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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)

**PROPOSED REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
MASTER SUPPLY AGREEMENTS**

PROPOSED REVISION OF ANNUAL CAP FOR MASTER SUPPLY AGREEMENTS

References are made to the prospectus of the Company dated 30 June 2020, the announcement of the Company dated 30 August 2021 and the circular of the Company dated 15 October 2021 in relation to the Master Supply Agreements and the related annual caps. Pursuant to the Master Supply Agreements, the Group shall purchase, and Jiaxing Pipeline Company shall sell to the Group, PNG up to 31 December 2025.

As it is expected that the actual transaction amounts of the PNG charges under the Master Supply Agreements will exceed the existing annual cap for the year ending 31 December 2022, the Company proposes to revise the existing annual cap for the year ending 31 December 2022.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaxing Pipeline Company is 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.

* *For identification purposes only*

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. The proposed Revised Annual Cap 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%, the adoption of the Revised Annual Cap is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Master Supply Agreements and the Revised Annual Cap; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, is expected to be despatched to the Shareholders on or before 21 October 2022 which is more than 15 business days after publication of this announcement as additional time is required for preparing and gathering the relevant information to be contained in the circular.

PROPOSED REVISION OF ANNUAL CAP FOR MASTER SUPPLY AGREEMENTS

References are made to the prospectus of the Company dated 30 June 2020, the announcement of the Company dated 30 August 2021 and the circular of the Company dated 15 October 2021 in relation to the Master Supply Agreements and the related annual caps. 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, and Jiaxing Pipeline Company shall sell to the Group, PNG. The price charged by Jiaxing Pipeline Company to the Group for the transactions under the Master Supply Agreements comprises the selling price of PNG and the pipeline transmission price which are both set by the Jiaxing Municipal People's Government from time to time. Please refer to the paragraph headed "2. Revision of Annual Caps – (a) Major terms of Master Supply Agreements" in the circular of the Company dated 15 October 2021 for other 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 reasons as set out below in this announcement, it is expected that the transaction amount with Jiaxing Pipeline Company under the Master Supply Agreements for the year ending 31 December 2022 will exceed the existing annual cap. The Board proposes to revise the annual cap for the year ending 31 December 2022.

REVISION OF ANNUAL CAP UNDER THE MASTER SUPPLY AGREEMENTS

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

For the years ended 31 December 2020 and 31 December 2021 and the eight months ended 31 August 2022, the historical transaction amounts (tax exclusive) of the Group under Master Supply Agreements are as follows:

	For the year ended 31 December		For the eight months ended 31 August
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(audited)	(audited)	(unaudited)
Historical amount	583.8	1,228.5	1,141.1

The Company proposes that the below Revised Annual Cap (tax exclusive) be set for the Master Supply Agreements for the year ending 31 December 2022:

	For the year ending 31 December 2022
	<i>(RMB million)</i>
Existing annual cap	1,430
Revised Annual Cap	1,950

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

The Board has closely monitored the transaction amounts under the Master Supply Agreements. As mentioned above, the price charged by Jiaxing Pipeline Company to the Group comprises the selling price of PNG and the pipeline transmission price which are both regulated by the government. While the pipeline transmission price has remained the same at RMB0.06/m³ (tax inclusive) since 2019, there was an increase in the selling price of PNG in November 2021 from RMB2.26/m³ (tax inclusive) to RMB3.99/m³ (tax inclusive) pursuant to the 《關於調整供暖季天然氣省級門站價格的通知》(浙發改價格[2021] 407號) (Notice on Adjusting the Price of Natural Gas at Provincial Gate Stations in Heating Season (Zhe Fa Gai Price [2021] No. 407)*) issued by the Zhejiang Provincial Development and Reform Commission and such price has remained the same as at the date of this announcement. As such, the price charged by Jiaxing Pipeline Company to the Group increased from RMB2.32/m³ (tax inclusive) to RMB4.05/m³ (tax inclusive), and the average unit purchase price for PNG of the Group has increased by approximately 69.09% from approximately RMB2.20/m³ (tax exclusive) for the eight months ended 31 August 2021 to approximately RMB3.72/m³ (tax exclusive) for the eight months ended 31 August 2022. Coupled with an expected further increase in the government regulated selling price of PNG in around November this year and an expected increase in the purchase volume of PNG of the Group due to a higher demand for gas under a cooler weather, the total PNG charges under the Master Supply Agreements are expected to exceed the existing annual cap of RMB1,430 million (tax exclusive) for the year ending 31 December 2022 in or around November 2022.

In determining the Revised Annual Cap of RMB1,950 million (tax exclusive), the Group has taken into account that historically there was generally a higher purchase volume of PNG of the Group with Jiaxing Pipeline Company for September to December of the year when compared with January to August of the year, and there was generally an upward adjustment of the government regulated selling price for PNG in the around November of the year causing the unit purchase price of PNG of the Group with Jiaxing Pipeline Company to increase accordingly.

INFORMATION ON THE PARTIES INVOLVED

The Company is principally engaged in (i) the sales of gas, mainly PNG (under the Concessions), liquefied natural gas and liquefied petroleum gas in Jiaxing, the PRC; (ii) the provision of construction and installation services; and (iii) other activities, including the provision of gas storage services, the provision of natural gas transportation services, the sale of vapour, electricity and construction materials, and the leasing of properties.

Jiaying 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 Jiaying and supplies PNG as an upstream supplier. Jiaying Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder, which is wholly-owned by 浙江嘉興國有資本投資運營有限公司 (Zhejiang Jiaying State-owned Capital Investment Management Company Limited*), which is owned as to 4.0429% by 浙江省財務開發有限責任公司 (Zhejiang Financial Development Co., Ltd.*), a wholly-owned entity under 浙江省財政廳 (Zhejiang Provincial Department of Finance*), and as to 95.9571% by 嘉興市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jiaying Municipal People's Government*) as at the date of this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaying Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaying 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.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. The proposed Revised Annual Cap 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%, the adoption of the Revised Annual Cap is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Cap. 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 Cap and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders by way of ordinary resolution(s) at the EGM.

A circular containing, among other things, (i) details of the Master Supply Agreements and the Revised Annual Cap; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, is expected to be despatched to the Shareholders on or before 21 October 2022 which is more than 15 business days after publication of this announcement as additional time is required for preparing and gathering the relevant information to be contained in the circular.

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 Cap, 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 Cap

“Independent Shareholders”	shareholders other than City Development and their associates
“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 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, liquefied natural gas and other gaseous fuels to users by means of pipeline distribution under the Jiaxing Port Area Concession
“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 liquefied natural gas 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 Group entered into with Jiaxing Pipeline Company on 16 June 2016 for the supply of PNG in the Operating Area as disclosed in the prospectus of the Company dated 30 June 2020 in connection with its global offering
“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
“Revised Annual Cap”	the proposed revised annual cap for the year ending 31 December 2022 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
“%”	per cent

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

Jiaxing, the PRC, 23 September 2022

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

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