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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 TRANSACTION – PROCUREMENT AND RECEIPT OF NATURAL GAS

NATURAL GAS SALE AND PURCHASE CONTRACT

Reference is made to the announcement of the Company dated April 3, 2023 in relation to the procurement and receipt of natural gas by the Company's subsidiary Lingang Thermal Power from the Natural Gas Supplier. As the Original Natural Gas Sale and Purchase Contract expired on March 31, 2024, Lingang Thermal Power entered into a new Natural Gas Sale and Purchase Contract with the Natural Gas Supplier on April 1, 2024, pursuant to which Lingang Thermal Power shall procure and receive 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 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 under the Natural Gas Sale and Purchase Contract constitute continuing connected transactions of the Company. Therefore, the Natural Gas Sale and Purchase Contract is subject to the applicable requirements on reporting, annual review and disclosure under Chapter 14A of the Listing Rules.

As (i) according to the Listing Rules, the Natural Gas Supplier is a connected person 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 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%; (iii) the Natural Gas Sale and Purchase Contract has been confirmed and approved by the Board; and (iv) the Directors (including the independent non-executive Directors) are of the view that the terms of the Natural Gas Sale and Purchase Contract are entered into in the ordinary and usual course of business of the Group, the terms of 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 its Shareholders as a whole. Therefore, the continuing connected transactions contemplated under 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.

Reference is made to the announcement of the Company dated April 3, 2023 in relation to the procurement and receipt of natural gas by the Company's subsidiary Lingang Thermal Power from the Natural Gas Supplier. As the Original Natural Gas Sale and Purchase Contract expired on March 31, 2024, Lingang Thermal Power entered into a new Natural Gas Sale and Purchase Contract with the Natural Gas Supplier on April 1, 2024, pursuant to which Lingang Thermal Power shall procure and receive natural gas from the Natural Gas Supplier. The principal terms of the contract are as follows:

NATURAL GAS SALE AND PURCHASE CONTRACT

Date: April 1, 2024

Parties: Lingang Thermal Power and the Natural Gas Supplier

Duration of the Contract: April 1, 2024 to March 31, 2025

Principal Terms

Pursuant to the Natural Gas Sale and Purchase Contract, Lingang Thermal Power shall procure and receive 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. Lingang Thermal Power was able to meet the minimum consumption volume during the term of the Original Natural Gas Sale and Purchase Contract, except for special circumstances (such as equipment accidents, government policy changes, etc.).

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 month 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).

Historical transaction amounts

During the year ended December 31, 2023 and for the three months ended March 31, 2024, the transaction amounts payable by Lingang Thermal Power under the Original Natural Gas Sale and Purchase Contract were RMB178.4 million (audited) and RMB68.3 million (unaudited), respectively, which did not exceed the original annual caps (being RMB428.0 million for the whole term of the Original Natural Gas Sale and Purchase Contract).

Proposed Annual Caps

The total procurement cost under the Natural Gas Sale and Purchase Contract is estimated based on the abovementioned pricing policy and the anticipated procurement volume. During term of the Natural Gas Sale and Purchase Contract, the proposed total maximum transaction amount for the nine months ending December 31, 2024 and the three months ending March 31, 2025 shall not exceed RMB298.0 million and RMB130.0 million, respectively. 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 expected gradual increase of the volume of natural gas required to be procured for its operation in the future as the overall construction progress and the scale of operation of the distributed energy station project of Lingang Thermal Power continue to advance; (ii) the estimated production volume of industrial steam based on the production plans and demand for steam of enterprise in Tianjin Port Free Trade Zone (Lingang); (iii) the estimated consumption of natural gas for future capacity expansion based on the preliminary operation of the gas distributed energy station project; and (iv) the potential increases and 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 SALE AND PURCHASE CONTRACT

In the second half of 2023, the power generation part of the gas distributed energy station project of Lingang Thermal Power was successfully put into commercial operation and Lingang Thermal Power uses natural gas instead of coal as fuel for steam production. The gas distributed energy station project is an important project for the transformation and upgrading of the Group and it is expected that the production capacity of Lingang Thermal Power will be increased.

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 Sale and Purchase Contract upon consideration of the Original 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 Sale and 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. In addition, Lingang Thermal Power has been working closely with the Natural Gas Supplier pursuant to the Original Natural Gas Sale and Purchase Contract since 2022, which has brought positive development to the Group. This is in the interests of the Group and the Shareholders 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 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 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 Natural Gas Supplier;
- (iii) pursuant to the Corporate Governance Code set out in 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 between the Company and the Natural Gas Supplier during the annual audit process to ensure that the transactions contemplated under 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 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.

In addition, the Company continuously (i) review and update its connected transaction management rules and list of connected persons, and distribute them to the Company and its subsidiaries and their respective personnel/senior management for observance; (ii) reiterate the importance of compliance with the Listing Rules to the personnel/senior management of its subsidiaries, and requested reporting of any potential connected transaction(s) to the Company in advance in order to ascertain whether there will be any implications under the Listing Rules; and (iii) monitor, review and tighten its internal control procedures to ensure timely compliance with the Listing Rules.

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 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 15.0% 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 the Natural Gas Supplier is a branch of Supplier Holdco while Supplier Holdco is a holding company of the LTP Investor, the transactions conducted under the Natural Gas Sale and Purchase Contract constitute continuing connected transactions of the Company. Therefore, the Natural Gas Sale and Purchase Contract is subject to the applicable requirements on reporting, annual review and disclosure under Chapter 14A of the Listing Rules.

As (i) according to the Listing Rules, the Natural Gas Supplier is a connected person 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 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%; (iii) the Natural Gas Sale and Purchase Contract has been confirmed and approved by the Board; and (iv) the Directors (including the independent non-executive Directors) are of the view that the terms of the Natural Gas Sale and Purchase Contract are entered into in the ordinary and usual course of business of the Company, the terms of 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 its Shareholders as a whole. Therefore, the continuing connected transactions contemplated under 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.

As at the date of this announcement, there is no Director who has a material interest in the transactions contemplated under 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:

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| “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 |
| “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 |
| “LTP Investor” | PetroChina Kunlun Gas Co., Ltd.* (中石油昆侖燃氣有限公司), a shareholder of Lingang Thermal Power directly holding 15% of its equity interests |
| “Natural Gas Sale and Purchase Contract” | the 2024-2025 Natural Gas Sale and Purchase Contract dated April 1, 2024 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) |

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| “Original Natural Gas Sale and Purchase Contract” | the 2023-2024 Natural Gas Sale and Purchase Contract dated April 1, 2023 entered into between Lingang Thermal Power and the Natural Gas Supplier |
| “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
April 1, 2024

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*