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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 PIPELINE CONSTRUCTION AND DESIGN SERVICES

Reference is made to the announcement of the Company dated 4 January 2019 in relation to the continuing connected transaction regarding the provision of construction and design services for pipelines and supporting facilities by Tianjin Energy and/or its associated companies to the Company under the 2019 Pipeline Works Framework Agreement.

The 2019 Pipeline Works Framework Agreement will expire on 31 December 2021. The Board is pleased to announce that on 15 December 2021, the Company and Tianjin Energy entered into the 2022 Pipeline Works Framework Agreement in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies upon successful bids for gas pipeline construction and design services contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from 1 January 2022 to 31 December 2022.

LISTING RULES IMPLICATIONS

Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company holding approximately 70.54% of the total issued shares of the Company, as at the date of this announcement. Tianjin Energy is therefore a connected person of the Company, and the entering into of the 2022 Pipeline Works Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Annual Cap is more than 0.1% but all of the applicable percentage ratios are less than 5%, the 2022 Pipeline Works Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE 2022 PIPELINE WORKS FRAMEWORK AGREEMENT

Date:

15 December 2021

Parties:

- (i) The Company
- (ii) Tianjin Energy

Term:

1 January 2022 to 31 December 2022 (the “**Term**”)

Major terms:

Pursuant to the 2022 Pipeline Works Framework Agreement, Tianjin Energy agreed that, during the Term, Tianjin Energy and/or its associated companies will provide construction and design services to the Group for its gas pipeline and supporting facilities construction projects, which will include inspection, design, supervision, construction, drafting of completion reports and provision of maintenance services during the quality maintenance period.

Individual construction and design services contracts will be entered into upon successful bids, and concrete terms including scope of works, term, fees and payment schedule will be set out thereunder. The terms under these separately-entered construction and design services contracts will be on normal commercial terms, determined on a fair and reasonable basis, and will not be less favourable to the Group than those offered by independent third parties. Where the pricing of the subject matter under an individual contract has been prescribed by the government (the “**State Price**”), such State Price should be followed. If there is no State Price, the price shall be determined based on the market price (or if there is no market price, determined with reference to the actual costs plus a reasonable fee). Each of these individual contracts shall comply with the requirements under the Listing Rules and the applicable laws and regulations.

The 2022 Pipeline Works Framework Agreement is effective upon (i) its execution; (ii) the approval of the Board and the independent shareholders of the Company (if required); and (iii) completion of necessary approval procedures of Tianjin Energy.

Annual Cap:

The Annual Cap for the year ending 31 December 2022 under the 2022 Pipeline Works Framework Agreement (in terms of the total settlement amount, calculated based on the settlement date of relevant expenses under each project) is RMB30,000,000.

The annual cap amounts and the actual transaction amounts in respect of the pipeline construction and design services received by the Group from Tianjin Energy and/or its associated companies for the year ended 31 December 2019 and 2020 are as follows:

	Actual transaction (settlement) amount (RMB'000, approximate)	Annual cap (in terms of contract sum committed under the construction and design services contracts if awarded as a result of successful bid) (RMB'000)
Year ended 31 December 2019	19,505	30,000 (for the period from 4 January 2019 to 31 December 2019)
Year ended 31 December 2020	19,238	30,000

The annual cap (in terms of contract sum committed under the construction and design services contracts if awarded as a result of successful bid) in respect of the pipeline construction and design services received by the Group from Tianjin Energy and/or its associated companies for the year ended 31 December 2021 is RMB30,000,000; based on the information currently available (subject to final audit) the unaudited actual transaction (settlement) amount for the nine months ended 30 September 2021 was approximately RMB6,344,000.

BASIS FOR DETERMINING THE ANNUAL CAP

The Annual Cap is calculated with reference to (i) the aggregate historical transaction amounts under the 2019 Pipeline Works Framework Agreement for the two years ended 31 December 2020, and for the nine months ended 30 September 2021; (ii) the projects for construction, upgrade and alteration of pipelines proposed to be carried out by the Group in 2022 (including plan(s) of gas metre replacement for the users in the gas supply service area commencing 2019); (iii) the expected number of pipeline construction projects which could possibly be awarded to Tianjin Energy and/or its associated companies upon bidding taking into account the relevant certifications for pipeline construction of Tianjin Energy and/or its associated companies; and (iv) market prices of the pipeline construction and design services.

The Directors (including the independent non-executive Directors) consider that the Annual Cap is fair and reasonable taking into account the above factors.

INTERNAL CONTROL AND PRICING POLICY

Pursuant to the 2022 Pipeline Works Framework Agreement, the transactions contemplated under the 2022 Pipeline Works Framework Agreement shall be priced in accordance with the following terms: (i) prescribed State Price; or (ii) where there is no prescribed State Price, the relevant market price; or (iii) where there is neither a State Price nor a relevant market price, the actual cost incurred plus a reasonable fee.

In order to ensure that the terms for the pipeline construction and design services are no less favourable than those provided by independent third parties, the Company has adopted the following measures:

1. The management of the Company will conduct regular checks to review and assess whether the transactions contemplated under the 2022 Pipeline Works Framework Agreement are conducted in accordance with its terms and will also be regularly up to date with the market prices and conditions for the purpose of considering if the fees to be paid to Tianjin Energy and/or its associated companies by the Group under the separately-entered construction and design service contracts are fair and reasonable;
2. The Company's external auditors will be engaged to report on the 2022 Pipeline Works Framework Agreement and the Annual Cap; and
3. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the transactions contemplated under the 2022 Pipeline Works Framework Agreement.

Each of the gas pipeline construction projects (a “**Project**”) will be awarded to successful bidder(s) through public tender. As a tendering party, the Group is required to fix the maximum tender price for each of the Projects according to relevant guidelines and standards prescribed by the government authorities, including the Measures in relation to Pricing of Construction Projects of Tianjin Municipality* (《天津市建設工程計價辦法》) issued by the Tianjin Urban-Rural Development Committee* (天津市城鄉建設委員會) and the Code of Bills of Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房及城鄉建設部). To govern the tendering process in accordance with relevant law, rules and regulations, the Group has adopted its internal policy on tendering of construction projects. The procedures, assessment criteria and approval process of the tender pursuant to the said policy are summarised below:

Procedures for obtaining quotations or tenders:

1. A maximum tender price will be set for a Project by an independent construction surveying consultancy company engaged by the Group;
2. The maximum tender price will be based on the total estimated constructions and design costs (for example the estimated costs of raw material, labour costs, area covered, estimated time of project etc.) and all costs related to the provision of service;
3. Tender applications will be made with reference to the maximum tender price;

4. All tender applications will be scored and compared by the Tender Evaluation Committee (as defined below), based on the assessment criteria as set out below, the bidding price and its relative merits;
5. If the bidding price offered by the bidders is above the maximum tender price, the tender will be forfeited, in which case the tender process will start again. This is to ensure the connected parties are not treated any more favourable or are not able to benefit from the connected transaction.

Assessment criteria for the bidders:

1. The legality of the bidder;
2. The management ability of the bidder;
3. The experience and reputation of the bidder;
4. The financial status of the bidder;
5. The adequacy of the team directly involved in the project of the bidder; and
6. The mechanical and technical abilities of the bidder.

Approval process of the tenders:

1. A tender committee (the “**Tender Committee**”) will be set up for the tender process, which is made up of the tender evaluation committee (the “**Tender Evaluation Committee**”) and the tender sub-committee (the “**Tender Sub-Committee**”);
 - a. The Tender Evaluation Committee is primarily in charge of evaluating the merits of tender applications and the bidders;
 - b. The Tender Sub-Committee is primarily in charge of assessing the eligibility to tender of a bidder and officiating the tender process;
2. A prescribed date and time and location will be determined for which the physical tender document must be submitted by and at;
3. All tender documents must be submitted before the prescribed time and location to be eligible for consideration by the Tender Committee;
4. The prescribed time and location determined will also be the commencement of the tender process;
5. The Tender Sub-Committee will officiate the tender process and examine all of the tender documents submitted and assess whether the tender documents are submitted in accordance with specific tender requirements;
6. The Tender Evaluation Committee will then evaluate each bidders’ relative merits and their bidding price and will issue a written report to the Tender Committee on their evaluation and nomination of a successful bidder;

7. The Tender Committee, acting on the report and nomination suggestion, will confirm the successful bidder and the Tender Sub-Committee will issue a notice of award of tender to the successful bidder, at the same time a notice will be issued to all unsuccessful bidders;
8. Within 5 business days of the notice of award of tender, the Tender Committee and the successful bidder will enter into negotiations to sign an engagement contract; and
9. The Project will then proceed in accordance with the engagement contract signed between the successful bidder and the relevant member of the Group.

The finance department of the Company monitors the aggregated invoiced and settlement amount regularly in order to ensure that such aggregated amount will not exceed the Annual Cap. The finance department of the Company will estimate the expected amount to be settled based on the construction progress and payment schedule of Projects, and will notify the general manager of the Company of such expected transaction amount and the aggregated transaction amount. The Board shall eventually determine if the Annual Cap should be revised upward in accordance with the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 PIPELINE WORKS FRAMEWORK AGREEMENT

The 2022 Pipeline Works Framework Agreement renewed the subject matter under the 2019 Pipeline Works Framework Agreement, which will expire on 31 December 2021.

As the Group uses tender processes for the award of the construction and design services contracts for its gas pipeline projects, and it is expected that Tianjin Energy and/or its associated companies would bid for these projects, the Board considers that it would be impracticable for the Company to comply with the requirements under Chapter 14A of the Listing Rules every time when Tianjin Energy and/or its associated companies bid for a construction and design services contract. Therefore, by entering into the 2022 Pipeline Works Framework Agreement, the Group would be given the flexibility to facilitate the tendering process subject to the relevant Annual Cap. The Directors consider that Tianjin Energy and/or its associated companies are specialised and experienced in pipeline construction projects. Also, having considered the future operational development and demand of the Company and since both parties are familiar with each other's background, communication between the parties would be faster and easier, risks and costs for transaction will also be reduced.

The Directors (including independent non-executive Directors) considers that the 2022 Pipeline Works Framework Agreement is entered into in the ordinary and usual course of business of the Group, and such transaction has been negotiated on an arm's length basis and on normal commercial terms or better between the Company and Tianjin Energy and the transaction contemplated under the 2022 Pipeline Works Framework Agreement and the Annual Cap 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 ENERGY

Tianjin Energy is a state-owned enterprise and is the largest wholesale supplier of natural gas in Tianjin and part of the rural areas of Tianjin. The principal business of Tianjin Energy comprises 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 in Tianjin.

The ultimate beneficial owner of Tianjin Energy 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

Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company holding 1,297,547,800 Domestic Shares (representing approximately 70.54% of the total issued shares of the Company), as at the date of this announcement. Tianjin Energy is therefore a connected person of the Company, and the entering into of the 2022 Pipeline Works Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Annual Cap is more than 0.1% but all of the applicable percentage ratios are less than 5%, the 2022 Pipeline Works Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(i) Mr. Hou Shuang Jiang, a non-executive Director, is a director of Tianjin Energy Group Finance Co., Ltd.* (天津能源集團財務有限公司, an indirect non-wholly-owned subsidiary of Tianjin Energy); and (ii) Mr. Zhao Heng Hai, a non-executive Director, is a director of Jinran China Resources Gas Co., Ltd* (津燃華潤燃氣有限公司, a non-wholly-owned subsidiary of Tianjin Gas). They have abstained from voting on the Board resolutions in relation to the 2022 Pipeline Works Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the 2022 Pipeline Works Framework Agreement.

DEFINITIONS

“2019 Pipeline Works Framework Agreement”	the engineering works framework agreement dated 4 January 2019 entered into between the Company and Tianjin Energy in respect of the provision of construction and design services for pipelines and supporting facilities by Tianjin Energy and/or its associated companies for the period from 4 January 2019 to 31 December 2021
“2022 Pipeline Works Framework Agreement”	the engineering works framework agreement dated 15 December 2021 entered into between the Company and Tianjin Energy in respect of the provision of construction and design services for pipelines and supporting facilities by Tianjin Energy and/or its associated companies for the period from 1 January 2022 to 31 December 2022

“Annual Cap”	the annual cap of total settlement amount in respect of the construction and design services for pipelines and supporting facilities provided by Tianjin Energy and/or its associated companies for the year ending 31 December 2022 under the 2022 Pipeline Works Framework Agreement
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary domestic share(s) of nominal value of RMB0.10 each in the registered capital of the Company which are subscribed for in RMB
“Group”	the Company and its subsidiaries
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianjin Energy”	天津能源投資集團有限公司 (Tianjin Energy Investment Company Limited*), a state-owned enterprise established in the PRC with limited liability
“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 and a wholly-owned subsidiary of Tianjin Energy

By Order of the Board
Tianjin Jinran Public Utilities Company Limited
Zhao Wei
Chairman

Tianjin, the PRC, 15 December 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao Wei (Chairman), Ms. Tang Jie and Mr. Sun Liangchuan, three non-executive Directors, namely Mr. Hou Shuang Jiang, Mr. Zhao Heng Hai and Ms. Hou Yuling, and three independent non-executive Directors, namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li.

* *For identification purpose only*