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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
IN RELATION TO GAS SUPPLY**

Reference is made to the circular of the Company dated 8 December 2022 concerning the continuing connected transaction of the Company in relation to the 2023 Gas Supply Contract entered into between Jinran China Resources and the Company.

As the 2023 Gas Supply Contract will expire on 31 March 2024, the Company and Jinran China Resources entered into the New Gas Supply Contract on 7 February 2024 for the period from 1 April 2024 to 31 March 2027.

LISTING RULES IMPLICATIONS

Jinran China Resources is a controlling shareholder, and hence a connected person, of the Company. The entering into of the New Gas Supply Contract 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 New Gas Supply Contract exceeds 5%, the New Gas Supply Contract is subject to, among other things, the Independent Shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on the New Gas Supply Contract and the transactions contemplated thereunder. Gram Capital Limited 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 about the New Gas Supply Contract, (ii) the advice from the Independent Board Committee to the Independent Shareholders; (iii) the advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders; and (iv) the notice convening the EGM, is expected to be published by the Company on or before 15 March 2024.

NEW GAS SUPPLY CONTRACT

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

Date:

7 February 2024

Parties:

Supplier : Jinran China Resources

Purchaser : the Company

Major terms:

Conditions precedent

The New Gas Supply Contract shall be effective upon the Company having obtained the Independent Shareholders' approval pursuant to the Listing Rules, and the New Gas Supply Contract being approved by the board of directors of Jinran China Resources.

Gas Supply and pricing policy

Pursuant to the New Gas Supply Contract, Jinran China Resources has agreed to supply to the Company, and the Company has agreed to source from Jinran China Resources, natural gas at the Gas Sourcing Price during the Contract Term.

The Gas Sourcing Price in each Settlement Period shall be determined as follows:

$$\begin{array}{rcccl} & & \text{(A)} & & \text{(B)} & & \text{(C)} \\ & & \text{(Residential Gas Purchase} & & \text{(Non-Residential Gas Purchase} & & \text{(Heating Gas Purchase Price} \\ \text{Gas} & & \text{Price + Residential Gas} & & \text{Price + Non-Residential Gas} & & \text{+ Heating Gas Allocation} \\ \text{Sourcing} & = & \text{Allocation Price)} & & \text{Allocation Price)} & & \text{Price)} \\ \text{Price} & & \times & & \times & & \times \\ & & \text{Residential Gas Amount} & & \text{Non-Residential Gas Amount} & & \text{Heating Gas Amount} \\ & & \hline & & & & \text{Total Amount} & & \hline \end{array}$$

The Gas Sourcing Price is in essence a sum of the Gas Purchase Price (the purchase price at which Jinran China Resources purchases the gas from its upstream supplier(s)) and a gas allocation price (which is regulated by the TDRC from time to time), calculated on a volume-weighted average basis with reference to three different types of user (namely, (A) residential, (B) non-residential, and (C) heating), weighted by the Total Amount of Gas Supply.

The reason for incorporating the elements of such different users in calculating the Gas Sourcing Price is to reflect the commercial fact that Jinran China Resources sources the natural gas concerned in the Gas Supply from government appointed and regulated ultimate suppliers of natural gas in the Tianjin region like PetroChina Company Limited at Gas Purchase Price that varies based on such categories. It is therefore agreed commercially between the Company and Jinran China Resources that the Pricing Mechanism of Gas Sourcing Price would reflect the same in a weighted-average manner.

Notwithstanding the aforesaid Pricing Mechanism, in the event there is any change in the national policy which affects the Gas Sourcing Price or its pricing mechanism, the national pricing policy shall be followed.

In the event that the Company would like to provide a discount to the unit price of natural gas consumed or to be consumed by certain strategic customers who are not connected persons of the Company, Jinran China Resources and the Company may execute a supplemental agreement under which the discounted sum will be borne by both parties at a proportion to be stipulated.

Settlement and prepayment of fee

The Company shall pay Jinran China Resources for the gas supplied monthly, and within two working days upon receipt of the invoice from Jinran China Resources. The amounts payable will be calculated at an estimated Gas Sourcing Price of that Settlement Period with the actual consumption of natural gas by the Company during the month and the discrepancy in the total volume transported (caused by minute leakage during transportation and/or the accuracy of the meter reading, if any) of 3%. Before the 25th day of the month before the beginning of a Settlement Period, (i) the estimated Gas Sourcing Price for the coming Settlement Period will be determined; and (ii) the actual Gas Sourcing Price of the prior Settlement Period will be verified in accordance with the Pricing Mechanism. If there is any difference between the verified Gas Sourcing Price and the estimated Gas Sourcing Price (as applied in the monthly payment then already made by the Company), the parties shall settle such difference by way of refund or additional payment (as the case may be).

Within two working days upon receipt of the prepayment invoice for such estimated prepayment fees, the Company will examine Jinran China Resources' settlement proof with its upstream source(s) and verify the Gas Sourcing Price, and inform Jinran China Resources of the results afterwards.

The Company shall pay a Prepayment to Jinran China Resources within five working days upon the New Gas Supply Contract taking effect. The Prepayment is calculated in the following manner:

$$\text{Prepayment} = \frac{\text{Total transaction amount of the Gas Supply for the year 2023}}{365} \times 30$$

Jinran China Resources shall have the right to apply the Prepayment to offset the outstanding gas fees. If the Company fails to pay the Prepayment or the amount of the Prepayment is insufficient to cover the outstanding amount payable by the Company, Jinran China Resources shall have the right to, after serving notice three working days in advance, reduce or suspend the delivery of natural gas until the outstanding payment has been settled.

Having considered that the Prepayment (i) is a condition required by Jinran China Resources (and Jinran China Resources is the sole natural gas wholesaler in Tianjin City and to the Company) to fulfill their prepayment obligations with the ultimate supplier(s); (ii) may be used to offset outstanding gas fees; and (iii) is expected to be less than the monthly average transaction amount of the Gas Supply, the Board (excluding the independent non-executive Directors who will form their view after considering the advice of the independent financial adviser) considers that the Prepayment is fair and reasonable, and in the interest of the Company and the independent Shareholders as a whole.

Annual cap

The total transaction amount under the New Gas Supply Contract shall not exceed the following annual caps:

Period	Annual cap (tax inclusive)
From 1 April 2024 to 31 December 2024	RMB1,326 million
From 1 January 2025 to 31 December 2025	RMB2,282 million
From 1 January 2026 to 31 December 2026	RMB2,473 million
From 1 January 2027 to 31 March 2027	RMB992 million

Basis of determining the annual caps and the Pricing Mechanism

In arriving at the aforesaid annual cap of Gas Supply, the Company has considered, among others, the following factors: (i) the historical transaction figures for Gas Supply (including proportion of transaction amount for the first three months to that for the full year); (ii) the estimated increase in gas transaction during the Contract Term; and (iii) an additional buffer in case of unexpected fluctuation.

(i) Historical Gas Supply transaction figures with Jinran China Resources

The table below shows (i) the historical annual caps; and (ii) the actual transaction amount with respect to the Gas Supply with Jinran China Resources for the periods indicated:

Historical annual caps (tax inclusive)

For the three months ending 31 March 2024 <i>RMB million</i>	2023 <i>RMB million</i>	For the year ended 31 December	
		2022 <i>RMB million</i>	2021 <i>RMB million</i>
840	2,292	2,070	1,915

Actual transaction amount of Gas Supply

	From 1 January 2023 to 30 November 2023 <i>RMB million</i> <i>(approximate)</i>	For the year ended 31 December	
		2022 <i>RMB million</i> <i>(approximate)</i>	2021 <i>RMB million</i> <i>(approximate)</i>
Tax inclusive	1,515*	1,806	1,467
Tax exclusive	1,390*	1,642	1,334

* *Unaudited preliminary figure based on the information currently available, and subject to final audit*

With reference to the historical transactions, an assumption that the transaction amount for the first three months accounts for 37% to that for the full year has been adopted.

(ii) Estimated increase in gas transaction

When considering the annual caps, an estimated increase in gas transaction amount for the Contract Term of 8.4% was taken into account. Such estimated increase was adopted with reference to the compound annual growth rate of approximately 8.4% for Gas Supply transaction with Jinran China Resources from 2019 to 2023 (which was calculated based on the actual transaction figures from 2019 to 2023 (with estimated figure for December 2023)).

(iii) Additional buffer

Taking into account (i) the limited supply of natural gas and regulatory measures affecting demand of natural gas, and (ii) new customers and demands may emerge during the Contract Term, a buffer of approximately 9% has been included in determining the annual caps.

In arriving at the Pricing Mechanism, the Company has considered (i) the sourcing prices at which Jinran China Resources sourced its natural gas from the government appointed and regulated ultimate supplier(s) of natural gas in the Tianjin region like PetroChina Company Limited; (ii) the expected fluctuations of such upstream sourcing prices in the Contract Term based on the Company and management's expertise in the industry; (iii) the fact that Jinran China Resources is the only licensed natural gas wholesaler capable of fulfilling the Company's demand on natural gas and the Company's reliance on Jinran China Resources as an industry norm in Tianjin as a result of the laws and regulations of the PRC; and (iv) the alternative legal means available to the Company to source the natural gas needed and the unit price of gas being substantially higher than the Gas Sourcing Price pursuant to the Pricing Mechanism.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW GAS SUPPLY CONTRACT

Sales and distribution of piped gas are part of the Group's principal business, and it is important to secure local natural gas supply to the Group. Jinran China Resources is the only natural gas wholesaler in the districts in Tianjin in which the Company operates.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the independent financial adviser) consider that the New Gas 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 Jinran China Resources, and the terms of the New Gas Supply Contract (including the Pricing Mechanism and the proposed annual caps) are of normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT 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 ABOUT JINRAN CHINA RESOURCES

Jinran China Resources is a controlling shareholder of the Company, which holds 1,297,547,800 domestic shares of the Company, representing approximately 70.54% of the issued shares of the Company, as of the date of this announcement. 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. The principal businesses of Jinran China Resources include operation of gas pipeline infrastructure, supply of natural gas to other gas supply operators in the Tianjin area, the sales and distribution of piped gas to end users and the sale of gas appliances and equipment in connection with gas supply in certain areas of Tianjin.

LISTING RULES IMPLICATIONS

Jinran China Resources is a controlling shareholder, and hence a connected person, of the Company. The entering into of the New Gas Supply Contract 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 New Gas Supply Contract exceeds 5%, the New Gas Supply Contract is subject to, among other things, the Independent Shareholders' approval, reporting, annual review and announcement 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 in Jinran China Resources. For good corporate governance practice, each of them has abstained from voting on the resolutions in relation to the New Gas Supply Contract proposed to the Board. Save as disclosed above, none of the Directors have a material interest in the New Gas Supply Contract.

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on the New Gas Supply Contract and the transactions contemplated thereunder. Gram Capital Limited (a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance) 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 about the New Gas Supply Contract, (ii) the advice from the Independent Board Committee to the Independent Shareholders; (iii) the advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders; and (iv) the notice convening the EGM, is expected to be published on or before 15 March 2024, as additional time is required for the preparation of the circular in light of the Chinese new year public holiday.

Jinran China Resources and its associates will abstain from voting in connection with the New Gas Supply Contract at the EGM.

DEFINITIONS

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

“2023 Gas Supply Contract”	the gas supply contract dated 15 November 2022 entered into between the Company and Jinran China Resources in respect of the supply of natural gas by Jinran China Resources to the Company for the period from 1 January 2023 to 31 March 2024
“associate(s)”	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 person(s)”	has the meaning ascribed to it under the Listing Rules
“Contract Term”	from 1 April 2024 to 31 March 2027
“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 New Gas Supply Contract
“Gas Purchase Price”	the price (per cubic metre) at which Jinran China Resources purchases natural gas from its supplier(s)
“Gas Sourcing Price”	the monthly price (per cubic metre) at which the Company sources its natural gas from Jinran China Resources
“Gas Supply”	the supply of natural gas by Jinran China Resources to the Company
“Group”	the Company and its subsidiaries
“Heating Gas”	natural gas for heating purpose to be purchased by Jinran China Resources from its suppliers or sourced by the Company from Jinran China Resources, as the case may be
“Heating Gas Allocation Price”	the price (per cubic metre) for Heating Gas at which Jinran China Resources can charge under the directions of TDRC (if any) from time to time, in excess of the Heating Gas Purchase Price in a Settlement Period

“Heating Gas Amount”	the amount (as verified by the Company) of Heating Gas that Jinran China Resources purchases from its supplier(s) and supplies to the Company in a Settlement Period
“Heating Gas Purchase Price”	the Gas Purchase Price (per cubic metre) at which Jinran China Resources purchases Heating Gas from its supplier(s) and supplies to the Company in a Settlement Period
“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 New Gas Supply Contract 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 New Gas Supply Contract
“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
“New Gas Supply Contract”	the city gas supply and usage contract dated 7 February 2024 entered into between the Company and Jinran China Resources in respect of the supply of natural gas by Jinran China Resources to the Company for the Contract Term
“Non-Residential Gas”	natural gas (not being Heating Gas) designated as for Non-Residential Users to be purchased by Jinran China Resources from its suppliers or sourced by the Company from Jinran China Resources, as the case may be
“Non-Residential Gas Allocation Price”	the price (per cubic metre) for Non-Residential Gas Amount at which Jinran China Resources can charge under the directions of TDRC (if any) from time to time, in excess of the Non-Residential Gas Purchase Price in a Settlement Period
“Non-Residential Gas Amount”	the amount (as verified by the Company) of Non-Residential Gas that Jinran China Resources purchases from its supplier(s) and supplies to the Company in a Settlement Period
“Non-Residential Gas Purchase Price”	the Gas Purchase Price (per cubic metre) at which Jinran China Resources purchases Non-Residential Gas from its supplier(s) and supplies to the Company in a Settlement Period
“Non-Residential Users”	general commercial and industrial users, users for supply of central heating and users other than Residential Users

“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
“Prepayment”	the prepayment payable by the Company to Jinran China Resources pursuant to the New Gas Supply Contract
“Pricing Mechanism”	the pricing mechanism to calculate the Gas Sourcing Price specified in the New Gas Supply Contract, details of which are set out in the paragraph headed “Gas Supply and pricing policy” in this announcement
“Residential Gas”	natural gas (not being Heating Gas) designated as for Residential Users to be purchased by Jinran China Resources from its suppliers or sourced by the Company from Jinran China Resources, as the case may be
“Residential Gas Allocation Price”	the price (per cubic metre) for Residential Gas at which Jinran China Resources can charge under the directions of TDRC (if any) from time to time, in excess of the Residential Gas Purchase Price in a Settlement Period
“Residential Gas Amount”	the amount (as verified by the Company) of Residential Gas that Jinran China Resources purchases from its supplier(s) and supplies to the Company in a Settlement Period
“Residential Gas Purchase Price”	the Gas Purchase Price (per cubic metre) at which Jinran China Resources purchases Residential Gas from its supplier(s) and supplies to the Company in a Settlement Period
“Residential Users”	residential users, educational institutions, student residences, elderly welfare institutions, urban and rural community neighbourhood public service facilities, and religion service providers
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Period”	divided into heating season (from April to October every year) and non-heating season (from November to March every year)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDRC”	天津市發展和改革委員會 (Tianjin Development and Reform Commission)
“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

“Total Amount” the total volume of natural gas sourced by the Company from 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, the PRC, 7 February 2024

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.