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天津津燃公用事業股份有限公司

TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01265)

**CONTINUING CONNECTED TRANSACTION IN RELATION TO
PROCUREMENT OF GAS METERS**

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



Gram Capital Limited

嘉林資本有限公司

On 13 February 2023, the Company and Tianjin Yumin entered into the Agreement pursuant to which Tianjin Yumin agreed to supply to the Company IoT gas meters for the Contract Term up to 31 December 2025.

LISTING RULES IMPLICATIONS

Tianjin Yumin is a connected person of the Company. The entering into of the Agreement by the Company and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Agreement (when aggregated with other procurement of gas meters by the Group from Tianjin Yumin in the past 12 months) exceeds 5%, the Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise Independent Shareholders on the Agreement. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, among other things, (i) further details of the Agreement, (ii) the advice from the Independent Board Committee to the Independent Shareholders; (iii) the advice from Gram Capital to the Independent Board Committee and Independent Shareholders, and a notice convening the EGM, are expected to be despatched to the Shareholders on or before 6 March 2023.

PROCUREMENT OF GAS METERS

The principal terms of the Agreement are summarised as follows:

Date:

13 February 2023

Parties:

- (i) The Company; and
- (ii) Tianjin Yumin

Subject matter:

Pursuant to the Agreement, Tianjin Yumin agreed to supply to the Company upon the Company's request, gas meters during the Contract Term as follows:

Gas meter type	Unit price <i>(tax inclusive)</i>	Annual Caps For the year ending 31 December		
		2023 <i>(tax inclusive)</i>	2024 <i>(tax inclusive)</i>	2025 <i>(tax inclusive)</i>
Ordinary IoT gas meters (type G4 and below)	RMB321	RMB22	RMB2.048	RMB2
IoT gas meters with safety functions (type G4 and below)	RMB351	million	million	million

During the Contract Term (commencing from the effective date of the Agreement and ending on 31 December 2025):

1. the Company shall have the right to notify Tianjin Yumin the quantity of gas meters to be purchased and the time of delivery; Tianjin Yumin shall have not less than seven days to complete the delivery;
2. the gas meters shall be delivered to the place specified by the Company and all the costs and risks related to the delivery will be borne by Tianjin Yumin; and
3. the Company will not be deemed to be in breach of the Agreement if no order is actually placed during such performance period.

Upon delivery of the gas meters by Tianjin Yumin, both the Company and Tianjin Yumin will jointly conduct a preliminary inspection of the type, quantity, appearance and packaging of the gas meters delivered. If, during such inspection process, it is found that more than 10% of the total quantity or the total monetary value of gas meters delivered is inconsistent with the specifications as stated in the Agreement, the Company shall have the right to (i) reject the gas meters delivered and request Tianjin Yumin to replace the same; or (ii) rescind the Agreement.

Gas meters supplied by Tianjin Yumin shall have a quality warranty period of one year from the installation of the gas meters (other than for natural wear and tear).

Conditions precedent:

The Agreement shall be effective upon, among other things, the Company having fulfilled all approvals and requirements under the Listing Rules (that is, including having obtained the Independent Shareholders' approval).

Purchase price:

The actual purchase price shall be calculated based on the actual quantity of gas meters inspected and received. The parties will enter into separate settlement contract(s) based on the actual quantity inspected. The purchase price is expected to be settled at the end of each interim period, payment should be arranged pursuant to such settlement contracts.

The selection of the supplier by the Company and the unit price of the gas meters were determined through tender with more than three bidders (including Tianjin Yumin) having participated. The aggregate maximum purchase price was determined based on the estimated quantity of gas meters required by the Company for the Renewal Project, and after arm's length negotiation between the Company and Tianjin Yumin with reference to, among other things: (i) the unit bidding price submitted by Tianjin Yumin in the tender; (ii) the professional qualifications, the experience and the reputation of Tianjin Yumin; (iii) the factors taken into consideration when selecting the successful bidder as stated in the paragraph headed "Reasons for and benefits of the Agreement" below; and (iv) the prevailing market unit price of gas meters. As the Group is implementing the Renewal Project, it is expected that the Group will have a substantially larger demand for gas meters in 2023, on top of gas meters required for its regular operations. To accommodate such demand, the Annual Cap for this year will be substantially higher, when compared with the actual transaction amount in previous years (which reflect the Group's requirements for gas meters applied mainly for maintenance, replacement and new installation in its regular operations). With the Renewal Project further progressing to completion in 2024 and 2025, demand for gas meters to be applied in the Renewal Project is expected to slow down, as reflected by the relatively lower Annual Caps in these two years.

As disclosed in the Company's announcement dated 9 November 2022, the Company and Tianjin Yumin entered into a procurement contract dated 9 November 2022 for the procurement of IoT gas meters with an aggregate maximum purchase price of RMB7,040,000 (tax inclusive) for a period of one year from its execution date. Gas meters under such existing procurement agreement will mainly be applied for the maintenance, replacement and new installation of gas equipment and facilities in the Group's regular operations, while the gas meters to be procured under the Agreement are to be applied for the Renewal Project. The entering into of the Agreement will not affect the terms and performance of such existing procurement contract.

For the financial years ended 31 December 2022 and 2021, the transaction amount for purchase of gas meters by the Group from Tianjin Yumin was approximately RMB4.53 million and RMB5.01 million, respectively. The Company will pay the purchase price under the Agreement with its internal resources.

INTERNAL CONTROL

The gas meters under the Agreement shall be priced on fixed unit price. The Company has also adopted the following measures:

1. The business department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the Agreement are conducted in accordance with its terms and will also be regularly up to date with the market prices and conditions;
2. The Company's external auditors will be engaged to report on the Agreement and the actual purchase price; and
3. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the transactions contemplated under the Agreement.

The finance department of the Company monitors the amount of gas meters ordered in order to ensure that the Annual Caps will not be exceeded. The finance department will notify the general manager of the Company of such expected transaction amount. The Board shall eventually determine if the Annual Caps should be revised upwards in accordance with the Listing Rules.

REASONS FOR AND BENEFITS OF THE AGREEMENT

Gas meters are required in the Group's operation in its ordinary course of business of selling and distributing piped gas. In particular, the Group is implementing the Renewal Project to renew and renovate gas facilities for resident users in Hexi, Jinnan and Xiqing districts in Tianjin. The Renewal Project is expected to be completed by 2025. Additional new gas meters are necessary for the three years ending 31 December 2025 for the Renewal Project.

The Company selects the supplier of gas meters and determines the terms of the Agreement (including the price of gas meters) through tender. When selecting the successful bidder, factors such as the bidding price, the professional qualifications, the experience and the reputation in the industry of the bidders have been taken into consideration. Tianjin Yumin is a manufacturer of gas meters in Tianjin which manufactures its own branded gas meters, and it was confirmed to be the successful bidder.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice from Gram Capital) considers that the Agreement is entered into in the ordinary and usual course of business of the Group, the terms of the Agreement are of normal commercial terms or better, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Group's principal activities are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas in the PRC.

INFORMATION OF TIANJIN YUMIN

Tianjin Yumin's principal business is the wholesale and retail of gas meters, plumbing equipment and hardware. It is also a manufacturer of gas meters. As of the date of this announcement, Tianjin Yumin is owned as to 51% by Jinran China Resources (a controlling shareholder of the Company), and as to 49% by Shui Fa Hang Yu Xing IoT Technology (Liaoning) Co., Ltd. (水發航宇星物聯科技(遼寧)有限公司) ("SFHYX") (who so far as the Company is aware of, is owned as to 70% by Shandong Water Resources Development Group Co., Ltd. (a company wholly-owned by Shuifa Group Co., Ltd., which in turn, is ultimately controlled by the Shandong Province Stated-owned Assets Supervision and Administration Commission)). Other shareholders of SFHYX are Guan Hong Jun, Cheng Bo and Zhang Guang Chun based on information available to the Company. SFHYX and its ultimate beneficial owners are not connected persons of the Company to the best knowledge, information and belief of the Directors having made all reasonable enquiry.

Jinran China Resources is a controlling shareholder of the Company, which, as of the date of this announcement, holds 1,297,547,800 domestic shares of the Company, representing approximately 70.54% of the issued shares of the Company. Jinran China Resources is held as to 51% by Tianjin Gas and as to 49% by China Resources Gas (Hong Kong) Investment Limited (a wholly-owned subsidiary of China Resources Gas Group Limited (the shares of which are listed on the Stock Exchange)). The ultimate beneficial owner of Tianjin Gas is the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government, a special commission directly under the Tianjin Municipal People's Government.

LISTING RULES IMPLICATIONS

As referred to in the paragraph headed "Information of Tianjin Yumin" above, Tianjin Yumin is a subsidiary, and accordingly, an associate of Jinran China Resources (a controlling shareholder of the Company). Tianjin Yumin is therefore a connected person of the Company. The entering into of the Agreement by the Company and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Agreement (when aggregated with other procurement of gas meters by the Group from Tianjin Yumin in the past 12 months) exceeds 5%, the Agreement and the transactions contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Chen Tao (an executive Director), Ms. Wu Fang, Ms. Guan Na, and Mr. Zhang Jinghan (each a non-executive Director) holds concurrent positions (non-directorship or non-senior management roles) in Jinran China Resources. For good corporate governance practice, each of them has abstained from voting on the resolutions in relation to the approval of the Agreement proposed to the Board. Save as disclosed above, none of the Directors have a material interest in the Agreement.

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on the Agreement. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, among other things, (i) further details of the Agreement, (ii) the advice from the Independent Board Committee to the Independent Shareholders; (iii) the advice from Gram Capital to the Independent Board Committee and Independent Shareholders, and a notice convening the EGM, are expected to be despatched to the Shareholders on or before 6 March 2023.

Jinran China Resources and its associates will abstain from voting in connection with the Agreement at the EGM.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the procurement contract dated 13 February 2023 entered into between the Company and Tianjin Yumin in respect of the procurement of gas meters from Tianjin Yumin
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	天津津燃公用事業股份有限公司 (Tianjin Jinran Public Utilities Company Limited), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Stock Exchange
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Contract Term”	performance period of the Agreement, commencing from the effective date of the Agreement up to 31 December 2025
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving (among other things) the Agreement
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company comprising of Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li, each an independent non-executive Director, established to advise the Independent Shareholders on the Agreement
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Agreement
“IoT”	Internet of Things
“Jinran China Resources”	津燃華潤燃氣有限公司 (Jinran China Resources Gas Co., Ltd), a company established in the PRC with limited liability; and a controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Renewal Project”	the Group’s ongoing project to renew and renovate the gas facilities for residential users used in the selling and distribution of piped gas in Hexi, Jinnan and Xiqing districts in Tianjin
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Gas”	天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited), a state-owned enterprise established in the PRC with limited liability
“Tianjin Yumin”	天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd), a company established in the PRC with limited liability, and a subsidiary of Jinran China Resources

In this announcement, the English names of certain PRC entities and persons are translations of their Chinese names and included herein for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.

By Order of the Board
Tianjin Jinran Public Utilities Company Limited
Chen Tao
Chairman of the Board

Tianjin, PRC, 13 February 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Tao (Chairman of the Board), Ms. Tang Jie and Mr. Sun Liangchuan, three non-executive Directors, namely Ms. Wu Fang, Ms. Guan Na and Mr. Zhang Jinghan, and three independent non-executive Directors, namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li.