall properly select the cash flow discount model according to the industry, operating model, capital structure, development trend and other factors of the appraised institution.

The income approach appraises assets from the perspective of their expected profitability and is consistent with the basic definition for assets. In theory, the appraisal conclusion from the income approach is well reliable and convincing.

The conditions precedent for the application of the income approach are: (1) The future expected income of the appraised object is predictable and measurable in terms of money;(2) The risk taken by the asset owner to obtain the expected income is also predictable and measurable in terms of money; and (3) The expected profitable life of the appraised object is predictable.

(3) Asset base approach

The asset base approach is the appraisal method of reasonably appraising the overall contributions and values of various assets and liabilities of the appraised institution on and off the balance sheet to determine the value of the appraisal object based on the balance sheet of the appraised enterprise on the base day. When the enterprise value is appraised under the precondition of going concern, the value of a single asset or asset portfolio, as part of the enterprise's assets, will usually be impacted by the extent of its contribution to the enterprise.

Basic calculation formula of the asset base approach:

Appraisal value of all shareholders' equities = sum of appraisal values of single assets – sum of appraisal values of various liabilities;

The conditions precedent for the application of the asset base approach are: (1) the appraised object remains in the continued use state or is assumed to remain in the continued use state; (2) it is capable to determine that the appraised object has the expected profiting potential; (3) there are usable historical data.

## 2. *Select of appraisal methods*

These three basic approaches measure asset values from different angles. Selecting one or multiple approaches to appraise certain asset will depend on the purpose of appraisal, appraised object, market condition, data available and many other factors.

- (1) The income approach to the value appraisal of enterprises is an appraisal concept of capitalizing or discounting the expected income of the appraised enterprise to determine the value of the appraised object.

Pursuant to related provisions of the state and international practices, we have observed the Asset Appraisal Standard – Enterprise Value issued by the China Appraisal Society, and decided to employ the income approach and the cash flow discount (DCF) method to analyze and measure the values of all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd.

The cash flow discount method (DCF) is a method appraising the value of an enterprise by discounting its future expected cash flow into the present value, that is, estimate the future expected cash flow of the enterprise, and discount the expected cash flow at an appropriate discount rate to reach the value of the enterprise.

According to the due diligence result of the appraisal as well as the asset composition and characteristics of the principal operation of the appraised object, the basic concept of the appraisal is to estimate the value of the shareholders' equities in line with the audited accounting statements of the appraised object, that is, first, use the cash flow discount method (DCF) to estimate the value of the operating assets of the appraised object through the income approach, add the values of other non-operating and surplus assets on the base day to reach the enterprise value of the appraised object, and deduct the enterprise value with the value of the interest-bearing liabilities to reach the value of the all shareholders' equities of the appraised object.

The appraised institution has the foundation and condition as a going concern, and the operation and the income have maintained the stable correspondence in historical years. At the same time, Tianjin Tianbao Lingang Thermal Power Co., Ltd., located in the jurisdiction of the bonded area, is required to complete the fuel change (distributed gas turbine) for its five 75 tons/hour industrial steam boilers it now operates prior to October 2022, according to the Working Plan of Binhai New Area to Implement the Central Environmental Protection Supervision and Close and Integrate Coal-fired Boilers within 15km Radius of Power Plants issued by the Development and Reform Commission of Tianjin Binhai New Area. Beijing Ennett Distributed Energy Technology Co., Ltd. has issued the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone for this renovation project. The report performs a quantitative analysis of the investment progress,

financing, main stable customer groups and incurred cost of the project, and the future income and risk are predictable and quantifiable, according to the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd. The key to use the cash flow discount method is the forecast the future expected cash flow as well as the objectivity and reliability of data collection and processing. When the forecast of the future expected cash flow is relatively objective and equitable, and the selected discount rate is relatively reasonable, the appraisal result will be fairly objective and easy to be accepted by the market. This appraisal aims to estimate all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. and provide a value reference and basis for its economic behavior of proposed capital increase and share enlargement. Pursuant to related provisions of the state and the Asset Appraisal Standard – Enterprise Value, we have decided to employ the income approach and the cash flow discount (DCF) method to estimate the values of all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. for its capital increase and share enlargement.

- (2) The market approach is an appraisal method determining the value of the appraised entity by comparing the appraised entity to comparable listed companies or comparable cases. Common methods of the market approach include the listed company comparison method and the transaction case comparison method. The appraised institution is not a listed company, the listed companies from the same industry vary a lot from the appraised institution in business structure, operating pattern, enterprise size, asset allocation and use, operation stage of the enterprise, growth potential, operation risk, financial risk and other factors, and there are very few transaction cases of comparable enterprises in the same industry close to the appraisal base day, which makes it very difficult to obtain relevant reliable operation and financial data of comparable transaction cases and calculate an appropriate value ratio. Therefore, this appraisal has not adopted the market approach.
- (3) Judging from the balance sheet of the appraised institution as of the appraisal base day, various assets and liabilities on and off the balance sheet are identifiable, and various identifiable assets and liabilities can be separately appraised with appropriate appraisal methods. The appraised institution does not have the assets or liabilities that will deliver a material impact on the appraisal conclusion and are hard to identify. Therefore, this appraisal has adopted the market base approach.

To sum up, considering the purpose of this appraisal and the characteristics of the appraised object, this appraisal has employed the income approach and the asset base approach.

*(II) Technical path, model and appraisal process of asset base approach*

The asset base approach adopted for this project is a technical appraisal concept that uses the investment required to rebuild an enterprise that has the same assets and liabilities on and off the balance sheet on the appraisal base day and has the independent profiting capacity to serve as the basis for determining the overall asset value of the enterprise, add up the appraisal values of various factor assets and liabilities that constitute the enterprise after they are determined with concrete appropriate appraisal methods based on concrete case, thereby determining the value of the appraised object.

The asset base approach uses the following calculation formula for the appraisal value:

Value of total shareholders' equities = total asset value of the enterprise – value of total liabilities

Value of total assets of enterprise = values of various assets on balance sheet + values of various assets off balance sheet

Value of total liabilities of enterprise = values of various liabilities on balance sheet + values of various liabilities off balance sheet

*Evaluation process for asset-based approach*

## 1. Current assets

The current assets include monetary capital, accounts receivable, prepayments, other receivables, inventory and other current assets.

## (1) Monetary capital

Review whether the addition was correct according to the breakdown of the bank deposit appraisal and declaration, and check it against the amount in the general ledger and the sum in the journals; obtain and check the bank balance reconciliation statement and check it against the bank deposit statement and the reply to the bank confirmation request, make clear whether there is any deposit in transit, analyze the impact of the nature of any deposit in transit to the Company's value appraisal, randomly check the original receipt and payment vouchers of bank deposits of large amount, make clear whether there is any non-recorded accrued interest on bank deposits, and finally determine the appraisal value according to the verified amount of bank deposits.

(2) Accounts receivable

- i. This evaluation for accounts receivable mainly includes accounting of gas supply charge, reviewing whether the addition was correct according to the breakdown of the accounts receivable appraisal and declaration, checking the consistency with the amount in the general ledger and the sum in the journals, and understanding whether there is any reclassification.
- ii. Make external confirmations according to the breakdown of the accounts receivable for all of them, review the relevant original vouchers, such as sales invoices, contracts and delivery notes, and collect other relevant supporting materials.
- iii. Where verification finds no error, determine the appraisal value based on each account receivable that may be recovered. Calculate the appraisal value with the full amount of the accounts receivable if it is reasonably believable that all of them were recoverable.

(3) Prepayments

- i. This evaluation for prepayments mainly includes accounting of gas supply charge, communication fee and vehicle insurance premium.
- ii. Review whether the addition was correct according to the available breakdown of the prepayment appraisal and declaration, and check whether it is consistent with the amount in the general ledger and the sum in the journals, and also check the supplier name, transaction description, date of occurrence, aging, carrying amount, etc. against the journals; perform alternative inspection procedure to consult original vouchers such as payment bills and approval processes, make clear whether the time and amount of payment were within the limits specified in contracts, and determine the appraisal value pursuant to the amount verified in the audit.

(4) Other receivables

- i. Other receivables which fell under the scope of this valuation were the provided input tax provisionally estimated on outsourced items.
- ii. Review whether the addition was correct according to the breakdown of other receivables appraisal and declaration, and check it against the amount in the general ledger and the sum in the journals, and also check the debtor (settlement object) name, transaction description, date of

occurrence, aging, carrying amount, etc. against the journals. Perform alternative inspection procedure to consult original vouchers such as payment bills and approval processes, and collect other relevant supporting materials.

- iii. For the provided input tax provisionally estimated on outsourced items, consult original vouchers such as approval processes and determine the appraisal value pursuant to the amount verified in the audit.

(5) Inventory

- i. The inventory which fell under the scope of this valuation was raw materials, mainly including fuel for production, spare parts for equipment.
- ii. Through the inspection and verification procedures such as making on-site inventory, interview and check, and based on the investigation and understanding of the actual production and operation of the Company after the evaluation base date, the asset evaluation professionals ascertain whether the inventory can be used normally, whether there was any discrepancy between the accounts and the facts such as inventory surplus and inventory loss, make clear the quality, condition and aging of the inventory, and inspect whether the inventory has any quality problems, such as destruction and scrapping, defective, inferior-quality, unpopular products and dead stock, and over-storage and overstock, and whether there were potential losses or payment on account.
- iii. For outsourced inventories held for own use, the cost approach is usually adopted to determine the appraisal value based on their current purchase costs (purchase price, related taxes, transportation costs, loading and unloading costs, insurance premium and warehousing costs) as of the evaluation base date. The appraisal value of large-quantity, low-priced and normally used auxiliary materials may be determined pursuant to the verified carrying value after inspection and verification in consideration of their characteristics, such as fast turnover, short inventory time and little change in market price.

(6) Other current assets

Other current assets which fell under the scope of this valuation were input tax to be deducted. Review and calculate whether it was correct according to the breakdown of other current assets appraisal and declaration, and check it against the amount in the general ledger and the sum in the journals, consult the recent VAT payment list to understand the amount incurred. In this evaluation, the appraisal value was determined pursuant to the amount verified in the audit.



## 2. Non-current assets

## (1) Fixed assets – buildings

- i. According to the Real Estate Ownership Certificate of the People's Republic of China (Real Estate Rights No.1000883(2020) of Lingang Economic Zone, Binhai New Area) provided by the evaluated entity, the right holder is Tianjin Tianbao Lingang Thermal Power Co., Ltd., the real estate is located at No. 418 Lingang Economic Zone, Binhai New Area, the type of right is granting, it is intended for public facility/non-residential use, the area is 85,999.2 sq.m./24,607.96 square meters, with a term of use until February 21, 2062. Other status of Right: building structure: steel-concrete, building area: 6,047.17 square meters, building structure: steel, building area: 18,560.79 square meters.

Structures and other auxiliary facilities were mainly supporting facilities for buildings and steam pipes.

- ii. The evaluators carefully analyzed the information available, conducted field surveys, investigated the evaluation object and, and based on the evaluation purpose set by the client, the characteristics of the evaluation object and its actual situation, the cost approach was appropriate for the evaluation of the assets built by the Company, which were mainly used as production and office premises, based on the specific circumstances of the assets entrusted for evaluation.

The cost approach for building evaluation is to calculate the full replacement price of a building based on the building engineering data and completion settlement data with the amount of building works or with reference to the amount of similar building works, the current local quota standard, construction charges and loan interest rate, and to determine the newness rate based on the useful life and on-site survey of the building, and then calculate the appraisal value of the building.

Appraisal value of building= full replacement price × integrated newness rate

Based on field survey, the rebudgeting method was adopted to determine the unit replacement price and calculate the appraisal value for buildings in consideration of all appraisal elements.

## A. Full replacement price

The full replacement price of buildings generally includes: integrated cost of construction and installation, upfront and other expenses, capital cost and deductible value-added tax. The calculation formula for the full replacement price of building is as follows:

The full replacement price of buildings = integrated cost of construction and installation project + upfront and other expenses + construction entity management fee + capital cost - deductible value-added tax

## a. Determination of integrated cost of construction and installation

Cost of construction and installation project: for key project with materials on budget estimate and budget and final account, the budget and final account adjustment approach is adopted to calculate the cost of construction and installation project, which means evaluators calculate the cost of construction and installation project according to the quantities under the budget and final account, quotas and applicable price documents as of the evaluation base date.

For ordinary building projects, the evaluators arrive at the cost of construction and installation project of the building entrusted for evaluation by referring to the cost of construction and installation project of the same type of building and correcting the differences in costs of project such as floor height, column spacing, span, decoration standards, utilities, etc.

The cost of construction and installation project is determined by the rebudgeting method in this evaluation.

## b. Determination of upfront and other expenses

The upfront and other expenses include two parts, namely the construction cost charged by the local government and other expenses other than the cost of construction and installation as incurred to the construction entity for the construction project.

Table of upfront and other expenses

No.	Expense item	Sum of upfront and other expenses		
		Rate	Fee calculation and pricing	Document
1	Engineering survey and design fee	2.15%	Project cost	J.J.G.[2002] No. 10
2	Consulting fee for preliminary works of construction project	0.57%	Project cost	J.J.G.[1999] No. 1283
3	Bidding agency service fee and construction drawing design document review fee	0.29%	Project cost	F.G.J.G [2011] No. 534, J.G.G.[2002] No. 1980
4	Project construction supervision fee	1.97%	Project cost	F.G.J.G No. [670]
5	Project environmental impact assessment	0.16%	Project cost	J.J.G.[2002] No. 125
	Total			5.14%

c. Construction entity management fee

According to the Regulations on Construction Cost Management of Capital Construction Projects (the document Cai Jian [2016] No. 504), and based on the actual situation of the evaluation project, the construction entity management fee is 1.37% of the integrated cost of construction and installation project, upfront and other expenses of construction projects.

d. Determination of capital cost

The capital cost is the loan interest on the capital invested in the construction project within the normal reasonable construction period at the rate determined with reference to the applicable loan market quotation rate (LPR) published by the National Inter-Bank Funding Center on the evaluation base date, assuming capitals were invested evenly across different stages.

Capital cost = [cost of construction and installation project + upfront and other expense] × loan interest rate × reasonable construction period × 1/2

## B. Determination of integrated newness rate

In this evaluation, the damage condition scoring method and durable useful life method were adopted to comprehensively determine the newness rate of the buildings entrusted for evaluation. The calculation formula is as follows:

Integrated newness rate = damage condition score × 60% + newness rate under the durable useful life approach × 40%

Damage condition score: firstly, we observed the building to understand its structure and service condition, and then referred to the Criteria for Assessing the Damage Condition of Houses issued by the former Ministry of Urban-Rural Construction and Environmental Protection on November 8, 1984 to determine the newness rate by applying the observation and scoring method of the current state of the building.

Newness rate under the durable useful life approach: firstly, the used life of the building as of the evaluation base date, in consideration of the purpose and durable useful life of the building. The newness rate under the durable useful life approach was determined according to the formula set out below:

Newness rate under the durable useful life approach =  $1 - (\text{used life of the building} / \text{durable useful life}) \times 100\%$

If the building has exceeded its durable useful life, the theoretical newness rate under the durable useful life approach of the building can not be used to calculate the newness rate of the building, only considering the newness rate under the damage condition scoring approach.

## C. Determination of appraisal value

Appraisal value = full replacement price × integrated newness rate

## (2) Fixed assets – equipment

For the purpose of this evaluation and on the principle of continuous use, the cost approach was mainly adopted to carry out the evaluation; for some electronic equipment, the evaluation was carried out at the second-hand market price on the evaluation base date; for equipment to be scrapped and idle, the appraisal value was determined by its net realizable value; equipment with no realizable value or no physical equipment was evaluated as zero; for equipment that has not reached the

end of its useful life by 2025 but will no longer continue to be used, the newness rate was determined by the remaining useful life, and the residual value rate at the disposal was considered and discounted to the evaluation base date.

Appraisal value = full replacement price × newness rate

A. Determination of full replacement price

a. Machinery and equipment

Among the machinery and equipment, for the equipment that needs to be installed, the full price replacement generally includes: equipment purchase cost, transportation costs, installation costs, other expenses and capital costs; For the equipment that needs no installation, the full price replacement generally includes: equipment purchase cost, transportation costs. In the case of ordinary VAT payer, if the equipment meets the conditions for deduction of value-added tax, the corresponding value-added tax shall be deducted from the full replacement price. The calculation formula for the full replacement price of equipment is as follows:

Full replacement price = equipment purchase cost + transportation costs + installation costs + other expenses + capital costs – deductible VAT

- i. Equipment purchase cost: It was determined by asking the manufacturers or trading companies to quote, referring to the 2021 Mechanical and Electrical Products Quotation Manual and other price information, and the recent contract prices of similar equipment; For a small number of equipment for which the purchase price is not available, the purchase price was calculated by using price change rate of the equipment of the same era and the same category; For the valuation of self-made equipment, the number of materials used in self-made equipment and the degree of difficulty of the process, and the unit price of material production were used.

For the equipment no longer produced by the manufacturer, at first, we obtained the basic parameters of the equipment and its performance during use by the Company, and then conducted a market survey to understand the current price of equipment similar to the equipment in question as far as possible, or to understand the changes in the price of such equipment, and

finally determined its integrated replacement price under the substitution approach in consideration of the differences in quality, performance and other factors.

- ii. Transportation costs: Based on the pre-tax purchase price, different transportation rates were adopted to calculate the transportation costs pursuant to the distance between the manufacturer address and the place where the equipment was used.
- iii. Installation costs: Based on the pre-tax purchase price, different installation rates were adopted to calculate the installation costs pursuant to the characteristics, weight, ease of installation of the equipment. For the equipment whose purchase price covered the installation and commissioning or which was small and needed no installation, the installation costs were not considered.
- iv. Other expenses: Including construction entity management fee, survey and design fee, engineering supervision fee, bidding management fee and environmental assessment fee, they were calculated pursuant to the standard for other expenses in construction projects applicable in the place where the equipment was used, in consideration of the characteristics of the equipment.
- v. Capital cost: The capital cost was the financing cost of funds occupied by the evaluation object within a reasonable construction period. For large and medium-sized equipment, the capital cost was calculated for a reasonable construction period of 6 months or more, and the formula was as follows:

$$\text{Capital cost} = (\text{equipment purchase price} + \text{transportation costs} + \text{installation costs} + \text{other expenses}) \times \text{loan interest rate} \times \text{reasonable construction period} \times 1/2$$

The loan interest rate was determined pursuant to the interest rate executed on the evaluation base date, assuming the capitals were invested evenly across different stages.

## vi. Deductible VAT:

Deductible input tax amount = equipment purchase price ÷  
 $1.13 \times 0.13 + (\text{transportation costs} + \text{installation cost}) \div 1.09 \times$   
 $0.09 + \text{other expenses (exclusive of construction entity}$   
 $\text{management fee}) \div (1 + 0.06) \times 0.06$

## b. Vehicles

For vehicles of the same type that were no longer available in the market, and vehicles with a larger depreciation rate, the appraisal value was determined directly by the after-tax market price for the second-hand vehicles of the same type.

## B. Determination of newness rate

## i. Newness rate of machinery and equipment

In this evaluation, we determined the newness rate under the useful life approach in consideration of the estimated economic useful life, used life and other factors of the equipment, then determined the newness rate under the technical assessment approach by conducting the site technical assessment through the site survey, consultation with relevant equipment management personnel and operators on the use of equipment, maintenance, service, transformation, utilization, etc. of the equipment, taking into account the source, maintenance, work shift, integrity, utilization and operating environment conditions, appearance, performance, precision and other factors of the equipment, and finally determined the integrated newness rate with the following formula. For the equipment that had not reached the end of its useful life by 2025, but would not continue to be used, the remaining useful life was used to determine the newness rate.

Integrated newness rate = newness rate under the survey approach  
 $\times 60\% + \text{newness rate under the useful life approach} \times 40\%$

## ii. Newness rate of electronic equipment

The newness rate was determined by using the useful life approach in consideration of the period of use, and its repair and maintenance.

## (3) Construction in progress

- i. The construction in progress which fell under the scope of this valuation were Mewah grease pipeline network additions, which has not been started yet, distributed energy project of Tianjin Tianbao Lingang Thermal Power and the U8 financial data input software, which is in process of installation; ii. reviewing whether the addition was correct according to the breakdown of the construction in progress appraisal and declaration, checking the consistency with the amount in the general ledger and the sum in the journals, and checking the consistency with the amount under the item of provision for impairment of construction in progress, and the amount in the financial statement; consulting original vouchers of the construction in progress, such as purchase contract and payment bills, and check the carrying amount of the construction in progress with reference to the prepayments; iii. the appraisal value of the construction in progress where only preliminary engineering costs incurred was determined pursuant to the amount verified in the audit.

- (4) Disposal of fixed assets: It was accounting of end-of-life gas storage tanks. Under the market approach on the basis of weight, the appraisal value was determined according to the market value of scrap materials on the evaluation base date.

## (5) Intangible assets

The intangible assets which fell under the scope of this valuation were land use rights and other intangible assets.

- A. According to the real estate evaluation guidelines and in consideration of the characteristics and value type of the evaluation object, data collection and other related conditions, the applicability of the three basic asset evaluation methods, namely the market comparison approach, the income approach and the cost approximation approach, as well as the derivative methods such as the hypothetical development method and benchmark land price coefficient correction method, were analyzed. Based on the relevant information provided by the evaluated entity and the market land value information available, after field survey and careful analysis, and taking into account the location, land use nature, utilization conditions and local land market conditions of the appraised land, the market comparison approach and benchmark land price coefficient correction method were selected for the evaluation.



## i. Benchmark land price coefficient correction method

Benchmark land price coefficient correction method is to use the evaluation results such as benchmark land price and the table of benchmark land price correction coefficient on the substitution principle. The evaluation object is the land used for public facilities as set out in the certificate. According to the provision in *the Contract for the Granting of State-owned Construction Land Use Rights in Tianjin* provided by the evaluated entity, which stipulates that “the land under this contract will be used for the construction of industrial projects”, this evaluation was carried out to arrive at the price of the evaluated object on the evaluation base date with reference to the correction system of the benchmark land price of industrial land, and in comparison with the average conditions in the region where the evaluated object was located in terms of its regional conditions and individual conditions, and by correcting the benchmark land price with relevant correction coefficient in the correction coefficient table. According to *the Tianjin Urban Benchmark Land Price Update Results* (benchmark date: January 1, 2016), the connotation of industrial benchmark land price in Binhai New Area of Tianjin City was defined as follows:

- 1) The evaluation base date for the benchmark land price: January 1, 2016;
- 2) Tenure: 50 years for industrial land;
- 3) The land development degree: “seven accesses and site leveling outside the red line of the land”, (i.e.: access to road, electricity, water supply, drainage, communication, gas, heating and site leveling within the land);

According to *the Regulations on Urban Land Valuation*, the calculation formula for the land price under the benchmark land price correction method is as follows:

$$P = P1b \times (1 \pm \sum Ki) \times Kj + D$$

In the formula: P – the price of the land to be evaluated;

P1b – The benchmark price of land of certain use and certain grade (homogeneous area);

$\sum K_i$  – the correction coefficient of the land price;

$K_j$  – other correction coefficients such as evaluation base date, plot ratio and land use.

D – correction value of land development degree.

ii. Market comparison approach

It is to estimate the price of the evaluated object on the substitution principle by comparing the evaluated object with similar land parcel that is substitutive and recently traded in the market on the evaluation base date and correcting the difference from the transaction price of similar land parcel.

Firstly, appropriate comparison cases were selected, and after correction of transaction, correction of evaluation base date, correction of tenure, correction of regional factors and correction of individual factors, the comparable price was arrived at and the appraisal price of the land parcel entrusted for evaluation was finally determined using the market comparison approach.

The formula for evaluating the land price with the market comparison approach is as follows:

$$P = PB \times A \times B \times C \times D \times E$$

In the formula:

P – Price of the evaluated object;

PB – Price of comparable case;

A – Transaction index of the evaluated object/land parcel transaction index of comparable case;

B – Land price index of the evaluated object on the evaluation base date/Land price index of comparable case on the land parcel transaction date;

C – Regional factor and condition index of the evaluated object/Regional factor and condition index of the land parcel of the comparable case;

D – Individual factor and condition index of the evaluated object/Individual factor and condition index of the land parcel of the comparable case;

E – Tenure correction index of the evaluated object/Tenure correction index of comparable case.

B. Other intangible assets

Other intangible assets include application software purchased by the Company. The evaluators verified the relevant account books and original vouchers of the application software to understand the time of occurrence, original occurrence amount and benefit matching period, amortization, and the actual application of the software on the evaluation base date. For various types of software and other application software of general use, this evaluation adopted the market approach after the investigation of their current market selling prices to examine the in-use status pursuant to the current market prices and the upgrading terms agreed in the purchase contract, and comprehensively analyzed and determined the after-tax appraisal value. The appraisal value was determined at zero value for software that had no use value. The appraisal value of software copyright was determined at zero as the evaluated entity could not provide information related to its cost composition, and the software copyright had not been exercised so that revenue could not be determined.

3. Evaluation of current liabilities

(1) Short-term borrowings

The short-term borrowings that fell under this evaluation were working capital borrowings from Bank of China Tianjin Nanfeng Road Sub-branch and China Everbright Bank Tianjin Branch, both with a term of one year and interest rate of 4.35% and 3.75% respectively, with interest payable quarterly and principal payable when due, and they are currently in the normal course of repayment.

Based on the itemized list provided by the Company, the asset evaluators verified the carrying value by referring the loan contracts, understanding the borrowing matters and interest payments, and verified the bank confirmation request as of the date of on-site inspection. The appraisal value was determined at the carrying value verified in this evaluation.

(2) Accounts payable

Accounts payable that fell under this evaluation refer to the payments that were made by the Company for operating activities, such as purchasing raw materials and accepting labor supply.

The evaluators reviewed whether the addition was correct according to the breakdown of the accounts payable appraisal and declaration, and check whether it is consistent with the amount in the general ledger and the sum in the journals. Based on the breakdown of the accounts payable, we made confirmation request to customers with large amounts, unusual customers and long-term pending customers, and found the reasons for any discrepancies as replied from such customers and collected relevant supporting materials; for customers without reply, we performed alternative inspection procedure to consult original vouchers such as purchase contracts, purchase invoice, warehouse warrant, etc., and collected relevant supporting materials; the appraisal value was determined using the verified actual amount of liability to be assumed.

(3) Taxes payable

Taxes payable that fell under this evaluation were taxes and charges payable by the evaluated entity. Income tax and environmental tax were included.

Based on the breakdown of taxes payable appraisal and declaration, the evaluators checked with the journals regarding taxation authority, tax type, date of occurrence and carrying amount, etc., and reviewed the total carrying amount of taxes payable with the amount in the general ledger and balance sheet; consulted the tax appraisal or tax notice of the evaluated entity to verify its taxable items; investigated to understand whether there were adjustment matters that may affect tax payment and significant tax adjustment, fine, late fee, and collected relevant materials; Based on the original materials such as tax payment schedules and tax payment vouchers, we checked whether the tax base, applicable tax rate and calculation of each tax of the evaluated entity were correct, verified whether there was any abnormality in the actual payment after the period, and finally determined the appraisal value of taxes payable based on the verified amount payable.

(4) Interest payable

The interest payable that fell under this evaluation was interest payable on short-term borrowings and long-term borrowings.

The evaluators consulted the loan contracts to understand the borrowing matters and interest payments, verified the carrying value, calculated the interest payable at the interest rate as agreed in the loan contracts and finally determined the appraisal value of interests payable based on the verified amount of interest payable.

(5) Other payables

Other payables that fell under this evaluation were the deposit.

The evaluators reviewed whether the addition was correct according to the breakdown of other payables appraisal and declaration, and check whether it is consistent with the amount in the general ledger and the sum in the journals. Based on the breakdown of the other payables, we made confirmation request to customers with large amounts, unusual customers and long-term pending customers, and found the reasons for any discrepancies as replied from such customers and collected relevant supporting materials; for customers without reply, we performed alternative inspection procedure to consult relevant purchase contracts, agreement, receipt, etc., and collected relevant supporting materials; the appraisal value was determined using the verified actual amount of liability to be assumed.

(6) Non-current liabilities due within one year

The non-current liabilities due within one year that fell under this evaluation were the long-term loans that should be repaid annually according to the repayment schedule agreed in the loan contract.

The evaluators reviewed the general ledger, journals, accounting statements and evaluation schedules, and verified the amount, term and interest rate of borrowings, etc. on a case-by-case basis by means of confirmation request for each non-current liability, consulting loan contracts and relevant guarantee contracts, loan statements as at the evaluation base date and certificates of interest settlement for the latest period as at the evaluation base date, etc., and verified whether the results of the accounts, schedules and bills were consistent with each other. In this evaluation, the appraisal value was determined with verified carrying value.

#### 4. Evaluation of non-current liabilities

##### (1) Long-term borrowings

The long-term loans that fell under this evaluation were capital construction loans and fixed asset loans borrowed from China Development Bank, Tianjin Branch and Bank of Communications, Tianjin Friendship Sub-branch, with a term of 10 years and 7 years respectively, at floating interest rates, and they are currently in the normal course of repayment schedule.

Based on the itemized list provided by the Company, the asset evaluators verified the carrying value by referring the loan contracts, understanding the borrowing matters and interest payments, and verified the bank confirmation request as of the date of on-site inspection. The appraisal value was determined at the carrying value verified in this evaluation.

##### (2) Other non-current liabilities

Other non-current liabilities that fell under this evaluation referred to the deferred income. They are subsidies for supporting facilities, subsidies for pipeline network and subsidies for special funds for ecological and environmental protection allocated from the finance, and deferred income was accounted for as subsidies that have become fixed assets.

Deferred income is the amount of government subsidies recognized by the Company that should be recognized in profit or loss for subsequent periods. Government subsidies were divided into government subsidies related to assets and government subsidies related to income.

The evaluators reviewed whether the addition was correct according to the breakdown of deferred income appraisal and declaration, and checked whether it is consistent with the amount in the general ledger and financial statements and the sum in the journals; consulted the relevant subsidy documents/(or contract) agreements, etc., checked the rules on the calculation of government subsidies, the conditions for enjoying government subsidies, the return of balances, etc. stipulated in the relevant documents, and checked whether they were consistent with the accounting treatment of the Company; randomly checked whether the initial bookkeeping vouchers of deferred income and relevant attachments were complete; checked whether the calculation of amortization of relevant deferred income is consistent.

The asset evaluation professionals learned from the executives of the Company that the deferred income within the scope of evaluation was related to assets, and the Company will subsequently record the deferred income as other income and is thereby required to pay corporate income tax thereon, so that the amount of corporate income tax to be borne after the evaluation base date should be used as the appraisal value. The appraisal value was estimated as the product of the deferred income balance and the corporate income tax rate to the extent that income taxes related to it have not been paid.

***(III) Technical route, model and evaluation process for income approach***

*1. Process of evaluation analysis and calculation*

(1) The specific evaluation route in this evaluation is as follows:

- 1) The expected earnings (net cash flows) for the assets and principal business included in the scope of the financial statements during the project's investment and construction period were estimated based on the changing trend of historical operating conditions and the business type in recent years, and discounted to arrive at the value of operating assets;
- 2) The expected earnings (net cash flows) after the project's investment and construction period were estimated based on the forecast profit data such as operating income and operating costs as shown in the *Feasibility Study Report on Gas-fired Distributed Energy Station Project in Grain and Oil Processing Zone, Tianjin Lingang* issued by Beijing Ennett Distributed Energy Technology Co., Ltd. and discounted to arrive at the value of operating assets;
- 3) Assets included in the scope of the financial statements but not considered in the estimation of expected earnings (net cash flow), such as construction in progress not recorded in the profit and loss, and foreign investments not included in the forecast as of the base date, were defined as surplus or non-operating assets (liabilities) existing at the base date and their value was estimated separately; the enterprise value of the evaluated object was derived from the sum of values of the above-mentioned asset and liability, and the value of equity capital (total shareholders' equity) of the evaluated object was then arrived at by deducting the value of interest-bearing debts.

## (2) Evaluation model

The basic model for this evaluation was:

$$E = B - D$$

In the formula: E: The value of total shareholders' equity (net assets) of the evaluated object;

B: Enterprise value of the evaluated object;

D: Value of interest-bearing debts of the evaluated object.

Of which B: The model for enterprise value of the evaluated object was:

$$B = P + \sum C_i$$

In the formula:

P: Value of the operating assets of the evaluated object;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^i}$$

$R_i$ : Expected earnings (free cash flow) of the evaluated object in the  $i$  year in the future;

$r$ : The discount rate;

$n$ : Future going concern period of the evaluated object, the future operation period assumed in this evaluation is infinite.

$\sum C_i$ : The value of the surplus or non-operating assets of the evaluated object existing at the base date.



**VIII. Implementation process and circumstances of the appraisal procedure**

Our evaluation work began on August 13, 2021 and ended on October 15, 2021. It is divided into the following stages:

***(I) Acceptance of appointment***

We negotiated with the client and reached an agreement on the basic matters of asset evaluation business, such as the evaluation purpose, evaluated object and evaluation scope, value type, evaluation base date, scope of use of Asset Appraisal Report, deadline and manner for submission of Asset Appraisal Report, evaluation service fee and payment method, cooperation and assistance in the work of all parties involved in the evaluation, and signed an asset evaluation appointment contract and prepared an evaluation plan.

***(II) Early preparation***

In line with the characteristics of this project and the asset distribution, we formulated an asset appraisal plan and formed an appraisal team.

In order to facilitate the financial and asset management personnel of the evaluated entity to understand and submit asset evaluation materials, we provided training to the relevant personnel of the evaluated entity on the preparation of asset evaluation materials, and assigned special personnel to instruct the evaluated entity to inventory assets, prepare evaluation materials, verify assets and verify materials, and address the problems encountered in the process of preparing asset appraisal materials.

***(III) Field investigation***

The asset appraisal professionals conducted necessary investigation and verification on the assets and liabilities relating to the evaluated object and carried out due diligence for the operation and management status of the evaluated entity from August 13, 2021 to August 20, 2021.

***1. Asset verification***

- (1) Instructions to the evaluated entity on form-filling and preparation of the materials to be provided to the asset evaluation institution

The asset appraisal professionals instructed the financial and asset management personnel of the evaluated entity to correctly and carefully fill out the forms for the assets subject to evaluation according to “asset appraisal breakdown statement”, its filling requirements and the list of assets provided by the evaluation institution on the basis of self-inspection of assets, and to collect the property right certificates of the assets and the documents that can reflect their performance, status and economic and technical index.

- (2) Preliminary review and improvement of asset appraisal breakdown statement filled by the evaluated entity

The asset evaluation professionals consulted the relevant documents to check the details of the assets subject to evaluation, carefully reviewed “asset appraisal breakdown statement” to check if there is any error, omission or unclear statement of asset items according to their experiences and the information they had obtained, and at the time provided feedback to the evaluated entity to make improvement to “asset appraisal breakdown statement”.

- (3) Field survey

The asset evaluation professionals conducted field survey on the assets with the cooperation of the relevant personnel of the evaluated entity according to the types, quantity and distribution status of the assets subject to evaluation as well as the relevant asset evaluation standards. Different survey methods were used for different types of assets based on their natures and characteristics.

- (4) Supplementing, modifying and improving asset appraisal breakdown statement

The asset evaluation professionals further improved “asset appraisal breakdown statement” after making full communication with the relevant personnel of the evaluated entity according to the field survey result, in order to ensure the consistency of the accounts, forms and reality.

- (5) Checking the supporting documents and materials for property right

The evaluators investigated the property right of the assets subject to evaluation, and asked the Company to check for the assets with defective or unclear ownership certificates.

## 2. *Due diligence*

The asset appraisal professionals have performed the necessary due diligence to fully understand the operating status of the appraised institution and the risks it faces. Below are the major contents of the due diligence:

- (1) Historical evolution, majority shareholders and shareholding ratios, necessary proprietorship and management structure of the appraised institution;

- (2) Asset, financial, production, operation and management statuses of the appraised institution;
- (3) Operating plan, development planning and financial forecast information of the appraised institution;
- (4) Appraisal and transaction records of the appraised object and the appraised institution;
- (5) Macroeconomic and regional economic factors that affect the production and operation of the appraised institution;
- (6) Development status and prospect of the industry of the appraised institution;
- (7) Other relevant information and data.

***(IV) Data collection***

The asset appraisal professionals have collected appraisal data based on the concrete situation of the appraisal project, including data directly collected from market and other channels independently, data collected from the Principal and other concerned parties, data collected from government authorities, various professional agencies and other related departments, and conducted necessary analysis, generalization and sorting of the collected appraisal data to reach the basis for the appraisal and estimation.

***(V) Appraisal and estimation***

Depending on concrete conditions of various assets, the asset appraisal professionals have selected corresponding formulas and parameters for analysis, calculation and judgment based on the selected appraisal approach and drawn the preliminary appraisal conclusion. The project manager has summarized the preliminary appraisal conclusions for various assets, and completed the preliminary Asset Appraisal Report.

***(VI) Internal review***

The project manager has submitted the preliminary Asset Appraisal Report to the Company for internal review, according to the provisions of the management procedure of the Company for the appraisal business flow. After the completion of the internal review, the project manager has communicated with the Principal or other relevant concerned parties agreed by the Principal with respect to relevant contents of the Asset Appraisal Report, conducted the reasonable modification based on feedback opinions and submitted the Asset Appraisal Report.

**IX. Appraisal assumptions**

The analysis and estimation under this Asset Appraisal Report adopt the following assumptions:

**(I) Basic assumptions****1. Trading hypothesis**

The trading hypothesis assumes that all the assets to be appraised already remain in the trading process, and the appraiser simulates the market to appraise the assets to be appraised based on the trading conditions and other factors. It is the most fundamental precedent hypothesis that enables the asset appraisal.

**2. Open market hypothesis**

The open market hypothesis assumes that for the asset traded in the market or the asset to be traded in the market, both parties to the trading share the equal status, and both parties have the chance and time to obtain adequate market information to make a rational judgment as to the function, purpose and trading price of the asset. This hypothesis is based on the hypothesis that the asset can be openly traded in the market.

**3. Hypothesis of continuous use of asset**

The hypothesis of continuous use means that at appraisal, the appraiser must determine the appraisal method, parameter and basis, assuming that the appraised asset will be further used according to the current purpose, way of use, scale, frequency and environment, or used on the basis of certain changes.

**4. Hypothesis of going concern**

It is an appraisal hypothesis that treats the overall assets of the enterprise as the appraised object. That is, the enterprise, as an operating entity, will continue the operation according to the operating objective and operation and management mode in its external environment.

**(II) Special assumptions**

1. Assume no material changes will happen to relevant current laws, regulations, policies and macroeconomic situation of China, no material changes will happen to the political, economic and social environments in the regions of the parties to the transaction.

2. Assume no material changes will happen to the interest rate, exchange rate, tax benchmark, tax rate, policy-related surcharges and other items related to the appraised institution.
3. Assume the industry of the appraised institution maintains a stable development trend, and there are no material changes in the industry policy, management system and related provisions.
4. Assume there are no force majeure and unpredictable factors will deliver a material adverse impact on the appraised institution after the appraisal base day.
5. Assume the accounting policy to be adopted by the appraised institution after the appraisal base day will be basically consistent in important aspects with the accounting policy when this Asset Appraisal Report is prepared.
6. Assume the operator of the Company is responsible, and its management is capable to hold the positions.
7. Assume the appraised object complies with the provisions of related laws and regulations of the state in the purchase, acquisition and construction process of the involved assets.
8. Assume the contracts, agreements and/or bid awards that are being performed or have not been performed keep in effect and can be completed within the planned time.
9. The asset appraisal professionals have not performed the technical inspection against the technical parameters and performance levels of different types of equipment on the appraisal base day, but made the judgment through the field survey, assuming that relevant technical materials and operating records provided by the appraised institution are authentic and effective.
10. The field survey by the asset appraisal professionals on the appraised object is only limited to the external appearances and working statuses of the appraised object, and they have not tested the structure and other internal quality indicators, and thus can't judge whether there are internal defects or not. This Report assumes the internal quality of the appraised object complies with relevant national standards and suffices to maintain the normal use of the appraised object.
11. Realization of phase II production line as scheduled: According to the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed

Energy Technology Co., Ltd., the structural improvement plan of Tianjin Tianbao Lingang Thermal Power Co., Ltd. for its production line includes completing the fuel change (distributed gas turbine) for five boilers prior to October 2022, and this appraisal is based on the assumption that Tianjin Tianbao Lingang Thermal Power Co., Ltd. will start production and maintain the normal operation on schedule.

12. Assume that after the appraisal base day, there will be no force majeure events that will deliver a material adverse impact on the operation planning of Tianjin Tianbao Lingang Thermal Power Co., Ltd. after it completes the fuel change plan.
13. Assume that Tianjin Tianbao Lingang Thermal Power Co., Ltd. will complete the rectification in accordance with the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd., and realize the future profit forecast data on schedule.
14. Assume the Company keeps its operating pattern and business scope consistent with its current direction based on its current management pattern and management level during the construction period of the fuel change project.
15. During the implementation period of the project, the enterprise will maintain its principal operation structure, income structure, cost structure, sales strategy for future business, cost control and other factors in the most recent years and make no significant changes due to the implementation of the fuel change project.
16. This appraisal is based on the subject asset and the operation of relevant asset or operation after the rectification after Tianjin Tianbao Lingang Thermal Power Co., Ltd. implements the rectification plan.
17. Assume Tianjin Tianbao Lingang Thermal Power Co., Ltd. will implement the financing plan and risk orientation in accordance with the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone.
18. Assume that during the future operating period, various period expenses during every operating period will not experience significant changes from the current base, but maintain their change trends in the most recent years and change with the business scale change at the same pace.

19. This appraisal rules out the impact from the inflation factor. All the pricing standards during the appraisal and estimation are the effective pricing standards and value systems on the appraisal base day.
20. Assume the enterprise can arrange for the production based on the plan and well carry out the marketing plan.
21. Assume the appraised institution can complete the work to dispose of the assets in phase I, and suffer no impact from the force majeure.
22. We have learned from the staff of the enterprise that the expected time of disposal for the coal-fired boiler equipment in phase I is the end of 2025, assuming the settlement time point for the asset disposal income is the beginning of 2026 or the end of 2025. The income approach for this appraisal is based on the hypothesis that the enterprise can complete the asset disposal on schedule and obtain the related asset disposal income.

The appraisal conclusion in this Asset Appraisal Report is justifiable under the aforesaid hypothetic conditions on the appraisal base day. When significant changes happen to the aforesaid hypothetic conditions, the undersigning asset appraisers and this Asset Appraisal Agency will not bear the liability for the induction of different appraisal conclusions due to the changes in the hypothetic conditions.

## **X. Appraisal conclusion**

After implementing the aforesaid appraisal methods and procedures, we have drawn the following appraisal conclusion on the market value presented by all the shareholders' equity of Tianjin Tianbao Lingang Thermal Power Co., Ltd. on June 30, 2021, which will be used for the proposed capital increase and share enlargement.

### ***(I) Assessment result on asset base***

The book value of total assets is RMB337,793,700, and the appraisal value is RMB330,111,100, representing an appraised impairment of RMB7,682,600 and an impairment rate of 2.27%;

The book value of total liabilities is RMB137,377,000, and the appraisal value is RMB107,939,900, representing an appraised impairment of RMB29,437,100 and an impairment rate of 21.43%;

The book value of net assets is RMB200,416,700, and the appraisal value is RMB222,171,200, representing an appraised appreciation of RMB21,754,500 and an appreciation rate of 10.85%.

See the table below for the appraisal results:

**Summary Statement on Asset Appraisal Results**

*Monetary Unit: RMB10,000*

Item	Book value	Appraisal	Change	Appreciation
	A	value B	C=B-A	rate % D=C/A×100%
1 Current assets	5,245.72	5,306.98	61.27	1.17
2 Non-current assets	28,533.65	27,704.12	-829.53	-2.91
3 Including: Financial asset available for sale	–	–	–	
4 Investments held to maturity	–	–	–	
5 Long-term receivables	–	–	–	
6 Long-term equity investments	–	–	–	
7 Real estate held for investment	–	–	–	
8 Fixed assets	22,907.24	22,864.83	-42.41	-0.19
9 Construction in progress	24.13	24.13	–	–
10 Project materials	–	–	–	
11 Liquidation of fixed assets	3.69	2.32	-1.37	-37.07
12 Productive biological assets	–	–	–	
13 Oil and gas assets	–	–	–	
14 Intangible assets	5,598.60	4,812.85	-785.75	-14.03
15 Development expenditures	–	–	–	
16 Goodwill	–	–	–	
17 Long-term deferred expenses	–	–	–	
18 Deferred income tax assets	–	–	–	
19 Other non-current assets	–	–	–	
20 <b>Total assets</b>	<b>33,779.37</b>	<b>33,011.11</b>	<b>-768.26</b>	<b>-2.27</b>
21 Current liabilities	7,294.06	7,294.06	–	–
22 Non-current liabilities	6,443.64	3,499.94	-2,943.71	-45.68
23 <b>Total liabilities</b>	<b>13,737.70</b>	<b>10,793.99</b>	<b>-2,943.71</b>	<b>-21.43</b>
24 <b>Net assets (owners' equities)</b>	<b>20,041.67</b>	<b>22,217.12</b>	<b>2,175.45</b>	<b>10.85</b>

See the appraisal breakdown statement for the details of the appraisal conclusion.

**(II) Result of the income approach**

As of June 30, 2021, the appraisal base day, all the shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. are appraised at RMB202.76 million, representing an appraisal appreciation of RMB2,343,300 or appreciation rate of 1.17% under the income approach and the going concern hypothesis.



*(III) Analysis and selection of results under different appraisal methods*

The major reason for the different results under two different appraisal methods is that they consider the asset from different angles. The asset base approach considers the appraisal from the perspective of acquiring the asset again and reflects the replacement value of the current asset of the enterprise. The income approach considers the appraisal from the perspective of the future profitability of the enterprise and reflects the comprehensive profitability of various assets of the enterprise.

The proposed phase II project of Tianjin Tianbao Lingang Thermal Power Co., Ltd. will change the current coal-fired steam production to the use of natural gas as the major fuel for power generation and steam production. At present, the Company remains at the critical stage of transformation and its future fixed asset investment trend and cost are uncertain to some extent.

In conclusion, considering the advantages and limitations of the two appraisal approaches, including the asset base approach and the income approach, we have analyzed the extents to which the two appraisal approaches will affect the appraisal result of this project, and concluded that the appraisal result under the asset base approach will be more conducive to reflect the value of the appraised object, judging from the specific economic behavior under this project. Therefore, this appraisal has adopted the appraisal result under the asset base approach as the final appraisal conclusion.

**The appraised value of all shareholders' equities of Tianjin Tianbao Lingang Thermal Power Co., Ltd. is RMB222,171,200.**

This Asset Appraisal Report is only intended to provide the value references for the economic behaviors described herein. The current appraisal conclusion shall keep in effect within one year after the appraisal base day, and this Asset Appraisal Report shall not be used after the expiration of the usable period.

**XI. Special Notes***(I) Quotation of report conclusions issued by other agencies*

In this Appraisal Report, the book values of various assets and liabilities on the base day are quoted from standard unqualified audit report Tianjin Guangxin Audit Report (2021) No. 279 issued by Tianjin Guangxin Certified Public Accountants Limited.

*(II) Incomplete proprietorship documents or existence of defects*

The house proprietorship certificates have not been obtained for some houses included in the current scope of appraisal, and the appraised institution has provided the relevant letter of proprietorship commitment, warranting that these houses without the certificate are their properties and involve no dispute in proprietorship. This appraisal has been performed, assuming that the aforesaid houses involve no dispute in proprietorship, and not taken into consideration the expenses that will be required to obtain the house proprietorship certificate.

***(III) Restriction over appraisal procedure***

We have appraised and measured the pipelines and other concealed works that can't be surveyed in accordance with the proprietorship evidence, financial accounting data, production and operation data of the enterprise, shop drawings, some settlement reports and other materials provided by the appraised institution for the Appraisal Agency and the appraisers.

We have not performed the technical test on the internal quality and working statuses of the equipment, and have surveyed the buildings and equipment on the site mainly by checking their external appearances and relevant inspection records and interviewing the managers on the site.

***(IV) Incomplete appraisal materials***

The appraised institution can't provide the paper versions of the as-built settlement statements or other settlement documents for the houses, buildings and structures included in the current scope of appraisal, and the appraisers have appraised and measured these items in accordance with the electronic bills of quantities and other materials provided by the appraised institution.

***(V) Pending legal and economic matters on appraisal base day***

None

***(VI) Natures, amounts, and relations with the appraised object, of guarantees, leases and contingent liabilities (contingent assets)***

1. According to the Pledge Contract of Shanghai Pudong Development Bank on Maximum Rights (borrower: Tianjin Tianbao Energy Co., Ltd., and the lender: Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd.) (ZZ7705202000000032), on December 28, 2020, the shareholder Tianjin Tianbao Energy Co., Ltd. pledged its 51% equities in Tianjin Tianbao Lingang Thermal Power Co., Ltd. to Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd., signed the M&A Loan Contract of Shanghai Pudong Development Bank (77112020280085), and obtained a loan of RMB50 million used to replace the free capital it had earlier used to acquire the 51% equities in Tianjin Tianbao Lingang Thermal Power Co., Ltd., and the loan term is from December 30, 2020 to December 24, 2026. The borrower has warranted that during the loan term, the borrower shall keep unchanged its actual controller's status in the target enterprise, and shall not transfer, dispose of or pledge the equities in the target company, or the borrower shall repay the M&A loan to the lender ahead of schedule. Until the appraisal base day, the 51% equities held by Tianjin Tianbao Energy Co., Ltd. in Tianjin Tianbao Lingang Thermal Power Co., Ltd. remain in the pledge status.

2. The scope of appraisal includes the long-term borrowings, where the lender is Tianjin Branch of China Development Bank. The loan is a guaranteed loan, and the guarantors are TFEI (which provides a guarantee for 49% of all the principal, interest, penalty interest, compound interest, compensation, liquidated damage, damage compensation and expenses for realizing the credit unpaid by the borrower under the master contract to the lender) and Tianjin Tianbao Energy Co., Ltd. (which provides a guarantee for 51% of all the principal, interest, penalty interest, compound interest, compensation, liquidated damage, damage compensation and expenses for realizing the credit unpaid by the borrower under the master contract to the lender). At the same time, the loan is also a pledged loan, and the collateral is the accounts receivable. As of June 30, 2021, the total loan balance is RMB38,000,000.00, including RMB25,000,000.00 repayable within one year.

*(VII) Matters that may affect on the appraisal conclusion between the appraisal base day and the date of the Asset Appraisal Report*

Two accounts numbered 75460188000567317 and 75460188000567496 opened with the Banking Department of Tianjin Binhai Branch of China CITIC Bank are the escrow accounts for environmental protection funds, the cash and cash equivalents of RMB6,890,891.76 deposited in these two accounts are the exclusive environmental protection funds, and on the appraisal base day, the use of these funds was restricted. Before the issuance of this Appraisal Report, the fund has been transferred to the account numbered 12001860800052503127 opened with the Banking Department of Tianjin Branch of China Construction Bank Corporation, and the restriction has been cancelled.

*(VIII)* For phase I of the coal-fired boiler facility and some houses included in the current scope of appraisal, their book value is RMB340,387,238.36, and the net book value is RMB216,388,339.94. We have learned from the staff of the enterprise that the expected time of disposal is the end of 2025, assuming the settlement time point for the asset disposal income is the beginning of 2026, or the end of 2025. This appraisal assumes Tianjin Tianbao Lingang Thermal Power Co., Ltd. can complete the asset disposal on schedule and obtain the related asset disposal income, and also assumes that after the base day, there will be no force majeure events that will deliver a material adverse impact on its disposal of the operation assets related to phase I coal-fired boiler.

*(IX)* This Appraisal Report has referred to the technical parameters and indicators of the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone issued by Beijing Ennett Distributed Energy Technology Co., Ltd. with respect to the subject asset and future profit forecast data pertaining to the operation of phase II gas distributed energy station project. The suggestions and restrictive conditions for the appraised institution mentioned in the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone are also applicable in this Report. We are hereby reminding the users of this Report to note.

Related technical parameters and indicators are listed as follows:

<b>Operating parameter</b>	<b>Unit</b>	<b>Value</b>
Annual power supply	10,000 kWh	25,090
Annual steam supply	10,000 t	140.8
<b>Production operation parameter</b>	<b>Unit</b>	<b>Value</b>
Annual natural gas consumption	10,000 Nm <sup>3</sup> /a	15,822
Annual consumption of dehydrating water	10,000 m <sup>3</sup> /a	146.5
Annual consumption of tap water	10,000 m <sup>3</sup> /a	1.84
Service power rate	%	2.1

The appraisers have performed the necessary analysis of the aforesaid economic parameters based on the growth trend of natural gas consumption by grain and oil enterprises in the adjacent areas and the high-voltage power distribution grid of Tianjin Lingang Economic Zone North Area, and the Feasibility Study Report on Gas Distributed Energy Station Project in Tianjin Lingang Grain and Oil Processing Zone has advised the construction of the phase II gas-fired boiler as follows:

- (1) Suggest the appraised institution should finalize the electric access system plan with the related department of the power grid company as soon as possible.
- (2) Suggest the appraised institution should determine the natural gas supply parameters as soon as possible to confirm whether it is necessary to add superchargers and sign the natural gas supply agreement as soon as possible.
- (3) Suggest the appraised institution should complete the environmental impact assessment of the project as soon as possible to determine the chimney heights of the waste heat boiler and the gas and steam boiler.
- (4) Suggest the appraised institution determine as soon as possible whether the water supply can be assured for the reconstruction project of dehydrating water production with gray water that the appraised institution will implement in the second half of 2021.

**(X) Notes on Other Relevant Issues**

1. The real estate proprietorship of the appraised institution (Tianjin (2020) Binhai New Area Lingang Economic Area Real Estate Proprietorship Certificate No. 1000883) indicates a land area of 85,999.2 square meters, and the land transfer contract specifies an area of 86,004.7 square meters, leading to an area difference. This is because the 1950 Xi'an Coordinate System was

used when the land was acquired in 2011, and the appraised institution replaced the original housing proprietorship certificate with the real estate proprietorship certificate in 2020, and adopted the 2020 Tianjin Urban Coordinate System during the secondary measurement. This appraisal has used the area of 85,999.2 square meters indicated on the certificate to perform the measurement.

2. The appraised institution has the assets off the book – 15 software copyrights. We have learned that the institution has not used these 15 software copyrights and consigned an agent to execute the research, development, application and registration. However, both parties have not signed a consignment contract or agreed upon the consignment fee, rendering it unable to confirm their costs and liabilities. Thus, this appraisal has ruled out the values of these 15 software copyrights and their related payables.
3. This Report is prepared based on relevant accounting information and data provided by the Principal and the appraised institution, and the Principal and the appraised institution shall be responsible for the authenticity, reliability and comprehensiveness of such relevant information.
4. Relevant property ownership certificates and materials involved in the Appraisal Report are provided by the appraised entity, and the principals and the appraised entity shall bear the legal liability for their authenticity and legality.
5. Tianjin Tianbao Lingang Thermal Power Co., Ltd. is a general taxpayer, and the appraisal result excludes the value-added tax.
6. The following principles shall apply, given changes in the asset quantity and valuation standard within the effective period after the base day:
  - (1) If the asset quantity changes, the asset value shall be accordingly adjusted according to the original appraisal approach;
  - (2) When a change happens to the asset price standard and delivers an obvious influence on the asset appraisal result, the principals shall entrust a qualified asset appraisal agency to appraise the asset value again in time;
  - (3) The principals shall fully consider changes in the asset quantity and price standard after the base day, and make corresponding adjustments.

Users of this Appraisal Report shall pay attention to the prospective influence of the aforesaid special affairs on the appraisal conclusion.

**XII. Restriction on Use of Appraisal Report**

1. This Appraisal Report shall be used only by the principal, the appraised institution as well as the state-owned asset supervision and administration commission reviewing and filing this Report and other users of this Appraisal Report specified by the laws and regulations.
2. The Principal shall use this Appraisal Report in accordance with laws and administrative regulations, and for the purposes and usages indicated in this Appraisal Report.
3. The Principal shall use this Appraisal Report within the effective period of the appraisal conclusion indicated herein.
4. Without the consent of the Asset Appraisal Agency, the contents of this Appraisal Report shall not be abstracted, cited or disclosed on public media, unless otherwise specified by the laws and regulations and agreed by relevant parties.
5. Where the Principal fails to use this Appraisal Report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein, the Asset Appraisal Agency and its asset appraisal professionals shall bear no liability thereof.
6. Any institution or individual other than the Principal shall not become the user of this Appraisal Report.
7. If the specific economic behavior under this Appraisal Report must be filed (ratified) with the state-owned asset administration commission and the supervising authority of the enterprise, this Appraisal Report shall be filed (ratified) with the state-owned asset administration commission and the supervising authority of the enterprise before it is used.
8. The appraisal conclusion shall keep in force for one year, i.e., from the appraisal base day June 30, 2021 to June 29, 2022.

**XIII. Appraisal Report Date**

This Appraisal Report date is October 15, 2021.

Tianjin Guangyu Asset Appraisal Co., Ltd.  
Certified Public Valuer: Li Ying  
Certified Public Valuer: Han Shuangyang

*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 January 31, 2022.*



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

March 8, 2022

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 Property – the production facility located at No. 418, Haihe Middle Road, Lingang Economic Zone, Binhai New District, Tianjin, the PRC with a site area of 85,999.2 square meters and a total gross floor area of 24,607.96 square meters**

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with the instructions from Tianjin Tianbao Energy Co., Ltd. (the “Company”) for us to prepare market valuation of the Property held by Tianjin Tianbao Lingang Thermal Power Co., Ltd.\* (天津天保臨港熱電有限公司) formerly known as Tianjin Jinneng Lingang Thermal Power Co., Ltd. (天津津能臨港熱電有限公司) (the “Lingang Thermal Power”, a non-wholly owned subsidiary of the Company) 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 in existing state of the Property as at January 31, 2022 (the “valuation date”).

\* For identification only

**DEFINITION OF MARKET VALUE**

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 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”.

**VALUATION BASIS & ASSUMPTIONS**

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value available only to a specific owner or purchaser.

In the course of our valuation of the Property situated in the PRC, with reference to the PRC legal opinion dated March 8, 2022 of the Company’s legal adviser, AnJie Law Firm (北京安杰律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fees have been granted and that any premium payable have already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion, regarding the title to the Property and the interest in the Property. In valuing the Property, we have prepared our valuation on the basis that the owner has enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

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.

We have valued the whole interest in the Property.

**METHOD OF VALUATION**

In valuing the Property which is held by Lingang Thermal Power for owner-occupation in the PRC, in the absence of relevant market data to arrive at the market value of the Property by means of market-based evidence, we have valued the Property by Depreciated Replacement Cost Approach which requires a valuation of the market value of the land in its existing use by Market Comparison Approach by making reference to comparable sales evidences as available on the market; and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market value by Depreciated Replacement Cost Approach only apply to the whole of the Property as a unique interest, and no piecemeal transaction of the Property is assumed.



For ease of reference, Depreciated Replacement Cost Approach comprises the valuations of (a) the land; and (b) the buildings and structures erected thereon. The land is valued by Market Comparison Approach whilst the buildings and structures are valued by Cost Approach.

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 2020.

### **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 would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### **TITLE INVESTIGATION**

We have been provided by the Company with copies of documents in relation to the current title to the Property. However, we have not been able to conduct searches to verify the ownership of the Property; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the PRC legal adviser and the Company.

### **SITE INSPECTION**

Our Tianjin Office valuers, Robert RM Liang (over 10 years' experience in the PRC) and Ada J Wang (over 5 years' experience in the PRC), have inspected the exterior and, wherever possible, the interior of the Property on February 17, 2022. 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 Property and floor areas of the Site 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.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**  
**Philip C Y Tsang**  
*Registered Professional Surveyor (General Practice)*  
*Registered China Real Estate Appraiser*  
*MSc, MHKIS*  
*Director*

*Note:* Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 29 years' experience in the valuation of properties in the PRC.

## VALUATION REPORT

## The Property held for owner-occupation by Lingang Thermal Power in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at January 31, 2022
The Property – the production facility located at No. 418, Haihe Middle Road, Lingang Economic Zone, Binhai New District, Tianjin, the PRC with a site area of 85,999.2 square meters and a total gross floor area of 24,607.96 square meters	<p>The Property comprises the production facility of Lingang Thermal Power with a site area of 85,999.2 square meters and a total gross floor area of 24,607.96 square meters mainly erected in 2011.</p> <p>The Property is located at No. 418, Haihe Middle Road, Lingang Economic Zone. The 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 Taiyuan Binhai Heavy Machinery Company (太原濱海重型機械公司) and Louie Dafu (Tianjin) Food Technology Co. Ltd. (路易達孚(天津)食品科技有限責任公司).</p> <p>According to the Company, the Property is for public facilities use. There is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p> <p>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.</p>	As per the information provided by the Company, the Property are currently used for the production and supply of steam.	RMB191,900,000 (RENMINBI ONE HUNDRED NINETY ONE MILLION NINE HUNDRED THOUSAND)

*Notes:*

- (1) According to Real Estate Title Certificate No. Jin (2020) Bin Hai Xin Qu Lin Gang Jing Ji Qu Bu Dong Chan Quan Di 1000883 Hao dated November 24, 2020 issued by Tianjin Municipal Planning and Natural Resources Bureau (天津市規劃和自然資源局), the land use rights of the Property with a site area of 85,999.2 square meters has been granted to Lingang Thermal Power 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 24,607.96 square meters has been vested into Lingang Thermal Power 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 Land is granted as below:

Grantee:	Lingang Thermal Power
Site Area:	86,004.70 square meters
Land Use Term:	50 years for public facilities use
Land Premium:	RMB66,653,643
Plot Ratio:	>0.7

- (3) According to Business Licence No. 911201166877273016 dated July 29, 2020, Lingang Thermal Power was established on May 8, 2009 as a limited liability company with a registered capital of RMB100,000,000.
- (4) According to the PRC legal opinion:
- (i) Lingang Thermal Power has obtained Real Estate Title Certificate No. Jin (2020) Bin Hai Xin Qu Lin Gang Jing Ji Qu Bu Dong Chan Quan Di 1000883 Hao for the land with site area of 85,999.2 square metres and for the buildings with a total gross floor area of 24,607.96 square metres;
  - (ii) The land use term is due to expire on February 21, 2062 for public utilities use;
  - (iii) There are no mortgages, guarantees, other encumbrances or dispute on the land use rights and building ownership;
  - (iv) Lingang Thermal Power 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 licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
State-owned Land Use Rights Grant Contract	Yes
Business Licence	Yes

**I. 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.

**II. SUBSTANTIAL SHAREHOLDERS**

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

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of H Shares/underlying Shares held (Share)</b>	<b>Percentage of total share capital (%)</b>
Tianbao Holdings <sup>(Note 1)</sup>	Beneficial owner	109,606,538(L)	68.54
TFIHC <sup>(Note 1)</sup>	Interest of a controlled corporation	115,600,907(L)	72.29
Yuan Andy Yun Nan	Beneficial owner	12,880,000(L)	8.05

*Notes:*

1. Tianbao Holdings is interested in 109,606,538 H Shares and Tianbao Investment is interested in 5,994,369 H Shares. Since Tianbao Holdings is a wholly-owned subsidiary 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.

Save as disclosed, so far as is known to the Directors, there is no person (other than a Director, Supervisor or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or 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 as recorded in the register required to be kept under section 336 of the SFO.

### III. DISCLOSURE OF INTERESTS

#### Interests of Directors and Supervisors

- (a) As at the Latest Practicable Date, no Director, Supervisor or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.
- (b) As at the Latest Practicable Date, none of the Directors or Supervisors had a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).
- (c) As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect material interest in any asset which have been, since December 31, 2020 (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 Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors or Supervisors is materially interested and which is significant in relation to the business of the Group.

### IV. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**V. EXPERTS' QUALIFICATIONS AND CONSENTS**

The followings are the qualifications of the expert who has given opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Tianjin Guangyu Asset Appraisal Co., Ltd.* (天津廣譽資產評估有限公司)	PRC qualified valuer
Cushman & Wakefield Limited	Independent property valuer

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), certificate(s) and/or opinion(s) (as the case may be) and the references to their names included herein in the form and context in which it is respectively included.

Each of the expert named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since December 31, 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**VI. LITIGATION**

Neither the Company nor its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or its subsidiaries.

**VII. MATERIAL CONTRACTS**

The Group has entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

- (i) the finance lease agreement dated November 1, 2021 entered into between the Company and SPDB Financial Leasing Co., Ltd.\* (浦銀金融租賃股份有限公司) in relation to the leasing of certain gas supply facilities, equipment and related parts of the Company;

- (ii) the Gas Boilers Procurement Agreement dated January 31, 2022 and entered into between Lingang Thermal Power and Taiyuan Boiler Group Co., Ltd.\* (太原鍋爐集團有限公司) for the procurement of the Gas Boilers; and
- (iii) the Gas Turbines Procurement Agreement dated February 15, 2022 and entered into between Lingang Thermal Power and Lei Shing Hong (Kunshan) Co., Ltd.\* (利星行能源(昆山)有限公司) for the procurement of the Gas Turbines.

#### VIII. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.tjtbny.com](http://www.tjtbny.com)) for a period of 14 days from the date of this circular:

- (a) the equity evaluation report of Lingang Thermal Power prepared by Tianjin Guangyu Asset Appraisal Co., Ltd.\* (天津廣譽資產評估有限公司), the text of which is set out in Appendix II to this circular;
- (b) the property valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix III to this circular;
- (c) the material contracts referred to in the paragraph headed "VII. Material Contracts" in this Appendix; and
- (d) the written consent referred to in the paragraph headed "V. Experts' Qualifications and Consents" in this Appendix.

#### IX. MISCELLANEOUS

- (a) The registered address of the Company is at No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC.
- (b) The headquarters/principal place of business of the Company in the PRC is at No. 35 Haibinba Road, Tianjin Port Free Trade Zone, Tianjin City, PRC.
- (c) 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.
- (d) 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, Wan Chai, Hong Kong.



- (e) The company secretary of the Company is Mr. Lau Kwok Yin, who 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.
  
- (f) In the event of any inconsistencies, the English text of this circular shall prevail over the Chinese text.