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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
POTENTIAL CAPITAL INCREASE IN A SUBSIDIARY
AND
POTENTIAL CONSTRUCTION WORKS

THE POTENTIAL CAPITAL INCREASE

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 is expected to end on February 28, 2022, 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.

THE POTENTIAL CONSTRUCTION WORKS

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.

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.

It is noted that the Group may enter into other transactions relating to the Gas Distributed Energy Station Project, including but not limited to the procurement of the Gas Boilers. As the procurement of such Gas Boilers and other machineries 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 procurement of such Gas Boilers and other machineries 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.

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 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 Potential Construction Works and the transactions contemplated thereunder.

The Company intends to obtain the written shareholders' approval from a closely allied group of Shareholders (being TFIHC's subsidiaries 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 date of this announcement) in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules for approving the transactions abovementioned. Accordingly, it is expected that no general meeting of the Company will be convened for the purpose of approving any of the Potential Capital Increase and the Potential Construction Works.

GENERAL

A circular containing, among other things, further details of the Potential Capital Increase, Potential Construction Works and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as possible within 15 business days after the date of this announcement.

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 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.

I. 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 is expected to end on February 28, 2022, 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.

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.
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.
Other rights:	The Potential Investor shall be entitled to nominate one director and deputy general manager of Lingang Thermal Power. 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: <ul style="list-style-type: none"> (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.

Procedures of the
Capital Increase
Public Tender:

Lingang Thermal Power has commenced the Capital Increase Public Tender on TPRE on December 29, 2021 and is expected to end on February 28, 2022, during which interested parties may apply to bid in the Capital Increase Public Tender through TPRE. In the event that no qualified tender is received, the tender period shall be extended for each subsequent period of five working days.

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.

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 TPRE at 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:	<p>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 TPRE 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.</p> <p>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 TPRE; or (iv) other breaches of the terms and conditions of the Capital Increase Public Tender by the potential bidder.</p>
Use of proceeds:	<p>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.</p>
Other conditions precedent:	<p>It is expected that the Potential Capital Increase be subject to the following conditions precedent:</p> <ul style="list-style-type: none"> (i) The Capital Increase Agreement becoming effective; (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 date of this announcement, 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, it is expected that 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.

Changes to the shareholding structure of Lingang Thermal Power

The following table sets forth the shareholding structure of Lingang Thermal Power as at the date of this announcement and upon completion of the Potential Capital Increase:

Shareholders	As at the date of this announcement		Upon completion of the Potential Capital Increase ^{Note}	
	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
Total	100,000	100.00	122,500	100.00

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;
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 the 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>		
	<i>(audited)</i>		
	For the year ended December 31, 2019	2020	For the six months ended June 30, 2021
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 audited net asset value of Lingang Thermal Power as at June 30, 2021 was approximately RMB200.417 million.

Financial effects of the Potential Capital Increase

As at the date of this announcement, 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 Company will continue to exert control over the board of directors of Lingang Thermal Power, 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.

As the effect of the Potential Capital Increase will not result in a loss of the Company's control over Lingang Thermal Power, any deemed disposal as a result of the Potential Capital Increase will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.

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.

II. THE 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.

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 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.

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;
- (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) 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.

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
- (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.

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.

Listing Rules Implications

It is noted that the Group may enter into other transactions relating to the Gas Distributed Energy Station Project, including but not limited to the procurement of the Gas Boilers. As the procurement of such Gas Boilers and other machineries 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 procurement of such Gas Boilers and other machineries 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.

III. 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.

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 other machineries, 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.

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 the 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 other machineries, 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 and the Potential Construction Works are or will be fair and reasonable, 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.

IV. INFORMATION OF 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 date of this announcement, 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 "I. The Potential Capital Increase" in this announcement.

V. 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 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 Potential Construction Works and the transactions contemplated thereunder.

The Company intends to obtain the written shareholders' approval from a closely allied group of Shareholders (being TFIHC's subsidiaries 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 date of this announcement) in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules for approving the transactions abovementioned. Accordingly, it is expected that no general meeting of the Company will be convened for the purpose of approving any of the Potential Capital Increase and the Potential Construction Works.

VI. GENERAL

A circular containing, among other things, further details of the Potential Capital Increase, Potential Construction Works and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as possible within 15 business days after the date of this announcement.

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 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.

VII. DEFINITIONS

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

“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
“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 procured by an 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
“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
“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
“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
“Shareholder(s)”	the holder(s) of the H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“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)
“%”	per cent.

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

Tianjin, the People’s Republic of China, January 31, 2022

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

* For identification purpose only