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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 (i) the announcement of the Company dated 12 July 2013 in relation to, inter alia, the continuing connected transaction regarding the provision of pipeline construction services by Tianjin Gas to the Company under the 2013 Pipeline Construction Framework Agreement; and (ii) the announcement of the Company dated 31 December 2012 in relation to, inter alia, the continuing connected transaction regarding the provision of pipeline design services by the Design Institute to the Company under the 2013 Pipeline Design Agreement.

To renew the 2013 Pipeline Design Agreement and the 2013 Pipeline Construction Framework Agreement which had both expired on 31 December 2015, the Company and Tianjin Energy entered into the Pipeline Construction and Design Agreement on 29 April 2016 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 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 29 April 2016 to 31 December 2018.

**LISTING RULES IMPLICATIONS**

As at date of this announcement, Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company. Pursuant to the Listing Rules, the entering into of the Pipeline Construction and Design Agreement constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction and Design Agreement for each of the twelve months ending 31 December 2016, 31 December 2017 and 31 December 2018 is, on an annual basis, more than 1% but less than 5%, the Pipeline Construction and Design Agreement is exempt from the independent shareholders' approval requirement and is only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

Reference is made to (i) the announcement of the Company dated 12 July 2013 in relation to, inter alia, the continuing connected transaction regarding the provision of pipeline construction services by Tianjin Gas to the Company under the 2013 Pipeline Construction Framework Agreement; and (ii) the announcement of the Company dated 31 December 2012 in relation to, inter alia, the continuing connected transaction regarding the provision of pipeline design services by the Design Institute to the Company under the 2013 Pipeline Design Agreement.

To renew the 2013 Pipeline Design Agreement and the 2013 Pipeline Construction Framework Agreement which had both expired on 31 December 2015, the Company and Tianjin Energy entered into the Pipeline Construction and Design Agreement on 29 April 2016 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 29 April 2016 to 31 December 2018.

## **THE PIPELINE CONSTRUCTION AND DESIGN AGREEMENT**

### **Date:**

29 April 2016

### **Parties:**

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

### **Major terms:**

Pursuant to the Pipeline Construction and Design Agreement, Tianjin Energy agreed that, for a term from 29 April 2016 to 31 December 2018, Tianjin Energy and/or its associated companies will provide gas pipeline construction and design services to the Group for its gas pipeline construction projects in the PRC upon successful bids. These services are expected to include inspection, design, supervision, construction, drafting of completion reports and provision of maintenance services during the quality maintenance period in the PRC. Individual construction and design services contracts will be entered into upon successful bids, and concrete terms including scope of works, fees and payment schedule will be set out thereunder. The fees to be paid to Tianjin Energy and/or its associated companies by the Group 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 than that offered by independent third parties. Each of these individual construction and design services contracts shall comply with the requirements under the Listing Rules and the applicable laws and regulations.

## Historical Figures and Annual Caps:

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 three years ended 31 December 2015 are as follows:

### Historical figures under the 2013 Pipeline Construction Framework Agreement

	<b>Actual transaction amount</b> <i>RMB</i>	<b>Annual Cap</b> <i>RMB</i>
Year ended 31 December 2013 (From 12 July 2013 to 31 December 2013)	1,347,296.2	20,000,000
Year ended 31 December 2014	1,924,077.35	20,000,000
Year ended 31 December 2015	341,899	20,000,000

### Historical figures under the 2013 Pipeline Design Agreement

	<b>Actual transaction amount</b> <i>RMB</i>	<b>Annual Cap</b> <i>RMB</i>
Year ended 31 December 2013	3,877,761	7,040,000
Year ended 31 December 2014	389,349	7,780,000
Year ended 31 December 2015	5,154,255	8,780,000

Set out below are the annual caps (the “Annual Caps”) for the transactions contemplated under the Pipeline Construction and Design Agreement (in terms of contract sum committed under the construction and design services contracts if awarded as a result of successful bid):

### Annual Caps under the Pipeline Construction and Design Agreement

<b>Year ending 31 December 2016</b>	<b>Year ending 31 December 2017</b>	<b>Year ending 31 December 2018</b>
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
30,000,000	30,000,000	30,000,000

### BASIS FOR DETERMINING THE CAPS

The Annual Caps are calculated with reference to (i) the aggregate historical transaction amounts under the 2013 Pipeline Construction Framework Agreement and the 2013 Pipeline Design Agreement for the three years ended 31 December 2015; (ii) the pipeline construction projects proposed to be carried out by the Group in coming years; (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 (iii) market prices of the pipeline construction and design services.

The Directors consider that the Annual Caps are fair and reasonable taking into account the above factors.

## **INTERNAL CONTROL AND PRICING POLICY**

The transactions contemplated under the Pipeline Construction and Design Agreement shall be priced in accordance with the following terms: (i) government prescribed price; or (ii) where there is no government prescribed price, the relevant market price; or (iii) where there is neither a government prescribed price nor a relevant market price, the actual cost incurred. In order to ensure that the terms for the pipeline construction and design services provided by Tianjin Energy and/or its associated companies to the Company are not be 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 Pipeline Construction and Design 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 Pipeline Construction and Design Agreement and the Annual Caps; and
3. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the transactions contemplated under the Pipeline Construction and Design Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PIPELINE CONSTRUCTION AND DESIGN AGREEMENT**

As the Company would use a tender process for the award of the construction and design services contracts for its gas pipeline projects and expects that Tianjin Energy and/or its associated companies would bid for these projects, the Directors consider that it would be impracticable for the Company to comply with Chapter 14A requirements every time when Tianjin Energy and/or its associated companies would bid for a construction and design services contract. Therefore, by entering into the Pipeline Construction and Design Agreement, the Company would be given the flexibility to facilitate the tendering process as long as the aggregate value of the contract sums under the construction and design services contracts to be entered into with Tianjin Energy and/or its associated companies does not exceed the relevant Annual Cap. The Company's existing 2013 Pipeline Construction Framework Agreement and 2013 Pipeline Design Agreement have expired on 31 December 2015.

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.

As (i) Mr. Zhang Tian Hua, an executive Director, is the deputy manager of Tianjin Energy; (ii) Mr. Hou Shuang Jiang, an executive Director, is the manager of the capital management department of Tianjin Energy, as well as a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited\*), a wholly-owned subsidiary of Tianjin Gas; (iii) Ms. Wang Wen Xia, an executive Director, is the manager of the assets department of Tianjin Energy; and (iv) Mr. Li Da Chuan, the nonexecutive Director, is the manager of the gas production department of Tianjin Energy, each of them has abstained from voting in the passing of Board resolutions in relation to the Pipeline Construction and Design Agreement, and was not counted in the quorum in the relevant meeting of the Board in relation to the Pipeline Construction and Design Agreement.

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

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company, and the entering into of the Pipeline Construction and Design Agreement constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction and Design Agreement for each of the twelve months ending 31 December 2016, 31 December 2017 and 31 December 2018 of RMB30,000,000, RMB30,000,000 and RMB30,000,000 is, on an annual basis, more than 1% but less than 5%, the Pipeline Construction and Design Agreement is exempt from the independent shareholders' approval requirement and is only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

“2013 Pipeline Design Agreement”	the pipeline design agreement dated 31 December 2012 entered into between the Company and the Design Institute in respect of the provision of pipeline design services by the Design Institute to the Company for the three years ended 31 December 2015
“2013 Pipeline Construction Framework Agreement”	the pipeline construction framework agreement dated 12 July 2013 entered into between the Company and Tianjin Gas in respect of which Tianjin Gas and/or its associated companies may bid for gas pipeline construction projects put out to tender by the Company and/or its subsidiaries from 12 July 2013 to 31 December 2015
“associated company(ies)”	subsidiary(ies) and branch company(ies), together with each of their successor(s)
“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 Main Board
“controlling shareholder(s)”	has the meaning ascribed to in the Listing Rules
“Director(s)”	the director(s) of the Company
“Design Institute”	天津市燃氣熱力規劃設計院 (Tianjin Gas Heat Planning and Design Institute*) (formerly known as 天津市煤氣工程設計院 (Tianjin Gas Engineering Design Institute*)), a wholly-owned subsidiary of Tianjin Gas
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pipeline Construction and Design Agreement”	the pipeline construction and design agreement dated 29 April 2016 entered into between the Company and Tianjin Energy 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 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 29 April 2016 to 31 December 2018
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“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**  
**Zhang Tian Hua**  
*Chairman*

Tianjin, PRC, 29 April 2016

*As at the date of this announcement, the Board comprises 5 executive Directors, namely Mr. Zhang Tian Hua (Chairman), Ms. Tang Jie, Ms. Wang Wen Xia, Mr. Zhang Guo Jian and Mr. Hou Shuang Jiang, 1 non-executive Director, namely Mr. Li Da Chuan, and 3 independent non-executive Directors, namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li.*

\* *For identification purpose only*