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JiaXing Gas Group Co., Ltd.*
嘉興市燃氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 9908)

**REVISION OF ANNUAL CAPS FOR
MASTER SUPPLY AGREEMENTS**

REVISION OF ANNUAL CAPS FOR MASTER SUPPLY AGREEMENTS

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus in relation to the supply of PNG by Jiaxing Pipeline Company to the Group under the Master Supply Agreements.

As disclosed in the Prospectus, on 16 June 2016, the Group and Jiaxing Pipeline Company entered into the Master Supply Agreements valid until 31 December 2025, pursuant to which the Group shall purchase PNG from Jiaxing Pipeline Company. In accordance with the Master Supply Agreements, the purchase price is determined in accordance with the price set by Jiaxing Municipal People's Government.

As it is expected that the actual transaction amounts of the PNG charges under the Master Supply Agreements will exceed the existing annual caps as set out in the Prospectus from the year ending 31 December 2021, the Company proposes to revise the existing annual caps for the five years ending 31 December 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules. The transactions contemplated under the Master Supply Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

At the time of the listing of the H Shares on the Stock Exchange in June 2020, the Stock Exchange granted a waiver to the Company in respect of the Master Supply Agreements from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules subject to the annual caps.

The largest Revised Annual Caps under the Master Supply Agreements exceeds HK\$10 million and one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) also exceeds 5% for each of the five years ending 31 December 2025, the Company is required to re-comply with the announcement and independent shareholders' approval requirements pursuant to Rule 14A.54 of the Listing Rules in respect of the Master Supply Agreements and transactions contemplated thereunder.

DESPATCH OF CIRCULAR

The Revised Annual Caps and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders by way of ordinary resolutions at the EGM.

A circular containing, among other things, (i) details of the Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Revised Annual Caps; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps; and (iv) a notice of EGM, is expected to be despatched to the Shareholders no more than 15 business days after publication of this announcement in accordance with the Listing Rules.

REVISION OF ANNUAL CAPS FOR MASTER SUPPLY AGREEMENTS

Reference is made to the section headed "Continuing Connected Transactions" in the Prospectus in relation to the supply of PNG by Jiaxing Pipeline Company to the Group under the Master Supply Agreements. As disclosed in the Prospectus, on 16 June 2016, the Group and Jiaxing Pipeline Company entered into the Master Supply Agreements valid until 31 December 2025, pursuant to which the Group shall purchase PNG from Jiaxing Pipeline Company. In accordance with the Master Supply Agreements, the purchase price is determined in accordance with the price set by Jiaxing Municipal People's Government. Please refer to the paragraph headed "Business – Our Source of PNG Supply – Master supply agreement with Jiaxing Pipeline Company" in the Prospectus for the major terms of the Master Supply Agreements.

Due to the highly regulated nature of the natural gas supply industry in the PRC and the long established business relationship with Jiaxing Pipeline Company which is the sole direct PNG supplier for the PNG supply business of the Group, and that the pipeline network of the Group is connected to the pipeline network of Jiaxing Pipeline Company, it is beneficial to the Group to enter into the Master Supply Agreements with Jiaxing Pipeline Company.

In light of the increase in the PNG sales volume of the Group and the increase in government regulated price for PNG in 2021, it is expected that the transaction amount with Jiaxing Pipeline Company under the Master Supply Agreements will exceed the existing annual caps as set out in the Prospectus from the year ending 31 December 2021. The Board proposes to revise the annual caps for the five years ending 31 December 2025.

REVISION OF ANNUAL CAPS UNDER THE MASTER SUPPLY AGREEMENTS

(a) Historical transaction amounts, existing annual caps and proposed revised annual caps

For the years ended 31 December 2019 and 31 December 2020 and the six months ended 30 June 2021, the historical transaction amounts of the Group under Master Supply Agreements are as follows:

	For the year ended 31 December		For the six months ended
	2019	2020	30 June 2021
	(RMB million) (audited)	(RMB million) (audited)	(RMB million) (unaudited)
Historical amount	887.0	583.8	538.8

Set out below are the existing annual caps for the Master Supply Agreements as disclosed in the Prospectus:

	For the year ended/ending 31 December					
	2020	2021	2022	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Existing annual caps	905.4	915.3	961.0	1,009.1	1,095.5	1,112.5

The Company proposes that the below Revised Annual Caps be set for the Master Supply Agreements for the five years ending 31 December 2025:

	For the year ending 31 December				
	2021	2022	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revised Annual Caps	1,300	1,430	1,573	1,730	1,903

(b) Reasons for revising the annual caps and basis of determination

The Board has closely monitored the transaction amounts under the Master Supply Agreements. During a recent review, it is found that due to the increase in the PNG sales volume of the Group attributable to the increase in the number of customers and the returning to normal of business operations following the recovery from the impact of the coronavirus disease 2019, as well as the increase in the government regulated price of PNG in 2021, the total PNG charges under the Master Supply Agreements are expected to exceed the existing annual cap of RMB915.3 million for the year ending 31 December 2021 in or around October 2021. The Group did not exceed the annual cap of RMB905.4 for the year ended 31 December 2020.

In determining the Revised Annual Caps, the Group has taken into account (i) the potential growth in demand for PNG in the Operating Area; (ii) the distribution capacity of the Group; (iii) the amount of PNG expected to be purchased by the Group from Jiaxing Pipeline Company based on the historical transaction amounts; and (iv) the historical growth in government regulated price for PNG.

INFORMATION ON THE PARTIES INVOLVED

The Company is principally engaged in the sales of PNG (under the Concessions), liquefied natural gas and liquefied petroleum gas in Jiaxing, provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers and provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

Jiaxing Pipeline Company, a limited liability company established under the laws of the PRC on 2 June 2006, is principally engaged in building pipeline networks in Jiaxing and supplies piped natural gas as an upstream supplier. Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder, which is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會) as at the date of this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules. The transactions contemplated under the Master Supply Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

At the time of the listing of the H Shares on the Stock Exchange in June 2020, the Stock Exchange granted a waiver to the Company in respect of the Master Supply Agreements from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules subject to the annual caps.

The proposed Revised Annual Caps under the Master Supply Agreements exceeds HK\$10 million and one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) also exceeds 5% for each of the five years ending 31 December 2025, pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Master Supply Agreements and transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders in relation to the Revised Annual Caps. An independent financial adviser is expected to be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will seek approval from the Independent Shareholders in respect of the Revised Annual Cap at the EGM.

DESPATCH OF CIRCULAR

The Revised Annual Caps and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders by way of ordinary resolutions at the EGM.

A circular containing, among other things, (i) details of the Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Revised Annual Caps; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps; and (iv) a notice of EGM, is expected to be despatched to the Shareholders no more than 15 business days after publication of this announcement in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“City Development”	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 21 December 2009, and a substantial shareholder of the Company
“Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a joint stock limited liability company established under the laws of the PRC, with its H Shares listed on the Main Board of the Stock Exchange

“Concessions”	the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Revised Annual Caps, or any adjournment thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are issued, listed on the Stock Exchange, subscribed and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the Revised Annual Caps
“Independent Shareholders”	shareholders other than City Development and their associates
“Jiaxing Port Operating Area”	the operating area in Jiaxing Port Area where the Group was granted the exclusive right to the operation and management of high, medium and low pressure piped gas, including sales of PNG, LPG and other gaseous fuels to users by means of pipeline distribution under the Jiaxing Port Area Concession
“Jiaxing Pipeline Company”	Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司), formerly known as Jiaxing Natural Gas Pipeline Network Construction Management Co., Ltd.* (嘉興市天然氣管網建設管理有限公司), a limited liability company established under the laws of the PRC on 2 June 2006, a direct wholly-owned subsidiary of City Development
“Jiaxing Port Area Concession”	the concession agreement between Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局) and us, with effect from 1 May 2008, to act as the exclusive PNG distributor in Jiaxing Port Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with two supplemental agreements dated 8 May 2019 and 23 May 2019, respectively

“Jiaxing Urban Area”	the area comprised of Xiuzhou District and Nanhu District, with a total area of 987 sq.km., representing 23.1% of Jiaxing in terms of geographical coverage
“Jiaxing Urban Area Concession”	the concession agreement between Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局), and the Group, with effect from 1 January 2008, to act as the exclusive PNG distributor in Jiaxing Urban Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with the supplemental agreement dated 8 May 2019
“Jiaxing Urban Operating Area”	the operating area in Jiaxing Urban Area where the Group was granted the exclusive right to the operation and management of medium and low pressure piped gas, including sales of PNG and LPG to users by means of pipeline distribution under the Jiaxing Urban Area Concession
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Master Supply Agreements”	the two master supply agreements the Company entered into with Jiaxing Pipeline Company on 16 June 2016 for the supply of PNG in the Operating Area as disclosed in the Prospectus
“Operating Area”	the Jiaxing Urban Operating Area and the Jiaxing Port Operating Area
“PNG”	natural gas distributed to end users through pipelines
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 30 June 2020 in connection with its global offering
“Revised Annual Caps”	the proposed revised annual caps for the five years ending 31 December 2025 for transactions under the Master Supply Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“Substantial Shareholder(s)” has the meaning ascribed to it under the Listing Rules

“%” percentage

By order of the Board
JiaXing Gas Group Co., Ltd.
Sun Lianqing
Chairman and Executive Director

Jiaxing, the PRC, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Sun Lianqing and Mr. Xu Songqiang, as executive Directors; Mr. He Yujian, Mr. Zheng Huanli, Mr. Fu Songquan and Mr. Ruan Hongliang, non-executive Directors; Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu, as independent non-executive Directors.

* For identification purpose only