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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
GAS PROVISION**

SUPPLY CONTRACT WITH TIANJIN BINRAN

On 10 November 2023, the Company and Tianjin Binran entered into the Supply Contract pursuant to which the Company agreed to supply natural gas to Tianjin Binran during the Contract Term.

LISTING RULES IMPLICATIONS

Tianjin Binran is a connected person of the Company. The entering into of the Supply Contract by the Company and the transactions contemplated thereunder constitute continuing connected transactions of the Company 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 Annual Caps exceeds 5%, the Supply Contract and the transactions contemplated thereunder are subject to (among other things) the announcement, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise Independent Shareholders on the Supply Contract. 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) information of the Supply Contract; (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 1 December 2023.

SUPPLY CONTRACT WITH TIANJIN BINRAN

The principal terms of the Supply Contract are summarised as follows:

Date:

10 November 2023

Parties:

Supplier: the Company

Purchaser: Tianjin Binran

Subject matter:

Subject to the terms and conditions of the Supply Contract, the Company has agreed to supply to Tianjin Binran natural gas (with air pressure equal to or greater than 0.9 MPa before the gas supply line enters the area where the natural gas is used) at the Gas Selling Price.

Where the gas usage facilities are out of order or has safety risks, Tianjin Binran may (at an expense) require the Company to provide safety checks and maintenance services on the gas usage facilities.

The Company shall not be responsible for any loss of Tianjin Binran for any suspension of gas supply if it is caused by force majeure or other reasons not caused by the Company (such as government actions).

Contract term and condition precedent:

From 1 January 2024 to 31 December 2026. The Supply Contract shall be effective upon the Company having obtained the approval of the Independent Shareholders in accordance with the Listing Rules.

Pricing Mechanism and Annual Caps:

Pursuant to the Supply Contract, the Gas Selling Price shall be determined as follows:

- (1) Subject to the potential adjustments under the paragraphs below, the Gas Selling Price shall be:

$$\text{the Gas Sourcing Price}^{(Note)} + \text{RMB0.2}^{(Note)}$$

Note: tax inclusive, per cubic meter

- (2) If the Gas Sourcing Price changes, adjustment to the same extent will be made to the Gas Selling Price.

Where data for adjustment is not yet available, settlement of transaction amount may be made based on the prevailing Gas Selling Price, additional payment (or refund) will be made after the actual Gas Selling Price has been ascertained based on the above principle.

- (3) The Gas Selling Price shall be adjusted in accordance with the natural gas price directives to be announced by the governing administrative department from time to time, if any;
- (4) In any event, the total transaction amount under the Supply Contract shall not exceed the following Annual Caps:

Period	Annual Cap <i>(tax inclusive)</i> <i>RMB million</i>
From 1 January 2024 to 31 December 2024	344
From 1 January 2025 to 31 December 2025	375
From 1 January 2026 to 31 December 2026	408

When determining the Annual Caps, the Company has considered, among others: (i) the estimated transaction amount in the respective year with reference to (among other things) historical transaction with Tianjin Taihua; (ii) value-added tax applicable to the gas supply to Tianjin Binran (currently at a rate of 9%); and (iii) an additional buffer of approximately 9% in anticipation of spike in consumption during peak seasons and in case of unexpected fluctuation.

Estimated transaction amount

The Company has been supplying gas to Tianjin Taihua. Both Tianjin Binran and Tianjin Taihua are subsidiaries of Binhai Gas Group. The Company entered into a gas provision contract with Tianjin Taihua on 15 April 2021 (which is scheduled to expired on 31 December 2023). With reference to the business need of Binhai Gas Group, the gas provision contract with Tianjin Taihua will not be renewed, and the Company has entered into the Supply Contract with Tianjin Binran. In the Company's estimation of the forthcoming transaction amount with Tianjin Binran, the Company took into account the actual transaction amount with Tianjin Taihua as summarised in the table below:

	For the eight months ended 31 August 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Actual transaction amount with Tianjin Taihua (tax exclusive) (approximate)	172.4 ^(Note 2)	241.4	193.9

Note 1: The gas provision contract with Tianjin Taihua stipulates that the annual transaction amount to be capped at RMB383 million and RMB445 million for the year ended 31 December 2021 and 2022, and RMB538 million for the year ending 31 December 2023, respectively. More information about such gas supply contract was included in the Company's circular dated 9 June 2021.

Note 2: Based on the Group's unaudited financial record, and subject to review and annual audit.

Additional buffer

Taking into account (i) the limited supply of natural gas and possibility of regulatory measures affecting demand of natural gas and (ii) potential occurrence of extreme weather conditions and other unexpected factors which may lead to increased user demands, a buffer of approximately 9% has been included when estimating the demand of natural gas under the Supply Contract.

In arriving at the Pricing Mechanism, the Company has considered: (i) its Gas Sourcing Price at which the Company sources its natural gas from regulated ultimate supplier(s) of natural gas in the Tianjin region, its potential fluctuations based on the Company and management's expertise in the industry, and related overheads and costs of the Company; and (ii) the Company's strategy to maintain its market share and the significance of securing Tianjin Binran as its user.

Settlement:

Tianjin Binran is required to settle the gas fee on a monthly basis on or before the 20th day of the next month, based on the consumption of natural gas as shown on the gas meter under the Supply Contract.

INTERNAL CONTROLS

To facilitate the implementation of the Pricing Mechanism and the gas supply in accordance with the Supply Contract, the Company applies (among others) the following internal control procedures with respect to the Supply Contract:

1. The operating department of the Company pays close attention to the laws and regulations from time to time that are applicable to the Gas Sourcing Price and the Gas Selling Price in order to ensure that the gas supply under the Supply Contract is conducted in accordance with mandated prices.
2. The operating department reviews the Gas Sourcing Price every month. Should any adjustment be made to the Gas Sourcing Price, the operating department shall notify the head of the department and be prepared to adjust the Gas Selling Price (including the Company's customers and issuing invoice using the adjusted Gas Selling Price).
3. The operating department checks the actual amount of gas supplied and transaction amount, at least on a monthly basis, for settlement purpose and also for ensuring that the aggregated transaction amount in a year will not exceed the applicable Annual Cap. Should such aggregated transaction amount exceed 75% of the applicable Annual Cap, starting from the month concerned, the operating department will estimate the volume of natural gas to be supplied to Tianjin Binran in the next month and the corresponding expected transaction amount, and will report the same to the management of the Company. The Board shall eventually determine if the Annual Cap should be revised upwards in accordance with the Listing Rules.
4. The finance department will also cross check and verify the transaction amount and data based on the actual amount of gas supplied, invoices with Tianjin Binran and the terms of the Supply Contract.
5. The Company's external auditors will be engaged to report on the Annual Caps.
6. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the transactions contemplated under the Supply Contract.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY CONTRACT

Sale of natural gas is part of the Company's ordinary and usual course of business. The Company also considers that the sale of natural gas to Tianjin Binran will form a steady, reliable and substantive income to the Company.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of Gram Capital) consider that the Supply Contract is entered into in the usual and ordinary course of business of the Group after arm's length negotiations between the Company and Tianjin Binran, and the terms of the Supply Contract (including the Pricing Mechanism and the Annual Caps) are of normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Independent 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 BINRAN

Tianjin Binran is a company established in the PRC with limited liability. So far as the Company is aware of, Tianjin Binran is principally engaged in construction of gas transportation pipeline network and ancillary facilities; investment and construction of gas infrastructure; maintenance and sales of gas appliance; lease of self-owned equipment; development, consultation, service and transfer of gas technology; urban gas operation; transmission and distribution of natural gas pipeline network.

Tianjin Binran is wholly-owned by Binhai Gas Group (which is wholly-owned by Jinran China Resources). Jinran China Resources is a controlling shareholder of the Company. As of the date of this announcement, Jinran China Resources holds 1,297,547,800 domestic shares of the Company, representing approximately 70.54% of the issued Shares. 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 Binran" above, Tianjin Binran is an associate of Jinran China Resources and a connected person of the Company. The entering into of the Supply Contract by the Company and the transactions contemplated thereunder constitute continuing connected transactions of the Company 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 Annual Caps exceeds 5%, the Supply Contract and the transactions contemplated thereunder are subject to (among other things) the announcement, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to seek the Independent Shareholders' approval on (among other things) the Supply Contract. Jinran China Resources and its associates will abstain from voting in connection with the Supply Contract.

As at the date of this announcement, Mr. Chen Tao (an executive Director) is the deputy general manager of Jinran China Resources, and each of 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, they have abstained from voting on the resolutions in relation to the approval of the Supply Contract proposed to the Board. Save as disclosed above, none of the Directors have a material interest in the Supply Contract.

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li) has been established to advise the Independent Shareholders on the Supply Contract. 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) information of the Supply Contract; (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 1 December 2023.

DEFINITIONS

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

“Annual Cap(s)”	the annual cap(s) of the total transaction amount for the Company’s provision of gas to Tianjin Binran under the Supply Contract
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Binhai Gas Group”	天津濱海燃氣集團有限公司 (Tianjin Binhai Gas Group Company Limited), a subsidiary of Jinran China Resources
“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”	from 1 January 2024 (subject to the Supply Contract becoming effective) to 31 December 2026
“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 (or any adjournment thereof) to be convened and held for the purpose of considering, and if thought fit, approving (among other things) the Supply Contract and the transactions contemplated thereunder
“Gas Selling Price”	the price per cubic metre at which the Company supplies its natural gas to Tianjin Binran
“Gas Sourcing Price”	the overall price per cubic metre at which the Company sources natural gas from its supplier(s)
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out 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 to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supply Contract and the Annual Caps
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Supply Contract
“Jinran China Resources”	津燃華潤燃氣有限公司 (Jinran China Resources Gas Co., Ltd), 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, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pricing Mechanism”	the pricing mechanism to calculate the Gas Selling Price, details of which are set out in the paragraph headed “Pricing Mechanism and Annual Caps” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company, including domestic share(s) and H share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Contract”	the city gas supply and usage contract dated 10 November 2023 entered into between the Company and Tianjin Binran, respect of the supply of natural gas by the Company to Tianjin Binran for the Contract Term
“Tianjin Binran”	天津濱燃管網建設有限公司 (Tianjin Binran Pipe Network Construction Co., Ltd), a connected person of the Company
“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 Taihua”	天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd.), a subsidiary of Binhai Gas Group

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

Tianjin, PRC, 10 November 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.

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.