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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **Tianjin Jinran Public Utilities Company Limited**, you should hand this circular at once to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 TRANSACTIONS IN RELATION TO
REVISION OF 2022 ANNUAL CAP FOR PIPELINE CONSTRUCTION
AND
RENEWAL OF GAS SUPPLY TRANSACTION**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 7 to 19 of this circular. A letter from the Independent Board Committee is set out on page 20 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

This circular should be read together with the notice convening the EGM of the Company dated 8 December 2022.

Whether or not you are able to attend the EGM, you are reminded to complete the proxy form in accordance with the instructions printed thereon and send the proxy form to the office of the Company at Floor 9, Gangao Tower, No. 18 Zhengzhou Road, Heping District, Tianjin, PRC (for holders of Domestic Shares), or to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not later than 24 hours before the time appointed for holding of the EGM (or where applicable, any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or adjournment thereof should you so wish, and in such event, the instrument appointing the proxy should be deemed to be revoked.

All times and dates specified herein refer to local times and dates of Hong Kong.

8 December 2022

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DEFINITIONS

The following terms and expressions used in this circular have the following meanings unless the context requires otherwise:

“2022 Gas Supply Contract”	the gas supply contract dated 6 December 2021 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 year ending 31 December 2022
“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 year ending 31 December 2022
“Annual Cap (Construction)”	the annual cap of total settlement amount in respect of the construction and design services for pipelines and supporting facilities
“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 January 2023 to 31 March 2024, being the term of the New Gas Supply Contract
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	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

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held on 30 December 2022 for considering, and if thought fit, approving (among other things) the Supplemental Agreement and the New Gas Supply Contract (or any adjournment thereof)
“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 natural gas from Jinran China Resources
“Gas Supply”	the supply of natural gas by Jinran China Resources to the Company
“Gas Volume”	volume of natural gas purchased by the Company from Jinran China Resources
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) of nominal value of RMB0.10 each in the share capital of the Company, which are listed on the main board of the Stock Exchange
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 Supplemental Agreement and the New Gas Supply Contract
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the New Gas Supply Contract
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Supplemental Agreement and the New Gas Supply Contract, respectively
“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 connected person of the Company
“Latest Practicable Date”	5 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Gas Supply Contract”	the conditional city 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 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

DEFINITIONS

“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”	users other than users for supply of central heating and Residential Users
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China which, for the purposes of this circular only, excludes Hong Kong, 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 “ <i>New Gas Supply Contract – Gas Supply and pricing policy</i> ” in the <i>Letter from the Board</i> in this circular
“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

DEFINITIONS

“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
“Revised 2022 Annual Cap (Construction)”	the new Annual Cap (Construction) for the year ending 31 December 2022 under the 2022 Pipeline Works Framework Agreement, as revised by the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Period”	one of the following periods in sequence, January to March 2023, April to October 2023, and November 2023 to March 2024
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s), unless specified otherwise
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the conditional supplemental agreement dated 15 November 2022 entered into between the Company and Tianjin Energy to adjust the annual cap under 2022 Pipeline Works Framework Agreement

DEFINITIONS

“TDRC”	天津市發展和改革委員會 (Tianjin Development and Reform Commission)
“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; and 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; and a connected person of the Company
“Total Amount”	the total volume of natural gas sourced by the Company from Jinran China Resources
“%”	per cent.

In this circular, certain Chinese names of institutions, natural persons or other entities have been translated into English and included as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Tao (*Chairman of the Board*)

Ms. Tang Jie

Mr. Sun Liangchuan

Non-executive Directors:

Ms. Wu Fang

Ms. Guan Na

Mr. Zhang Jinghan

Independent non-executive Directors:

Mr. Zhang Ying Hua

Mr. Yu Jian Jun

Mr. Guo Jia Li

Legal address:

Weishan Road

Chang Qing Science Industry and
Trade Park

Jinnan District

Tianjin, PRC

*Principal place of business
in the PRC:*

Floor 9, Gangao Tower

No. 18 Zhengzhou Road

Heping District

Tianjin, PRC

8 December 2022

To Shareholders:

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
REVISION OF 2022 ANNUAL CAP FOR PIPELINE CONSTRUCTION
AND
RENEWAL OF GAS SUPPLY TRANSACTION**

INTRODUCTION

References are made to the announcements of the Company dated 15 November 2022 regarding the Supplemental Agreement and the New Gas Supply Contract, respectively.

The purpose of this circular is to furnish you details of the Supplemental Agreement and the New Gas Supply Contract.

LETTER FROM THE BOARD

THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are summarised as follows:

Date:

15 November 2022

Parties:

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

Major terms:

Pursuant to the Supplemental Agreement, the Company and Tianjin Energy agreed to revise the Annual Cap (Construction) (in terms of contract sum committed under the construction and design services contracts if awarded as a result of successful bid) for the year ending 31 December 2022 under the 2022 Pipeline Works Framework Agreement (originally, RMB30,000,000) to RMB51,780,000 (i.e. the Revised 2022 Annual Cap (Construction)).

Save for revising the Annual Cap (Construction) for the year ending 31 December 2022, other terms and conditions of the 2022 Pipeline Works Framework Agreement remain unchanged.

The Supplemental Agreement will be 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.

LETTER FROM THE BOARD

BASIS FOR DETERMINING THE REVISED 2022 ANNUAL CAP (CONSTRUCTION)

Set out below are 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 periods indicated:

	Actual transaction (settlement) amount <i>(RMB million, approximate)</i>	Annual cap (in terms of contract sum committed under the construction and design services contracts if awarded as a result of successful bid) <i>(RMB million)</i>
For the year ended 31 December 2020	19	30
For the year ended 31 December 2021	27	30

For the nine months ended 30 September 2022, the historical transaction amount in respect of the pipeline construction and design services received by the Group from Tianjin Energy and/or its associated companies was approximately RMB19 million. The Annual Cap (Construction) for the year ending 31 December 2022 under the 2022 Pipeline Works Framework Agreement has not been exceeded as at the Latest Practicable Date.

The Revised 2022 Annual Cap (Construction) under the Supplemental Agreement is calculated with reference to: (i) the historical transaction amount; (ii) the utilisation rate of the original Annual Cap (Construction) under the 2022 Pipeline Works Framework Agreement of approximately 75% as of 15 November 2022 (being the date of the Supplemental Agreement); (iii) the anticipated increase in the Group's demand for construction and design services for pipelines and supporting facilities in the remainder of 2022 with reference to the Group's plan to upgrade indoor gas equipment and facilities, and to renew and renovate the existing pipe network, and the expected number of pipeline construction projects which could possibly be awarded to Tianjin Energy and/or its associated companies upon bidding; and (iv) market prices of the pipeline construction and design services.

The Directors (including the independent non-executive Directors) consider that the Revised 2022 Annual Cap (Construction) is fair and reasonable taking into account the above factors.

LETTER FROM THE BOARD

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 Revised 2022 Annual Cap (Construction); 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.

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 Revised 2022 Annual Cap (Construction). The finance department of the Company will estimate the expected amount to be settled based on the construction progress and payment schedule of gas pipeline construction 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 Revised 2022 Annual Cap (Construction) should be revised upward in accordance with the Listing Rules.

Further details regarding the tender process through which supplier of gas pipeline construction projects of the Group is selected are set out in the Company's announcement dated 15 December 2021.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the Supplemental Agreement

The Company has commenced an upgrading project of the indoor gas equipment and facilities and has intensified the renewal and renovation works on its existing pipe network. As a result, the Company contemplates that, compare to the original estimation of construction and design services for pipelines and supporting facilities under the original 2022 Pipeline Works Framework Agreement made back in December 2021, additional construction and design services will be required and the original Annual Cap (Construction) for 2022 may not be sufficient. The entering into of the Supplemental Agreement will enable the Group to stably and continuously conduct the relevant transactions with Tianjin Energy and/or its associated companies for the remainder of this year.

The Company considers that Tianjin Energy and/or its associated companies are specialised and experienced in pipeline construction projects through years of cooperation between the Group, Tianjin Energy and its associated companies. 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 the independent non-executive Directors) consider that the Supplemental Agreement is entered into in the ordinary and usual course of business of the Group after arm's length negotiation between the Company and Tianjin Energy, and the terms of the Supplemental Agreement (including the Revised 2022 Annual Cap (Construction)) 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.

NEW GAS SUPPLY CONTRACT

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

Date:

15 November 2022

Parties:

Supplier : Jinran China Resources

Purchaser : the Company

LETTER FROM THE BOARD

Major terms:

Conditions precedent

The New Gas Supply Contract shall be effective upon, among other things, 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:

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

The Gas Sourcing Price is in essence a sum of the Gas Purchase Price (the purchase price at which Jinran China Resource 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.

LETTER FROM THE BOARD

In the event that the Company would like to discount 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:

$$\text{Prepayment} = \frac{\text{Total transaction amount of the Gas Supply for the year 2022}}{365} \times 30$$

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.

LETTER FROM THE BOARD

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 Directors (including the independent non-executive Directors) are of the view that the Prepayment is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Annual caps

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

Period	Annual cap (tax inclusive)
From 1 January 2023 to 31 December 2023	RMB2,292 million
From 1 January 2024 to 31 March 2024	RMB840 million

Basis of determining the annual caps and the Pricing Mechanism

In arriving at the aforesaid annual caps of Gas Supply, the Company has considered, among others, the following factors: (i) the historical transaction figures for Gas Supply; (ii) the estimated increase in Gas Volume during the Contract Term; (iii) the potential increase of the Gas Sourcing Price; and (iv) a small 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 for Gas Supply; and (ii) the actual transaction amount of Gas Supply with Jinran China Resources for the periods indicated:

	For the year ending 31 December 2022 RMB million	For the year ended 31 December 2021 RMB million	For the year ended 31 December 2020 RMB million
Historical annual cap (tax inclusive)	2,070	1,915	1,879
Actual transaction amount (tax inclusive) (approximate)	1,127 (for the eight months ended 31 August 2022*)	1,334	1,256

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

LETTER FROM THE BOARD

(ii) *Estimated increase in Gas Volume*

The estimated increase in Gas Volume for the Contract Term is approximately 1%, taking into account (in estimating the Gas Volume for the year ending 31 December 2023) the average rate of increase of approximately 0.6% in actual Gas Volume for the four years ending 31 December 2022 (including the year ending 31 December 2022 based on current estimation) and (for the estimation of the Gas Volume for the three months ending 31 March 2024), the estimated rate of increase of approximately 1.0% for the four years ending 31 December 2023.

(iii) *Potential increase of Gas Sourcing Price*

The Company estimates that the overall Gas Sourcing Price may potentially increase by approximately 13% for the Contract Term due to the limited supply of natural gas and regulatory measures affecting the demand of natural gas, and the increase in natural gas demand during the winter months in the Contract Term and, for Non-Residential Users, also during the non-heating season.

(iv) *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, the Company is of the view that a buffer of approximately 9.5% shall be added to the estimated demand of natural gas for the year ending 31 December 2023 and a buffer of less than 1% to the estimation for the three months ending 31 March 2024 (taking into account the estimation for the corresponding period in 2023).

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.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the New Gas Supply Contract

Jinran China Resources is the only natural gas wholesaler in the districts in Tianjin in which the Company operates.

The Directors (including the independent non-executive Directors) 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 independent 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 TIANJIN ENERGY AND JINRAN CHINA RESOURCES

Jinran China Resources is a controlling shareholder of the Company, which held 1,297,547,800 Domestic Shares, representing approximately 70.54% of the issued Shares, as of the Latest Practicable Date. 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)). Tianjin Energy wholly-owns Tianjin Gas. 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.

The principal business of Tianjin Energy includes the 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 principal business of Jinran China Resources includes 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.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

(A) The Supplemental Agreement

As set out in the section headed “*Information of Tianjin Energy and Jinran China Resources*” above, Tianjin Energy is a connected person of the Company. The entering into of the Supplemental Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company must re-comply with the announcement and shareholders’ approval requirements (where applicable) for the Supplemental Agreement. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Revised 2022 Annual Cap (Construction) under the Supplemental Agreement exceeds 5%, the Supplemental Agreement is subject to, among other things, the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(B) The New Gas Supply Contract

As at the Latest Practicable Date, Jinran China Resources is a controlling shareholder, and hence a connected person, of the Company. The entering into of the New Gas Supply Contract constitutes a continuing connected transaction 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 reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

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 Supplemental Agreement and the New Gas Supply Contract proposed to the Board. Save as disclosed above, none of the Directors have a material interest in the Supplemental Agreement and the New Gas Supply Contract.

The Company has established the Independent Board Committee, which consists of the independent non-executive Directors, to advise the Independent Shareholders on the Supplemental Agreement and the New Gas Supply Contract. The Company has appointed Gram Capital to advise the Independent Board Committee and Independent Shareholders on the above matter.

LETTER FROM THE BOARD

Your attention is also drawn to the *Letter from the Independent Board Committee*, the *Letter from Gram Capital in*, and the *appendix to, this circular*.

EGM

The notice of the EGM has been despatched to the Shareholders on 8 December 2022. Ordinary resolutions in respect of the Supplemental Agreement and the New Gas Supply Contract will be proposed at the EGM.

Pursuant to the Listing Rules, voting at the EGM shall be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Jinran China Resources (who held 1,297,547,800 Domestic Shares as of the Latest Practicable Date) and its associates, having a material interest in the transactions concerned, will abstain from voting in connection with the Supplemental Agreement and the New Gas Supply Contract at the EGM.

Proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's office at Floor 9, Gangao Tower, No.18 Zhengzhou Road, Heping District, Tianjin, the PRC (for holders of Domestic Shares), or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not later than 24 hours before the time appointed for holding of the EGM (or where applicable, any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

Pursuant to the articles of association of the Company, the register of members of the Company will be closed to ascertain the Shareholders who are entitled to attend and vote at the EGM, from 23 December 2022 (Friday) to 30 December 2022 (Friday), both days inclusive, during which period no change to the register of members will be allowed and no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 30 December 2022 (Friday) are entitled to attend the EGM and to vote thereat.

To be entitled to attend the EGM and to vote thereat, all transfer of H Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the transfer office of the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 22 December 2022 (Thursday).

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that each of the Supplemental Agreement and the New Gas Supply Contract is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

8 December 2022

To Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
REVISION OF 2022 ANNUAL CAP FOR PIPELINE CONSTRUCTION
AND
RENEWAL OF GAS SUPPLY TRANSACTION**

We refer to the circular (the “**Circular**”) of the Company dated 8 December 2022, of which this letter forms a part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to advise the Independent Shareholders on whether the Supplemental Agreement, the New Gas Supply Contract and the transactions contemplated thereunder are fair and reasonable. Gram Capital has been appointed to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the *Letter from the Board* set out on pages 7 to 19 of the Circular and the *Letter from Gram Capital* (the “**IFA Letter**”) set out on pages 21 to 36 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of Gram Capital set out in the IFA Letter set out in the Circular, we are of the opinion that the terms of each of the Supplemental Agreement and the New Gas Supply Contract, and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,

Mr. Zhang Ying Hua
*Independent non-executive
Director*

Mr. Yu Jian Jun
*Independent non-executive
Director*

Mr. Guo Jia Li
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

8 December 2022

To: *The Independent Board Committee and the Independent Shareholders
of Tianjin Jinran Public Utilities Company Limited*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
REVISION OF 2022 ANNUAL CAP FOR PIPELINE CONSTRUCTION
AND
RENEWAL OF GAS SUPPLY TRANSACTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) revision of the Annual Cap (Construction) for the year ending 31 December 2022 (“**FY2022**”) pursuant to the Supplemental Agreement (the “**Annual Cap (Construction) Revision**”); and (ii) renewal of the Gas Supply continuing connected transaction for the year ending 31 December 2023 (“**FY2023**”) as contemplated under the New Gas Supply Contract (the “**Gas Supply Renewal**”, and together with the Annual Cap (Construction) Revision, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 December 2021, the Company and Tianjin Energy entered into the 2022 Pipeline Works Framework Agreement regarding the provision of construction and design services for pipelines and supporting facilities (“**Services Provision**”) by Tianjin Energy and/or its associated companies to the Group for FY2022. On 15 November 2022, the Company and Tianjin Energy entered into the Supplemental Agreement to revise the Annual Cap (Construction) Revision for FY2022 under the 2022 Pipeline Works Framework Agreement.

LETTER FROM GRAM CAPITAL

As the 2022 Gas Supply Contract will expire on 31 December 2022, on 15 November 2022, the Company and Jinran China Resources entered into the New Gas Supply Contract for the period from 1 January 2023 to 31 March 2024.

With reference to the Board Letter, both of the Services Provision and the Gas Supply constitute continuing connected transactions of the Company and the transactions contemplated under both of the Supplemental Agreement and the New Gas Supply Contract are subject to reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to (i) continuing connected transactions as set out in the Company's circular dated 15 March 2021; (ii) continuing connected transactions as set out in the Company's circular dated 9 June 2021; (iii) continuing connected transactions as set out in the Company's circular dated 5 July 2021; (iv) continuing connected transactions as set out in the Company's circular dated 7 October 2021; and (v) continuing connected transactions as set out in the Company's circular dated 15 December 2021. Other than the aforesaid engagements, Gram Capital had not provided any services to the Company during the past two years immediately preceding the Latest Practicable Date.

As the aforesaid engagements were independent financial adviser engagements, they do not affect our independence to act as the Independent Financial Adviser.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Tianjin Energy, Jinran China Resources or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, 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.

With reference to the Company's annual report for the year ended 31 December 2021 ("FY2021"), the Group's revenue was approximately RMB1.58 billion for FY2021. Revenue from the Group's sales of piped gas segment was approximately RMB1.51 billion for FY2021, represented approximately 95.72% of the Group's revenue for FY2021.

With reference to the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report"), the Group's revenue was approximately RMB0.91 billion for the six months ended 30 June 2022. Revenue from the Group's sales of piped gas segment was approximately RMB0.89 billion for the six months ended 30 June 2022, represented approximately 97.80% of the Group's revenue for the six months ended 30 June 2022.

A. THE ANNUAL CAP (CONSTRUCTION) REVISION

Information on Tianjin Energy

With reference to the Board Letter, Tianjin Energy wholly-owns Tianjin Gas. 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. The principal business of Tianjin Energy includes the 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. Tianjin Energy is a connected person of the Company.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Annual Cap (Construction) Revision

With reference to the Board Letter, the Company commenced an upgrading project of the indoor gas equipment and facilities and has intensified the renewal and renovation works on its existing pipe network. As a result, the Company contemplates that, as compared to the original estimation of construction and design services for pipelines and supporting facilities under the 2022 Pipeline Works Framework Agreement executed in December 2021, additional construction and design services will be required and the original Annual Cap (Construction) for FY2022 may not be sufficient. The entering into of the Supplemental Agreement will enable the Group to stably and continuously conduct the relevant transactions with Tianjin Energy and/or its associated companies for the remainder of FY2022.

The Company considers that Tianjin Energy and/or its associated companies are specialised and experienced in pipeline construction projects through years of cooperation between the Group, Tianjin Energy and its associated companies. Also, having considered the future operational development and demand of the Group 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.

We noted from the 2022 Interim Report that the Group's net carrying amount of pipeline reconstruction in progress increased from approximately RMB2.26 million as at 31 December 2021 to approximately RMB53.56 million as at 30 June 2022, which indicated increased demand for pipeline construction services.

Having considered the above, we consider that the Annual Cap (Construction) Revision is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

Principal terms of the Services Provision and the Annual Cap (Construction) Revision

Set out below are the principal terms of the Services Provision and the Annual Cap (Construction) Revision, details of which are set out under the section headed “THE SUPPLEMENTAL AGREEMENT” of the Board Letter and the Company’s announcement dated 15 December 2021:

Agreement date:	15 December 2021 (original) 15 November 2022 (supplemental)
Parties:	(i) The Company; and (ii) Tianjin Energy
Subject matter:	During 1 January 2022 to 31 December 2022, 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.
Pricing policy:	The transactions contemplated under the 2022 Pipeline Works Framework Agreement shall be priced in accordance with the following terms: (i) pricing prescribed government (the “ 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. Each of the gas pipeline construction projects will be awarded to successful bidder(s) through public tender. Further details regarding the tender process (the “ Tender Process ”) through which supplier of gas pipeline construction projects of the Group is selected are set out in the Company’s announcement dated 15 December 2021.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained a list of the Group's gas pipeline construction projects for the period from 1 January 2022 to 30 September 2022 that procured the Services Provision and randomly selected one project from the list. The Company provided us a set of documents regarding the selected project (including tender invitation documents, tender evaluation record and executed engagement contract). Nothing from the aforesaid documents came to our attention that caused us to believe that the pricing of the selected project did not comply with the aforesaid pricing policies and the Tender Process.

With reference to the Company's annual report for FY2021 and as confirmed by the Directors, the independent non-executive Directors have reviewed the Company's continuing connected transactions (including the Services Provision) for FY2021, and confirmed that such transactions were conducted (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better terms, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms or better terms, on terms no less favourable than terms available to or from independent third parties; (iii) in accordance with relevant agreements governing such transactions; and (iv) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole (the "**INED Confirmation**"). In addition, the Company's auditors have also confirmed in writing to the Board (copied to the Stock Exchange) in respect of the Company's continuing connected transactions (including the Services Provision) for FY2021, amongst others, that: (i) nothing had come to their attention that causes them to believe that the continuing connected transactions had not been approved by the Company's Board; (ii) nothing had come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing had come to their attention that causes them to believe that the continuing connected transactions had exceed the annual cap as set by the Company (the "**Auditor's Confirmation**").

LETTER FROM GRAM CAPITAL

The Revised 2022 Annual Cap (Construction)

Set out below are (i) the actual transaction (settlement) amount of the Services Provision and the previous/existing Annual Cap (Construction) for each of the three years ending 31 December 2022; and (ii) the Revised 2022 Annual Cap (Construction):

	FY2020	FY2021	FY2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Actual transaction (settlement) amount	19	27	22.5 (Note)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Annual Cap (Construction)	30	30	30
	<i>%</i>	<i>%</i>	<i>%</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Utilization rate	63	90	75
			FY2022
			<i>RMB million</i>
The Revised 2022 Annual Cap (Construction)			51.78

Note: The figure was for the period from 1 January 2022 to 15 November 2022.

With reference to the Board Letter, the Revised 2022 Annual Cap (Construction) was calculated (the “**Revised Cap Calculation**”) with reference to: (i) the historical transaction amount; (ii) the utilisation rate of the original Annual Cap (Construction) under the 2022 Pipeline Works Framework Agreement of approximately 75% as of the 15 November 2022 (being date of the Supplemental Agreement); (iii) the anticipated increase in the Group’s demand for construction and design services for pipelines and supporting facilities in the remainder of 2022 with reference to the Group’s plan to upgrade indoor gas equipment and facilities, and to renew and renovate the existing pipe network, and the expected number of pipeline construction projects which could possibly be awarded to Tianjin Energy and/or its associated companies upon bidding; and (iv) market prices of the pipeline construction and design services.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained the Revised Cap Calculation from the Company and noted the followings under the Revised Cap Calculation:

- (i) The actual transaction (settlement) amount of the Services Provision was approximately RMB22.5 million for the period from 1 January 2022 to 15 November 2022, represented approximately 75% of the Annual Cap (Construction) for FY2022.
- (ii) The potential transaction (settlement) amount of the Services Provision for the period from 16 November 2022 to 31 December 2022 was approximately RMB29.28 million (the “**Potential Services Amount**”).
- (iii) The sum of (i) and (ii) equals to the Revised 2022 Annual Cap (Construction).

In respect of the Potential Services Amount, we further obtained certain draft contracts regarding the potential projects to be undertaken by Tianjin Energy and/or its associated companies and noted that the Potential Services Amount was included in the aforesaid draft contracts.

Having considered the above, we consider the Revised 2022 Annual Cap (Construction) to be fair and reasonable.

Shareholders should note that as the Revised 2022 Annual Cap (Construction) is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of cost to be incurred under the Services Provision. Consequently, we express no opinion as to how closely the actual cost to be incurred under the Services Provision will correspond with the Revised 2022 Annual Cap (Construction).

Having considered the pricing of the Services Provision and the Revised 2022 Annual Cap (Construction) as aforementioned, we are of the view that the terms of the Annual Cap (Construction) Revision are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

B. THE GAS SUPPLY RENEWAL

Information on Jinran China Resources

With reference to the Board Letter, Jinran China Resources is a controlling Shareholder. 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 (Stock code: 1193)). The principal business of Jinran China Resources includes 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.

Reasons for and benefits of the Gas Supply Renewal

With reference to the Board Letter, Jinran China Resources is the only natural gas wholesaler in the districts in Tianjin in which the Company operates.

As aforementioned, revenue from the Group's sales of piped gas segment (i) represented approximately 95.72% of the Group's revenue for FY2021; and (ii) represented approximately 97.80% of the Group's revenue for the six months ended 30 June 2022. As advised by the Directors, it is important to secure local natural gas supply to the Group. The Gas Supply is conducted in the ordinary course of business of the Group on a continuous and regular basis. Accordingly, the Directors are of the view that the Gas Supply Renewal is beneficial to the Company and the Shareholders as a whole.

In light of the above, we consider that the Gas Supply Renewal is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Gas Supply Renewal

Set out below are the principal terms of Gas Supply Renewal under the New Gas Supply Contract as extracted from the Board Letter:

Date

15 November 2022

Parties

Supplier: Jinran China Resources

Purchaser: The Company

LETTER FROM GRAM CAPITAL

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 (i.e. from 1 January 2023 to 31 March 2024).

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

$$\text{Gas Sourcing Price} = \frac{((\text{Residential Gas Purchase Price} + \text{Residential Gas Allocation Price}) \times \text{Residential Gas Amount} + (\text{Non-Residential Gas Purchase Price} + \text{Non-Residential Gas Allocation Price}) \times \text{Non-Residential Gas Amount} + (\text{Heating Gas Purchase Price} + \text{Heating Gas Allocation Price}) \times \text{Heating Gas Amount})}{\text{Total Amount}}$$

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

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 (e.g. 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 discount 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.

LETTER FROM GRAM CAPITAL

As advised by the Directors, Jinran China Resources would only offer the Gas Sourcing Price to the Group instead of offering different gas sourcing prices for Residential Users, Non-residential Users and heating users respectively. As such, the Gas Sourcing Price to be offered by Jinran China Resources to the Company is a comprehensive selling price taking into account of gas purchase price of Jinran China Resources from its supplier, the allocation price (which can be charged by Jinran China Resources under the directions, if any, of TDRC from time to time), the proportion of Residential Gas Amount, Non-Residential Gas Amount/Heating Gas Amount to the Total Amount.

Having considered the above, we are of the view that the Pricing Mechanism for calculation of Gas Sourcing Price is fair and reasonable.

Settlement

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% (the “**Discrepancy**”). 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.

In relation to the Discrepancy, the Directors advised us that the Company had made similar arrangement previously due to (i) gas leakage from the pipelines during its normal course of operation and (ii) the discrepancy in the reading of gas meters. We consider the settlement arrangement to be justifiable.

LETTER FROM GRAM CAPITAL

Prepayment

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:

$$\text{Prepayment} = \text{Total transaction amount of the Gas Supply for FY2022/365} \times 30$$

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.

As advised by the Directors, upon expiry of the New Gas Supply Contract, the Prepayment shall be refunded to the Company by Jinran China Resources or used to offset the gas fees for the relevant month(s) during the Settlement Period.

Having considered that the Prepayment shall be refunded to the Company by Jinran China Resources or used to offset the gas fees for the relevant month(s) at the end of the Settlement Period, we consider the Prepayment arrangement to be justifiable.

The Gas Caps

The total transaction amount under the New Gas Supply Contract shall not exceed the following annual caps (the “**Gas Cap(s)**”):

Period	The Gas Caps <i>(tax inclusive)</i>
From 1 January 2023 to 31 December 2023	RMB2,292 million
From 1 January 2024 to 31 March 2024	RMB840 million

With reference to the Board Letter, in arriving at the aforesaid annual caps of Gas Supply, the Company has considered, among others, the following factors: (i) the historical transaction figures for Gas Supply; (ii) the estimated increase in Gas Volume during the Contract Term; (iii) the potential increase of the Gas Sourcing Price; and (iv) a small additional buffer in case of unexpected fluctuation.

To assess the fairness and reasonableness of the Gas Caps, we obtained the calculation of the Gas Caps (the “**Gas Caps Calculation**”) from the Company.

LETTER FROM GRAM CAPITAL

Gas Cap for FY2023

According to the Gas Caps Calculation, the Gas Cap for FY2023 was calculated based on the following factors:

- (i) The estimated increase in the Gas Volume was based on average historical changes of the Gas Volume.
- (ii) The estimated potential increase of Gas Sourcing Price was based on average historical changes of the Gas Sourcing Price.

We also noted from certain notices published by the TDRC in 2020 and 2021 that (a) the directed selling prices of natural gas for non-residential and heating increased by approximately 21% and approximately 23% respectively from 2021 to 2022; and (b) the directed selling prices of natural gas for residential remained stable from 2021 to 2022.

Based on the above, we consider the estimated potential increase of Gas Sourcing Price to be reasonable.

- (iii) A moderate buffer was applied.

Gas Cap for the period from 1 January 2024 to 31 March 2024

According to the Gas Caps Calculation, the Gas Cap for the 1 January 2024 to 31 March 2024 was calculated based on the following factors:

- (i) The estimated increase in the Gas Volume was based on average historical changes of the Gas Volume and additional potential increase from a potential new customer. The Company provided us purchase indication received from the aforesaid potential new customer, which supports the additional potential increase.
- (ii) The estimated potential increase of Gas Sourcing Price was based on average historical changes of the Gas Sourcing Price.

As above-mentioned, we noted from certain notices published by the TDRC in 2020 and 2021 that (a) the directed selling prices of natural gas for non-residential and heating increased by approximately 21% and approximately 23% respectively from 2021 to 2022; and (b) the directed selling prices of natural gas for residential remained stable from 2021 to 2022.

Based on the above, we consider the estimated potential increase of Gas Sourcing Price to be reasonable.

LETTER FROM GRAM CAPITAL

(iii) A minimal buffer was applied.

In light of the above, we consider the Gas Caps for FY2023 and the period from 1 January 2024 to 31 March 2024 to be fair and reasonable.

Shareholders should note that as the Gas Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 March 2024, and they do not represent forecasts of cost to be incurred from the Gas Supply. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Gas Supply will correspond with the Gas Caps.

Having considered the pricing and payment terms of the Gas Supply and the Gas Caps as aforementioned, we are of the view that the terms of the Gas Supply Renewal are on normal commercial terms and are fair and reasonable.

LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective annual caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iii) have exceeded their respective annual caps. In the event that the total amounts of the Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and supervisors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors, supervisors (the “**Supervisors**”) and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) are as follows:

Long position in Domestic Shares

Name of Director/Supervisor	Capacity	Number of Domestic Shares interested	Approximate percentage of interests in the Company/Domestic Shares
Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Substantial shareholders and other persons

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the interest of the persons (other than Directors, Supervisors or chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

(i) Substantial shareholders*Long position in Domestic Shares*

Name of Shareholder	Capacity	Number of Domestic Shares interested	Approximate percentage of interests in the Company/ Domestic Shares
Jinran China Resources	Beneficial owner	1,297,547,800	70.54%/96.89%
Tianjin Gas (note 1)	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%
Tianjin Energy (note 1)	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%
Tianjin State-owned Capital Investment Management Co., Ltd. (“ Tianjin Capital ”) (note 1)	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%
中國建設銀行股份有限公司天津市分行 (China Construction Bank Corporation (Tianjin Branch)) (“ CCB Tianjin ”) (note 2)	Other	1,297,547,800	70.54%/96.89%

Notes:

- As of the Latest Practicable Date, Jinran China Resources held 1,297,547,800 Domestic Shares. Jinran China Resources is owned as to 51% and 49% by Tianjin Gas and China Resources Gas (Hong Kong) Investment Limited, respectively. Tianjin Energy is the intermediary holding company of Tianjin Gas. Tianjin Capital is the intermediary holding company of Tianjin Energy. Therefore they are deemed, or taken to be interested in all the Domestic Shares held by Jinran China Resources for the purpose of the SFO.
- On 6 May 2020, Tianjin Capital has charged 100% equity interest in Tianjin Energy to CCB Tianjin. Therefore CCB Tianjin is taken to be interested in all the Domestic Shares Jinran China Resources is interested in for the purpose of the SFO.

*(ii) Other persons**Long position in H Shares*

Name of Shareholder	Capacity	Number of H Shares interested	Approximate percentage of interests in the Company/H Shares
Liu Hei Wan	Interests held jointly with another person <i>(note 1)</i>	14,500,000	0.79%/2.90%
	Interest of a controlled corporation <i>(note 2)</i>	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person <i>(note 1)</i>	14,500,000	0.79%/2.90%
	Interest of spouse <i>(note 3)</i>	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner <i>(note 2)</i>	30,000,000	1.63%/6.00%

Notes:

Based on the information publicly available to the Company:

- As of the Latest Practicable Date, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held 14,500,000 H Shares.
- The Waterfront Development Group Limited is wholly-owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Therefore, Mr. Liu Hei Wan is deemed, or taken to be, interested in the H Shares held by The Waterfront Development Group Limited for the purpose of the SFO.
- Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the Shares in which Mr. Liu Hei Wan is interested in the purpose of SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors have not received notification from any person (not being a Director, Supervisor or chief executive of the Company) of his/her/its interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

3. DIRECTORS AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

4. COMPETING INTERESTS

Each of the Directors has confirmed that he/she and his/her respective close associates (as defined under the Listing Rules) do not have any interest in a business which competes or may compete with the business of the Group. Based on the above, as at the Latest Practicable Date, none of the Directors was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Board or the Company to be pending or threatened by or against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor Supervisors had a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT

The following are the qualifications of the expert who has given the Company an opinion or provided advice referred to or contained in this circular:

Name	Qualifications
Gram Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has confirmed that it (i) had no beneficial interest in the share capital of any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as of the Latest Practicable Date; (ii) had no direct or indirect interest in any assets which has been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group as of the Latest Practicable Date.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and/or its opinion or letter included in this circular in the form and context in which they are included.

8. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors or Supervisors was interested in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.
- (b) As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 December 2021.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.jinrangongyong.com) during a period of 14 days from the date of this circular:

- (a) Supplemental Agreement;
- (b) 2022 Pipeline Works Framework Agreement; and
- (c) the New Gas Supply Contract.