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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)

**CONTINUING CONNECTED TRANSACTIONS –
PROCUREMENT OF PIPELINE TRANSMITTED NATURAL GAS
AND
PROCUREMENT AND RECEIPT OF NATURAL GAS**

Reference is made to the announcement of the Company dated December 16, 2022 in relation to, among other things, the completion of capital increase in the Company's subsidiary Lingang Thermal Power and that the LTP Investor has become a 15% shareholder of Lingang Thermal Power.

NATURAL GAS PIPELINE TRANSMISSION CONTRACT AND NATURAL GAS SALE AND PURCHASE CONTRACT

Prior to the completion of capital increase and the LTP Investor having become a shareholder of Lingang Thermal Power, (i) the Pipeline Transmission Supplier has entered into the Natural Gas Pipeline Transmission Contract with Lingang Thermal Power, pursuant to which Lingang Thermal Power procures pipeline transmitted natural gas from the Pipeline Transmission Supplier; and (ii) the Natural Gas Supplier has entered into the Natural Gas Sale and Purchase Contract with Lingang Thermal Power, pursuant to which Lingang Thermal Power procures and receives natural gas from the Natural Gas Supplier.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Lingang Thermal Power is held as to 45.0%, 40.0% and 15.0% by the Company, 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) and the LTP Investor, respectively. Therefore, according to the Listing Rules, the LTP Investor, its subsidiaries and associates are connected persons of the Company at subsidiary level.

As (i) the Pipeline Transmission Supplier is a wholly owned subsidiary of the LTP Investor; and (ii) the Natural Gas Supplier is a branch of Supplier Holdco while Supplier Holdco is an indirect holding company of the LTP Investor, the transactions conducted respectively under the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract constitute continuing connected transactions of the Company upon the LTP Investor having become a shareholder of Lingang Thermal Power formally. Pursuant to Rule 14A.60 of the Listing Rules, the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are subject to the applicable requirements on reporting, annual review and disclosure under Chapter 14A of the Listing Rules. If the terms of such contracts are renewed or amended, the Company shall comply with the applicable provisions under Chapter 14A of the Listing Rules.

As (i) according to the Listing Rules, the Pipeline Transmission Supplier and the Natural Gas Supplier are connected persons of the Company at subsidiary level; (ii) one or more of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps of the pipeline transmitted natural gas to be procured by Lingang Thermal Power from the Pipeline Transmission Supplier and the construction of supporting projects under the Natural Gas Pipeline Transmission Contract exceeds 1.0%; (iii) one or more of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps of the natural gas to be procured and received by Lingang Thermal Power from the Natural Gas Supplier under the Natural Gas Sale and Purchase Contract exceeds 1.0%; (iv) both the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract have been confirmed and approved by the Board; and (v) the Directors (including the independent non-executive Directors) are of the view that the respective terms of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are entered into in the ordinary and usual course of business of the Group, the respective terms of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Therefore, the continuing connected transactions contemplated under the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are subject to the reporting, announcement and annual review requirements under chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. In the event of any amendment or renewal of the Natural Gas Pipeline Transmission Contract and/or the Natural Gas Sale and Purchase Contract, the Company will also comply in full with the applicable requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated December 16, 2022 in relation to, among other things, the completion of capital increase in the Company's subsidiary Lingang Thermal Power and that the LTP Investor has become a 15% shareholder of Lingang Thermal Power. Prior to the completion of capital increase and the LTP Investor having become a shareholder of Lingang Thermal Power, (i) the Pipeline Transmission Supplier has entered into the Natural Gas Pipeline Transmission Contract with Lingang Thermal Power; and (ii) the Natural Gas Supplier has entered into the Natural Gas Sale and Purchase Contract with Lingang Thermal Power. The respective principal terms of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are as follows:

1. NATURAL GAS PIPELINE TRANSMISSION CONTRACT

Date: August 31, 2022

Parties: Lingang Thermal Power and the Pipeline Transmission Supplier

Duration of the Contract: August 31, 2022 to March 31, 2025

Principal Terms

Pursuant to the Natural Gas Pipeline Transmission Contract, Lingang Thermal Power procures pipeline transmitted natural gas from the Pipeline Transmission Supplier, in which the fees for pipeline transmission shall be charged on a monthly basis.

Pricing Policy

The unit price of pipeline transmitted natural gas as determined by Lingang Thermal Power and the Pipeline Transmission Supplier through arm's length negotiation is based on the pricing of short-distance pipeline transmitted natural gas set by relevant national and local authorities in the PRC, with reference to the general commercial terms and prices in the public market that is no less favourable than similar transactions conducted between the Company and Independent Third Parties. The pipeline transmission price of natural gas shall include, among others, pipeline transmission fee, measurement service fee, operation and maintenance service fee and taxes, and shall be charged monthly according to actual consumption. According to the Natural Gas Pipeline Transmission Contract, if the state and relevant Tianjin government departments adjust the guiding price, the pipeline transmission price shall be adjusted accordingly. The Group shall comply with its approval and disclosure obligations under the Listing Rules regarding any price adjustment (if required).

Proposed Annual Caps

In determining the annual caps under the Natural Gas Pipeline Transmission Contract, the Company has considered a number of assumptions and factors, including (i) the overall construction progress of the distributed energy station project of Lingang Thermal Power and the volume of transmitted natural gas required for its operation; (ii) the production plans and demand for steam of enterprise in Tianjin Port Free Trade Zone (Lingang); (iii) the transaction amount with the Pipeline Transmission Supplier under the Natural Gas Pipeline Transmission Contract from the effective date of the contract to the date on which the LTP Investor became a connected person of the Company; (iv) the volume of transmitted natural gas required by an increased production capacity of Lingang Thermal Power as its business scale grows with the transformation and upgrade of the Group; and (v) the unit steam energy consumption estimated by the Company based on its industrial production experience.

The transaction amount payable by Lingang Thermal Power to the Pipeline Transmission Supplier under the Natural Gas Pipeline Transmission Contract for the period from the date on which the LTP Investor became a connected person of the Company to December 31, 2022 was RMB148,400.

The maximum annual total consideration of the Natural Gas Pipeline Transmission Contract is estimated based on the unit price of natural gas per standard cubic meter and the estimated volume of natural gas required to be procured. During term of the Natural Gas Pipeline Transmission Contract, the proposed total maximum transaction amount for the years ending December 31, 2023 and 2024 and the three months ending March 31, 2025 shall not exceed RMB7.5 million, RMB9.5 million and RMB3.0 million, respectively.

Other Terms

Pursuant to the Natural Gas Pipeline Transmission Contract, the Pipeline Transmission Supplier shall be responsible for the construction service of related supporting works for natural gas pipeline transmission in respect of distributed energy station project of Lingang Thermal Power in the early stages. The construction, acceptance and commissioning of the project have been completed in 2022. In addition, the Pipeline Transmission Supplier is responsible for the management and maintenance of the facilities and equipment of its contracted works under the Natural Gas Pipeline Transmission Contract to ensure safe, reliable and stable transmission of natural gas for Lingang Thermal Power.

2. NATURAL GAS SALE AND PURCHASE CONTRACT

Date: November 21, 2022

Parties: Lingang Thermal Power and the Natural Gas Supplier

Duration of the Contract: November 21, 2022 to March 31, 2023

Principal Terms

Pursuant to the Natural Gas Sale and Purchase Contract, Lingang Thermal Power procures and receives natural gas from the Natural Gas Supplier. Such natural gas is produced, purchased and imported by the Natural Gas Supplier, including conventional natural gas, gasified LNG, shale gas, coalbed methane, coal-made natural gas and other sources. The volume of natural gas to be procured shall be no less than that agreed between the both parties. If the actual consumption volume of natural gas by Lingang Thermal Power for the period is less than the agreed monthly minimum consumption volume, Lingang Thermal Power shall pay the Natural Gas Supplier an amount equal to 30% to the composite price in that month in respect of the short fall volume. Since the Natural Gas Sale and Purchase Contract took effect, Lingang Thermal Power has been able to meet the minimum consumption volume.

Pricing Policy

As determined by Lingang Thermal Power and the Natural Gas Supplier through arm's length negotiation with reference to the general commercial terms and prices in the public market which is no less favourable than similar transactions conducted between the Company and Independent Third Parties, the price for procurement and sale of natural gas is based on the benchmark gate price for natural gas in Tianjin released by the National Development and Reform Commission and the maximum online transaction trading price in the respective month on the Shanghai Petroleum and Gas Exchange Centre or Chongqing Petroleum and Gas Exchange Centre. Payment shall be made before delivery and the sale and purchase price of natural gas shall be settled at mouth ends.

Pursuant to the Natural Gas Sale and Purchase Contract, if new pricing policies for natural gas are introduced by the national competent governmental authorities, the price for the procurement and sale of natural gas shall follow the new policy or mechanism from their effective date. In addition, if the procurement cost changes significantly due to factors such as changes in international oil price, exchange rate and other reasons, or the resource cost of Natural Gas Supplier changes significantly within a short period of time due to unforeseen factors, both the buyer and the seller may apply a review on the contract price upon the occurrence of such event. The Group will comply with its approval and disclosure obligations under the Listing Rules for any price adjustment (if required).

Proposed Annual Caps

The total procurement cost under the Natural Gas Sale and Purchase Contract is estimated based on the above mentioned pricing policy and the anticipated procurement volume. The total maximum transaction amount estimated during the contract term shall not exceed RMB120.0 million. In determining the annual caps under the Natural Gas Sale and Purchase Contract, the Company has considered a number of assumptions and factors, including (i) the overall construction progress of the distributed energy station project of Lingang Thermal Power and the volume of natural gas required to be procured for its operation; (ii) natural gas is an essential fuel for operating Lingang Thermal Power's gas distributed energy station, which is an important project for the transformation and upgrading of the Group, and therefore, the natural gas required to be procured will increase when the production capacity increases; (iii) the production plans and demand for steam of enterprise in Tianjin Port Free Trade Zone (Lingang); (iv) the unit steam energy consumption estimated by the Company based on its industrial production experience; and (v) the potential changes in natural gas price estimated by the Company after taking into account the future changes in the supply and demand of natural gas and the range of historical transaction prices, and price fluctuations caused by various factors such as government policies and international supply and demand.

REASONS AND BENEFITS FOR THE NATURAL GAS PIPELINE TRANSMISSION CONTRACT AND NATURAL GAS SALE AND PURCHASE CONTRACT

As previously disclosed by the Company in relation to the capital increase of Lingang Thermal Power and commencement of distributed energy station project, upon completion of the gas distributed energy station project, Lingang Thermal Power will use natural gas instead of coal as fuel for steam production and the production capacity of Lingang Thermal Power will also be increased. The gas distributed energy station project is an important project for the transformation and upgrading of the Group.

Natural gas is an essential fuel for the gas distributed energy station project. To ensure the daily operation of the gas distributed energy station project, Lingang Thermal Power should ensure the procurement of high quality and sufficient volume of natural gas to promote and meet the demand of its production capacity. Entering into the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract is particularly important to achieve this. In addition, the LTP Investor is a substantial shareholder of Lingang Thermal Power (as defined under the Listing Rules) and as an external investor in the capital increase of Lingang Thermal Power, participates in the distributed energy station project. The entering into of the Natural Gas Pipeline Transmission Contract and Natural Gas Sale and the Purchase Contract with benefit of the stable supply of natural gas for the gas distributed energy station project will promote the long-term development of Lingang Thermal Power, assist the transformation and upgrading of the Group's energy structure in order to increase production capacity by integrating the upstream and downstream resources of all shareholders of Lingang Thermal Power to generate a polymerization effect. This is in the interests of the Shareholder as a whole.

Based on the above, the Directors (including independent non-executive Directors) consider that the continuing connected transactions set forth in this announcement are entered into in the ordinary and usual course of business of the Company on normal or better commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The proposed annual caps on the continuing connected transactions are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control and corporate governance measures to ensure that the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract will comply with the requirements of the Listing Rules going forward:

- (i) as part of the Group's internal control measures, the implementation of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract and the actual number and amount of materials, products and services will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with Independent Third Parties;
- (ii) the relevant operational divisions of the Group will report regularly to senior management with respect to the actual performance of the transactions with the Pipeline Transmission Supplier and the Natural Gas Supplier;
- (iii) pursuant to the Corporate Governance Code in accordance with Appendix 14 of the Listing Rules, the Directors, including the independent non-executive Directors, will be able to seek independent professional advice in respect of the relevant transactions from external parties in appropriate circumstances;
- (iv) the Group will engage auditors to review the continuing connected transactions among the Company, the Pipeline Transmission Supplier and the Natural Gas Supplier during the annual audit process to ensure that the transactions contemplated under the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract have been conducted in accordance with the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (v) the Company will duly disclose in its annual reports and accounts the transactions with the Pipeline Transmission Supplier and the Natural Gas Supplier during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors on whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

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

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 incorporated in the PRC on May 8, 2009, is a non-wholly owned subsidiary of the Company. It is engaged in steam production and supply business for the production process of the enterprises in the Grain and Oil Industrial Park of Tianjin Port Free Trade Zone (Lingang).

The Pipeline Transmission Supplier

The Pipeline Transmission Supplier, a limited liability company established in the PRC on July 25, 2008, is a direct wholly owned subsidiary of the LTP Investor. The LTP Investor is a wholly owned subsidiary of Kunlun Energy Company Limited (a company listed on the Stock Exchange, stock code: 135). It is mainly engaged in businesses including operation of gas, gas vehicle refueling business, dangerous chemical operations and installation and repair of gas-fired appliance. As the LTP Investor is a 15% shareholder of Lingang Thermal Power and the Pipeline Transmission Supplier is a subsidiary of the LTP Investor, the Pipeline Transmission Supplier is a connected person of the Company at subsidiary level.

The Natural Gas Supplier

The Natural Gas Supplier is a limited liability branch company established by Supplier Holdco (a company listed on the Shanghai Stock Exchange, stock code: 601857; a company listed on the Stock Exchange, stock code: 857) on October 18, 1999, and Supplier Holdco is an indirect holding company of the LTP Investor. It is mainly engaged in businesses including production and supply of fuel gas, storage of natural gas, technical consultation on natural gas pipelines, technological service. As the LTP Investor is a 15% shareholder of Lingang Thermal Power and the Natural Gas Supplier is a branch of Supplier Holdco, which is an indirect holding company of the LTP Investor, the Natural Gas Supplier is a connected person of the Company at subsidiary level.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Lingang Thermal Power is held as to 45.0%, 40.0% and 15.0% by the Company, 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) and the LTP Investor, respectively. Therefore, according to the Listing Rules, the LTP Investor, its subsidiaries and associates are connected persons of the Company at subsidiary level.

As (i) the Pipeline Transmission Supplier is a wholly owned subsidiary of the LTP Investor; and (ii) the Natural Gas Supplier is a branch of Supplier Holdco while Supplier Holdco is a holding company of the LTP Investor, the transactions conducted respectively under the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract constitute continuing connected transactions of the Company upon the LTP Investor having become a shareholder of Lingang Thermal Power formally. Pursuant to Rule 14A.60 of the Listing Rules, the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are subject to the applicable requirements on reporting, annual review and disclosure under Chapter 14A of the Listing Rules. If the terms of such contracts are renewed or amended, the Company shall comply with the relevant provisions under Chapter 14A of the Listing Rules.

As (i) according to the Listing Rules, the Pipeline Transmission Supplier and the Natural Gas Supplier are connected persons of the Company at subsidiary level; (ii) one or more of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps of the pipeline transmitted natural gas to be procured by Lingang Thermal Power from the Pipeline Transmission Supplier and the construction of supporting projects under the Natural Gas Pipeline Transmission Contract exceeds 1.0%; (iii) one or more of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps of the natural gas to be procured and received by Lingang Thermal Power from the Natural Gas Supplier under the Natural Gas Sale and Purchase Contract exceeds 1.0%; (iv) both the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract have been confirmed and approved by the Board; and (v) the Directors (including the independent non-executive Directors) are of the view that the respective terms of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are entered into in the ordinary and usual course of business of the Company, the respective terms of the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Therefore, the continuing connected transactions contemplated under the Natural Gas Pipeline Transmission Contract and the Natural Gas Sale and Purchase Contract are subject to the reporting, announcement and annual review requirements under chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. In the event of any amendment or renewal of the Natural Gas Pipeline Transmission Contract and/or the Natural Gas Sale and Purchase Contract, the Company will also comply in full with the applicable requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, there is no Director who has a material interest in the transactions contemplated under the Natural Gas Pipeline Transmission Contract and/or the Natural Gas Sale and Purchase Contract, therefore no Director is required to abstain from voting on the relevant Board resolution(s).

DEFINITIONS

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

“Board”	the board of directors of the Company
“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, and the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“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

“Independent Third Party”	the person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
“LTP Investor”	PetroChina Kunlun Gas Co., Ltd.* (中石油昆仑燃氣有限公司), a shareholder of Lingang Thermal Power directly holding 15% of its equity interests
“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 our Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Natural Gas Pipeline Transmission Contract”	the Natural Gas Pipeline Transmission Contract dated August 31, 2022 entered into between Lingang Thermal Power and the Pipeline Transmission Supplier
“Natural Gas Sale and Purchase Contract”	the 2022-2023 Natural Gas Sale and Purchase Contract dated November 21, 2022 entered into between Lingang Thermal Power and the Natural Gas Supplier
“Natural Gas Supplier”	PetroChina Natural Gas Sales Company Tianjin Branch* (中國石油天然氣股份有限公司天然氣銷售天津分公司)
“Pipeline Transmission Supplier”	Tianjin PetroChina Compressed Natural Gas Co., Ltd.* (天津中石油壓縮天然氣有限公司)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplier Holdco”

PetroChina Company Limited* (中國石油天然氣股份有限公司)

“%”

per cent

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

Tianjin, the PRC
February 28, 2023

As at the date of this announcement, the Board comprises Mr. ZHOU Shanzhong, Mr. WANG Geng, Mr. MAO Yongming and Mr. YAO Shen as executive Directors; Mr. WANG Xiaotong and Ms. DONG Guangpei as non-executive Directors; and Mr. CHAN Wai Dune, Mr. YOU Shijun and Ms. YANG Ying as independent non-executive Directors.

* *For identification purpose only*