

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
MASTER SUPPLY AGREEMENTS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 29 of this circular.

The notice convening the EGM of JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Wednesday, 2 November 2022 at 10:00 a.m. is set out on pages 40 to 42 of this circular.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the EGM (i.e. not later than 10:00 a.m. on Tuesday, 1 November 2022 (Hong Kong time)) or the adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman”	the chairman of the Board of Directors
“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 holding 32,757,502 Domestic Shares, representing 23.76% of the total issued Shares as at the Latest Practicable Date
“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 incorporated in the PRC whose issued H Shares are 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
“Domestic Share(s)”	domestic invested ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB, and are unlisted Shares which are currently not listed or traded on any stock exchange
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“EGM”	the extraordinary general meeting of the Company to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Wednesday, 2 November 2022 at 10:00 a.m., to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 40 to 42 of this circular, or any adjournment thereof

DEFINITIONS

“Group”	the Company and its subsidiaries
“H Shareholder(s)”	holder(s) of the H Share(s)
“H Shares”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and 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”	the area located in Pinghu District, in the southern wing of Shanghai and the northern bank of Hangzhou Bay, with a total area of 54.4 sq.km., representing 1.3% of Jiaxing in terms of geographical coverage

DEFINITIONS

“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 petroleum 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 petroleum gas to users by means of pipeline distribution under the Jiaxing Urban Area Concession
“Latest Practicable Date”	11 October 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

DEFINITIONS

“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
“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, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2020 in connection with its global offering
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of RMB1.00 each in the capital of the Company, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of Share(s), comprising Domestic Shareholder(s) and H Shareholder(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sun Lianqing (*Chairman and chief executive officer*)

Mr. Xu Songqiang

Non-executive Directors:

Mr. Zheng Huanli

Mr. Fu Songquan

Mr. Ruan Hongliang

Mr. Xu Jiong

Independent non-executive Directors:

Mr. Yu Youda

Mr. Cheng Hok Kai Frederick

Mr. Zhou Xinfu

*Registered office and headquarter
in the PRC:*

5th Floor, Building 3

Hualong Plaza

Economic and Technological

Development Zone

Jiaxing

Zhejiang Province

PRC

*Principal place of business
in Hong Kong:*

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

14 October 2022

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

Reference is made to the announcement of the Company dated 23 September 2022 in relation to the Company's proposal to revise the annual cap for the Master Supply Agreements for the year ending 31 December 2022.

The purposes of this circular are to provide you with (i) information regarding the resolution to be proposed at the EGM relating to, among other matters, details of the Master Supply Agreements and the Revised Annual Cap; (ii) a letter of advice from Independent Financial Adviser containing its advice to the Independent Board Committee

* *For identification purpose only*

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and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM at which ordinary resolution will be proposed to seek the Independent Shareholders' approval for the Revised Annual Cap.

2. REVISION OF ANNUAL CAP

References are made to (i) the sections headed "Business" and "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; (ii) the announcement of the Company dated 30 August 2021; and (iii) the circular of the Company dated 15 October 2021 in relation to the revision of the related annual caps under the Master Supply Agreements.

(a) Major terms of Master Supply Agreements

On 16 June 2016, the Group entered into the Master Supply Agreements with Jiaxing Pipeline Company, pursuant to which the Group has agreed to purchase and Jiaxing Pipeline Company has agreed to sell PNG in the Operating Area. Save for the revised annual caps as set out in items (ii) and (iii) above which were approved by the Shareholders on 4 November 2021 and the proposed Revised Annual Cap, the principal terms and conditions of the transactions under the Master Supply Agreements remain unchanged. Set out below are the major terms of the transactions under the Master Supply Agreements:

Term:	Up to 31 December 2025. The Group shall negotiate the extension of the term from the penultimate year of the duration of the term.
Specified annual purchase volume:	The Group should submit its PNG annual purchase volume plan with breakdown of monthly purchase volume at least three months before the start of each contract year. Jiaxing Pipeline Company has the right to make reasonable adjustment in the PNG purchase volume plan according to the natural gas resources and market at that time. Jiaxing Pipeline Company and the Group shall agree on the specified annual purchase volume for PNG for the coming contract year by 10 December each year. If a specified annual purchase volume for PNG is not agreed for the year, such volume shall be the annual purchase volume for PNG in the previous year.

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- Maximum annual purchase volume:** The maximum annual purchase volume is 105% of the specified annual purchase volume for the relevant year (the “**Maximum Annual Purchase Volume**”). Jiaxing Pipeline Company has no obligation to supply PNG to the Group beyond the Maximum Annual Purchase Volume during the relevant year.
- Minimum annual purchase volume:** If the actual volume of PNG purchased by the Group during a contract year falls short of the prescribed minimum annual purchase volume (the “**Minimum Annual Purchase Volume**”), which is 75%, 80% or 90% of the specified annual purchase volume in the first, second, or third to tenth contract year, respectively, minus the aggregate volume of PNG for that year that is (i) not extracted by the Group due to force majeure; (ii) not supplied by Jiaxing Pipeline Company due to Supply Shortfall (as defined below); and (iii) rejected by the Group for failing to meet the quality standard (the “**Purchase Shortfall**”), the Group has a take-or-pay obligation for the Purchase Shortfall (the “**Take-or-pay Obligation**”). As at the Latest Practicable Date, there was no accumulated Purchase Shortfall for which the Group had a Take-or-pay Obligation.
- Supply of PNG under the Purchase Shortfall:** In case where the Group has made the payment for such Purchase Shortfall in any year to Jiaxing Pipeline Company, the Group has the right to require Jiaxing Pipeline Company to supply the supplemental volume of PNG up to the volume of PNG attributable to such Purchase Shortfall within five years after the year in which the relevant Purchase Shortfall occurs, subject to, among others, the condition that the actual purchase volume and the supplemental volume of PNG supplied by Jiaxing Pipeline Company pursuant to the above mechanism will not exceed the 105% of the specified annual purchase volume for the relevant year. In the event that such Purchase Shortfall is not fully supplied within five years after its occurrence, the Group shall lose the right to claim for the outstanding volume of PNG attributable to such Purchase Shortfall.

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Supply Shortfall: In case where the volume of PNG supplied by Jiaxing Pipeline Company falls short of the specified annual purchase volume for the year (the “**Supply Shortfall**”), the volume of such Supply Shortfall will be deferred and the Group has the right to require Jiaxing Pipeline Company to supply the deferred volume of PNG up to the volume of PNG attributable to such Supply Shortfall in any year within the five years after the year in which the relevant Supply Shortfall occurs. In the event that such Supply Shortfall is not fully supplied within five years after its occurrence, the parties shall negotiate to extend the validity period of demanding for the supply of PNG in the remaining volume attributable to such Supply Shortfall. As at the Latest Practicable Date, there was no accumulated Supply Shortfall which would be claimed by the Group from Jiaxing Pipeline Company.

Price: The price charged by Jiaxing Pipeline Company to the Group comprises the selling price of PNG and the pipeline transmission price which are determined in accordance with the prices set by the Jiaxing Municipal People’s Government from time to time with reference to regulatory notices issued by Zhejiang Provincial Development and Reform Commission. Such price adjustment notice may be made by the relevant government authorities from time to time without any fixed schedule. As at the Latest Practicable Date, the selling price of PNG was the gateway station price of RMB3.99/m³ according to the Notice on Adjusting the Price of Natural Gas at Provincial Gate Stations in Heating Seasons (Zhe Fa Gai Price [2021] No. 407)* (《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)) issued on 27 December 2021 which has been effective since 1 November 2021 and the pipeline transmission price was RMB0.06/m³ according to the Notice on formulating natural gas distribution prices for non-residents in urban and port areas and establishing an upstream and downstream price linkage mechanism (Jia Fa Gai [2019] No. 284)* (《關於製定市區及港區非居民天然氣配氣價格及建立上下游價格聯動機制的通知》(嘉發改[2019]284號)) issued on 23 December 2019 by Jiaxing Development and Reform Commission which has been effective since 1 November 2019.

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- Payment terms:** The Group should make weekly payment, which includes fees for the volume of PNG supplied for the week and prepayment for the expected volume of PNG to be supplied in the following week.
- Termination:** The Master Supply Agreements can be terminated if, among others:
- (i) there is any material breach of the Master Supply Agreements by the other party which cannot be remedied within 30 days' notice of such breach;
 - (ii) Jiaying Pipeline Company fails to supply PNG for 30 days consecutively or 60 days in a year;
 - (iii) there is any unauthorised transfer or pledge of the contractual rights under the Master Supply Agreements; and
 - (iv) the rights under Concessions are suspended or revoked.
- Exclusivity:** If the Group, without prior written consent of Jiaying Pipeline Company, acquire natural gas (including liquefied natural gas) from other third party suppliers other than for emergency purpose, Jiaying Pipeline Company has the right to reduce or suspend the supply of PNG to the Group.^(Note)

Note: As disclosed in the Prospectus, prior consent from the government and/or Jiaying Pipeline Company is not required for the Group to acquire liquefied natural gas ("LNG") from third parties for distribution of gasified LNG through the PNG pipeline network for peak adjustment purpose. Further, based on 《關於印發2020年浙江省能源領域體制改革工作要點的通知》浙發改能源[2020]12號 (Notice on Issuing of the Summary of Structural Reforms in Energy Sector in 2020*) ("2020 Summary") issued by Zhejiang Provincial Development and Reform Commission and Zhejiang Energy Regulatory Office of National Energy Administration on 20 January 2020, Zhejiang Province is implementing a reform in its energy sector which aims to discontinue the monopoly status of the provincial natural gas pipeline companies and open up the natural gas infrastructure market to all market players. Accordingly, PNG distributors in Jiaying, including the Group, may directly purchase natural gas from different gas providers. Apart from that, the Group has also been purchasing LNG to supplement the source of PNG supply of the Group from overseas suppliers via its Dushan Port Project. In light of (i) the 2020 Summary; and (ii) Jiaying Pipeline Company's knowledge of the Group's sourcing of LNG from other suppliers in respect of Dushan Port Project, the Directors are of the view that the Group are not required to obtain prior consent from the government and/or Jiaying Pipeline Company to source LNG from other third party suppliers for distribution of gasified LNG through the PNG pipeline network.

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Due to the highly regulated nature of the natural gas supply industry in the PRC and the long established business relationship between the Group and Jiaxing Pipeline Company which is the sole direct PNG supplier for the PNG supply business of the Group and, to the best knowledge of the Directors, also the only upstream supplier of PNG in Jiaxing, 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.

The Group has been granted the exclusive right to sell and distribute PNG in the Operating Area pursuant to Concessions for an initial term of 25 years from 1 January 2008 to 31 December 2032 for Jiaxing Urban Operating Area and 25 years from 1 May 2008 to 30 April 2033 for Jiaxing Port Operating Area. Entering into long-term PNG supply agreements with the only upstream supplier of PNG in Jiaxing is in line with the duration of the Concessions and for the stable supply of PNG for the business of the Group.

The Master Supply Agreements state that the prices are determined in accordance with the prices set by the Jiaxing Municipal People's Government. In other words, the Master Supply Agreements could ensure the prices at which the Group purchases PNG from Jiaxing Pipeline Company do not contain additional markups above the government regulated benchmark prices on the part of Jiaxing Pipeline Company, which in turn allows the Group to source PNG at more favourable pricing when compared with other PNG traders which may source PNG from Jiaxing Pipeline Company.

On the other hand, since Jiaxing Pipeline Company is the only direct PNG supplier of the Group, it is a matter of fact that the Group has to depend on Jiaxing Pipeline Company for the availability of the supply of PNG. However, in the event of shortage of supply of PNG from Jiaxing Pipeline Company, the Group could supplement the PNG supply through the gasification of liquefied natural gas the Group purchased from other suppliers, and such purchases do not require any consent from Jiaxing Pipeline Company. Further, considering that natural gas is a basic necessity, the Directors believe that the PRC government and its controlled corporations generally will not allow natural gas distributors to suspend natural gas supply. The Directors believe that there is no undue reliance on Jiaxing Pipeline Company for PNG supply business of the Group.

The Master Supply Agreements are valid up to 31 December 2025, which have terms longer than the requirement under Rule 14A.52 of the Listing Rules that the period of an agreement for a continuing connected transaction must not exceed three years. The Directors consider that such relatively longer terms are fair and reasonable and in the interest of the Company on the bases that, in addition to the aforementioned advantages of the Master Supply Agreements, a longer term could also ensure a stable supply of PNG to the Group, which in turn could secure the supply of PNG to the end-users of the Group.

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(b) Historical Transaction Amounts, Existing Annual Cap and Proposed Revised Annual Cap

In light of the increase in government regulated price for PNG in November 2021, it is expected that the transaction amount with Jiaxing Pipeline Company under the Master Supply Agreements will exceed the existing annual cap for the year ending 31 December 2022 of RMB1,430 million (tax exclusive). The Board proposes to revise the annual cap for the year ending 31 December 2022.

For the years ended 31 December 2019, 2020 and 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 2022
	2019	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(audited)	(audited)	(audited)	(unaudited)
Historical amounts	887.0	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

(c) Reasons for Revising the Annual Cap and Basis of Determination

The Board has closely monitored the transaction amounts under the Master Supply Agreements. 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 Notice on Adjusting the Price of

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Natural Gas at Provincial Gate Stations in Heating Seasons (Zhe Fa Gai Price [2021] No. 407)* (《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) issued by the Zhejiang Provincial Development and Reform Commission and such price has remained the same as at the date of this circular. 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, 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, the Group has taken into account (i) the historically higher purchase volume of PNG of the Group with Jiaxing Pipeline Company for September to December of the year; and (ii) the historical upward adjustment of the government regulated selling price for PNG in around November of the year.

- (i) *Historically higher purchase volume of PNG of the Group with Jiaxing Pipeline Company for September to December of the year*

The Company generally purchases greater volume of PNG with Jiaxing Pipeline Company for the period from September to December of the year when compared with January to August of the year, mainly due to the increase in demand of PNG in winter, particularly for residential users. For the four years ended 31 December 2021, the purchase volume of PNG of the Group with Jiaxing Pipeline Company in September to December represented approximately 32%, 37%, 42% and 35% of the total purchase volume of PNG with Jiaxing Pipeline Company for the respective years.

- (ii) *Historical upward adjustment of the government regulated selling price for PNG in around November of the year*

Historically, the government regulated selling price for PNG was increased by the relevant government authorities for heating season in around November of the year causing the average unit purchase price of PNG of the Group with Jiaxing Pipeline Company to have increased accordingly. While it is uncertain as to the timing and the magnitude of the upward adjustment, it is expected that the government regulated selling price of PNG will be adjusted upward in the heating season of 2022. For the four years ended 31 December 2021, the average unit purchase price of PNG of the Group with Jiaxing Pipeline Company was 21%, 9%, 22% and 75% higher in November and December when compared with the average unit purchase price before the price adjustment which took place in around November each year.

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In arriving at the Revised Annual Cap of RMB1,950 million (tax exclusive) for the year ending 31 December 2022, (a) for the estimated purchase volume, given that the average purchase volume of PNG from September to December out of the annual purchase volume of PNG for the three years ended 31 December 2021 was approximately 38%, based on the actual purchase volume for January to August 2022 of approximately 307 million m³ and taking into account the total purchase volume for the year ended 31 December 2021 of approximately 501 million m³, the Directors estimated the purchase volume for September to December 2022 to be in the range of approximately 189 million m³ to 194 million m³, and (b) for the estimated average unit purchase price for PNG of the Group, given that historically there was generally an upward adjustment of the government regulated selling price of PNG in around November causing the unit purchase price for PNG of the Group to increase accordingly, the Directors expected there would be a moderate upward adjustment around this November and estimated the unit purchase price for PNG to increase by approximately 20% from RMB3.72/m³ (tax exclusive) to approximately RMB4.44/m³ (tax exclusive) from November this year, resulting in the average unit purchase price for PNG for September to December 2022 to be approximately RMB4.10/m³ (tax exclusive).

None of the Directors abstained from voting on the board resolution approving the Revised Annual Cap. The independent non-executive Directors, whose view has been given after taking the advice from the Independent Financial Adviser, consider that the adoption of the Revised Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(d) Internal Control

To ensure that the transactions under the Master Supply Agreements comply with the pricing terms stated therein and will not exceed the related annual caps (including the Revised Annual Cap), the Company has adopted the following internal control measures:

- (i) The chief executive officer of the Company is overall responsible for the review and approval of connected transactions. The chief executive officer of the Company is assisted by the person-in-charge of the finance department of the Company to monitor regularly the carrying out of the connected transactions entered into by the Group in the ordinary and usual course of the business of the Group to ensure compliance with the terms under relevant agreements and the Listing Rules.
- (ii) The relevant regulatory notices setting the government regulated prices shall be reported by the relevant business unit to the chief executive officer and the person-in-charge of the finance department as soon as they are received.

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- (iii) The person-in-charge of the finance department will review the table containing the actual transaction amounts and prices compiled by the relevant business unit on a monthly basis.
- (iv) The connected transactions will be reported to the audit committee of the Company (which comprises all independent non-executive Directors) on an annual basis.
- (v) The audit committee of the Company will review the connected transactions every year in relation to, among others, whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and whether they are carried out in accordance with the relevant agreements and on terms that are fair and reasonable and in the interest of the Shareholders as a whole.
- (vi) Through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board annually on the continuing connected transactions of the Group in relation to, among others, whether the transactions were entered into in accordance with the relevant agreements including the pricing policies and whether the transactions exceeded the annual caps pursuant to the Listing Rules.

The Directors are of the view that the internal control measures above can allow the Company to effectively monitor the transaction amounts under the Master Supply Agreements in view of the annual caps (including the Revised Annual Cap), and to ensure that the transactions under the Master Supply Agreements are on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(e) Information on the Parties Involved

The Group 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.

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 PNG as an upstream supplier. Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder holding 32,757,502 Domestic Shares, representing 23.76% of the total issued Shares, and is wholly-owned by 浙江嘉興國有資本投資運營有限公司 (Zhejiang Jiaxing State-owned Capital Investment Management Company Limited*), which is owned

LETTER FROM THE BOARD

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 Jiaxing Municipal People's Government*) as at the Latest Practicable Date.

(f) Listing Rules Implications

As at the Latest Practicable Date, 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.

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.

3. EGM AND PROXY ARRANGEMENT

The notice of the EGM to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Wednesday, 2 November 2022 at 10:00 a.m. is set out on pages 40 to 42 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, 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. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

City Development, which held 32,757,502 Domestic Shares as at the Latest Practicable Date, has a material interest in the Master Supply Agreements and the Revised Annual Cap and hence is required to abstain from voting on the relevant resolution to approve the Revised Annual Cap at the EGM, pursuant to Rule 14A.36 of the Listing Rules. To the best of the knowledge, information and belief of the Directors, save as disclosed above, none of the Shareholders are required to abstain from voting on the resolution put to vote at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>). To be valid, for H Shareholders, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authorisation documents (if any) under which it is signed or a notarised letter of authority at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. For Domestic Shareholders, the form of proxy should be returned to the Company's registered office in the PRC at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 10:00 a.m. on Tuesday, 1 November 2022 (Hong Kong time)) or any adjournment thereof (as the case maybe).

Completion, signing and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case maybe) if you so wish.

4. CLOSURE OF H SHARE REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 28 October 2022 to Wednesday, 2 November 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, H Shareholders whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 27 October 2022 (Hong Kong time).

5. RECOMMENDATIONS

The Board of Directors (including the independent non-executive Directors whose views have been formed taking the advice of the Independent Financial Adviser into account) considers that the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 18 to 19 of this circular which contains its advice to the Independent Shareholders regarding the Revised Annual Cap, the letter from the Independent Financial Adviser set out in pages 20 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Cap and the principal factors and reasons taken into consideration in arriving at its advice.

Yours faithfully,
For and on behalf of the Board
JiaXing Gas Group Co., Ltd.*
Sun Lianqing
Chairman and executive Director

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.



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)

14 October 2022

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company to the Shareholders dated 14 October 2022 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider whether the adoption of the Revised Annual Cap is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

The Independent Financial Adviser has been appointed by the Company to advise us and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 20 to 29 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 20 to 29 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other things, the principal factors and reasons underlying the Master Supply Agreements and the Revised Annual Cap as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider the adoption of the Revised Annual Cap is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution for approving the Revised Annual Cap set out in the notice of the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
JiaXing Gas Group Co., Ltd.*
Yu Youda
Cheng Hok Kai Frederick
Zhou Xinfu

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual cap for continuing connected transactions under Master Supply Agreements, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

14 October 2022

To the Independent Board Committee and the Independent Shareholders

JiaXing Gas Group Co., Ltd.
5th Floor, Building 3
Hualong Plaza
Economic and Technological Development Zone
Jiaxing
Zhejiang Province
PRC

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual cap for continuing connected transactions under Master Supply Agreements, details of which are set out in the letter from the Board contained in the circular dated 14 October 2022 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, 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.

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. As 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu, has been established to advise the Independent Shareholders as to (i) whether the adoption of the Revised Annual Cap is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution relating to the Revised Annual Cap to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the adoption of the Revised Annual Cap is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution relating to the Revised Annual Cap to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Revised Annual Cap is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder or connected person(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among others (i) Master Supply Agreements; (ii) annual report of the Company for the year ended 31 December 2021 (“**2021 Annual Report**”); and (iii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the Latest Practicable Date. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

(i) *Principal businesses of the Group*

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.

(ii) *Principal business of Jiaxing Pipeline Company*

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 PNG as an upstream supplier. Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder holding 32,757,502 Domestic Shares, representing 23.76% of the total issued Shares, and is wholly-owned by 浙江嘉興國有資本投資運營有限公司 (Zhejiang Jiaxing 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 Jiaxing Municipal People's Government*) as at the Latest Practicable Date.

2. Principal terms of the Master Supply Agreements

Exclusivity

According to the Master Supply Agreements, if the Group, without prior written consent of Jiaxing Pipeline Company, acquire natural gas (including liquefied natural gas) from other third party suppliers other than for emergency purpose, Jiaxing Pipeline Company has the right to reduce or suspend the supply of PNG to the Group (the “**Exclusivity Term**”).

To assess the fairness and reasonableness of the Exclusivity Term, we have taken into account the following factors:

- (i) Jiaxing Pipeline Company is the only upstream supplier of PNG in Jiaxing. The Group's pipeline network is connected to the pipeline network of Jiaxing Pipeline Company. If the PNG supplied by Jiaxing Pipeline Company is not sufficient to meet the Group's demand, Management represents that the Group's purchase of LNG from other suppliers in such circumstances is considered to be for emergency purpose.

As disclosed in the Prospectus, prior consent from the government and/or Jiaxing Pipeline Company is not required for the Group to acquire liquefied natural gas (“**LNG**”) from third parties for distribution of gasified LNG through the PNG pipeline network for peak adjustment purpose;

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The Group has been purchasing LNG to supplement the source of PNG supply of the Group from overseas suppliers via its Dushan Port Project. As disclosed in the 2021 Annual Report, the Group signed the LNG sales and purchase agreement with an overseas company, pursuant to which the supplier will supply LNG to the receiving station in the Dushan Port for a period of 5 years; and
- (iii) Notwithstanding that the Group had disclosed in its annual report the fact that it had purchased LNG from third party suppliers, we understand from the Management that Jiaxing Pipeline Company has never reduced or suspended the supply of PNG to the Group for the reason that the Group acquires natural gas from other third party suppliers other than emergency purpose without its prior consent.

Based on the above, we are of the view that the Exclusivity Term is fair and reasonable and is in the interests of the Company.

Other terms

Except for the annual cap for the year ending 31 December 2022, all terms of the transactions under the Master Supply Agreements remain unchanged. As such, except for the Revised Annual Cap which will be discussed in this letter below, all other terms of the Master Supply Agreements and the transactions contemplated thereunder will continue to be fair and reasonable and that the transactions contemplated thereunder will also continue to be on normal commercial terms, in the ordinary and usual course business of the Group and in the interests of the Company and the Shareholders as a whole.

For details of the principal terms of the Master Supply Agreements, 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.

3. Reasons for revising the existing annual cap under the Master Supply Agreements

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. With effect from 1 November 2021, while the pipeline transmission price has remained the same at RMB0.06/m³ (tax inclusive) since 2019, the selling price of PNG had increased from RMB2.26/m³ (tax inclusive) to RMB3.99/m³ (tax inclusive), representing an increase of approximately 77%. Such increase was stipulated under the Notice on Adjusting the Price of Natural Gas at Provincial Gate Statements in Heating Season (Zhe Fa Gai Price [2021] No. 407) (《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)) (the “**2021 Government Notice**”) issued by the Zhejiang Provincial Development and Reform Commission. As advised by the Management, the selling price of PNG remained at RMB3.99/m³ (tax inclusive) as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subsequent to the increase in selling price of PNG, the price charged by Jiaxing Pipeline Company to the Group increased from RMB2.32/m³ (tax inclusive), being the sum of the transmission price of RMB0.06/m³ and the selling price of PNG of RMB2.26/m³, to RMB4.05/m³ (tax inclusive), being the sum of the transmission price of RMB0.06/m³ and the selling price of PNG of RMB3.99/m³.

We have obtained the 2021 Government Notice from the website of Zhejiang Provincial Development and Reform Commission and noted that it is consistent with Management's representation.

As advised by the Management, following the effective date of the 2021 Government Notice, the price charged by Jiaxing Pipeline Company to the Group increased from RMB2.32/m³ (tax inclusive) to RMB4.05/m³ (tax inclusive). As a result, the average unit purchase price for PNG of the Group has increased by approximately 69% 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, representing an increase of approximately 69%. Coupled with an expected further increase in the government regulated selling price of PNG in around November, 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.

4. Existing annual cap, historical transaction amount and the Revised Annual Cap

Set out below the historical transaction amounts (tax exclusive) of the Group under the Master Supply Agreements.

	For the year ended 31 December			For the eight months ended
	2019	2020	2021	31 August
	(RMB million)	(RMB million)	(RMB million)	2022 (RMB million)
	(audited)	(audited)	(audited)	(unaudited)
Historical amounts	887.0	583.8	1,228.5	1,141.1

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below existing annual cap and the Revised Annual Cap (tax exclusive) 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

We noted that the actual transaction purchase price (tax exclusive) under the Master Supply Agreements for the eight months ended 31 August 2022 was approximately RMB1,141.1 million, with an average transaction amount of approximately RMB142.6 million per month. For illustration purposes only, assuming the same level of monthly transaction amount for the remaining four months of 2022, the annual transaction amount would be approximately RMB1,711.7 million, which exceeds the existing annual cap of RMB1,430 million. Given that the natural gas demand is generally higher during the winter, the existing annual cap may be exceeded.

In arriving at the Revised Annual Cap of RMB1,950 million (tax exclusive), the Group has taken into account:

- (i) the historically higher purchase volume of PNG of the Group with Jiaxing Pipeline Company for September to December of the year.

The Company generally purchases greater volume of PNG with Jiaxing Pipeline Company for the period from September to December of the year, mainly due to the increase in demand of PNG in winter, particularly for residential users. For the four years ended 31 December 2021, the purchase volume of PNG of the Group with Jiaxing Pipeline Company during September to December represented 32%, 37%, 42% and 35% of the total purchase volume of PNG with Jiaxing Pipeline Company for the respective years.

We have obtained and review the monthly purchase volume of the Group with Jiaxing Pipeline Company for the three years ended 31 December 2021 and noted they are consistent with Management's representation;

- (ii) the historical upward adjustment of the government regulated selling price for PNG in around November of the year.

According to the Company, the government regulated selling price for PNG was increased by the relevant government authorities for heating season in around November of the year, causing the average unit purchase price of PNG of the Group with Jiaxing Pipeline Company to have increased accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the pricing notices issued by Zhejiang Province in the four years ended 31 December 2021 and noted that the government regulated selling price of PNG was adjusted upward by approximately 30%, 7.0%, 17.4% and 76.5% for the heating season in around November 2018, 2019, 2020 and 2021 respectively. As such, we concur with the Management's expectation that the selling price of PNG will likely be adjusted upward in the heating season of 2022;

- (iii) for the estimated purchase volume, given that the average purchase volume of PNG from September to December out of the annual purchase volume of PNG for the three years ended 31 December 2021 was approximately 38%, based on the actual purchase volume for January to August 2022 of approximately 307 million m³, the Directors estimated the purchase volume for September to December 2022 to be approximately 189 million m³.

We have obtained and review the monthly purchase volume of PNG and the calculation provided by the Management and noted that the estimated purchase volume of approximately 189 million m³ represented approximately 38% of the total purchase volume for the year ended 31 December 2021, which is consistent with the historical pattern for the three years ended 31 December 2021; and

- (iv) for the estimated average unit purchase price for PNG, given that historically there was generally an upward adjustment of the government regulated selling price of PNG in around November causing the unit purchase price for PNG of the Group to increase accordingly, the Directors expected there would be a moderate upward adjustment in the government regulated selling price of PNG in around November 2022, and estimated the average unit purchase price of the Group in respect of the transactions under the Master Supply Agreements to increase by approximately 20% from RMB3.72/m³ (tax exclusive) to approximately RMB4.44/m³ (tax exclusive) from November this year, resulting in the average unit purchase price for PNG from September to December 2022 to be approximately RMB4.10/m³ (tax exclusive).

For the four years ended 31 December 2021, the average unit purchase price of PNG of the Group with Jiaying Pipeline Company was 21%, 9%, 22% and 75% higher in November and December when compared with the average unit purchase price before the price adjustment which took place in around November each year.

We have obtained and reviewed the monthly purchase price and volume of the Group with Jiaying Pipeline Company for the four years ended 31 December 2021 and noted the effect of the upward adjustment of the government regulated selling price of PNG on the average unit purchase prices are consistent with Management's representation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have further obtained the import price for LNG published by Shanghai Petroleum and Natural Gas Exchange (“SHPGX”) and noted that the latest average monthly import price for LNG was approximately 28% higher than that on 1 November 2021, being the effective date of the current selling price of PNG for Jiaxing, the PRC. Such increase in import price for LNG may affect the government regulated selling price of PNG.

Taking into account (i) the historical range of the increase in the unit purchase price immediately following the upward price adjustment in November each year, especially for the three years ended 31 December 2020; and (ii) the increase in import price of LNG published by SHPGX, we are of the view that the Management’s expectation of an approximate 20% increase in the unit purchase price for PNG is reasonable.

Taking into account our analysis under this paragraph headed “Existing annual cap, historical transaction amount and the Revised Annual Cap”, we are of the view that the Revised Annual Cap is fair and reasonable.

5. Internal control

The Company has adopted the following internal control measures to ensure that the transactions under the Master Supply Agreements comply with the pricing terms stated therein and will not exceed the related annual caps (including the Revised Annual Cap):

- (i) The chief executive officer of the Company is overall responsible for the review and approval of connected transactions. The chief executive officer of the Company is assisted by the person-in-charge of the finance department of the Company to monitor regularly the carrying out of the connected transactions entered into by the Group in the ordinary and usual course of the business of the Group to ensure compliance with the terms under relevant agreements and the Listing Rules.
- (ii) The relevant regulatory notices setting the government regulated prices shall be reported by the relevant business unit to the chief executive officer and the person-in-charge of the finance department as soon as they are received.
- (iii) The person-in-charge of the finance department will review the table containing the actual transaction amounts and prices compiled by the relevant business unit on a monthly basis.
- (iv) The connected transactions will be reported to the audit committee of the Company (which comprises all independent non-executive Directors) on an annual basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) The audit committee of the Company will review the connected transactions every year in relation to, among others, whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and whether they are carried out in accordance with the relevant agreements and on terms that are fair and reasonable and in the interest of the Shareholders as a whole.
- (vi) Through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board annually on the continuing connected transactions of the Group in relation to, among others, whether the transactions were entered into in accordance with the relevant agreements including the pricing policies and whether the transactions exceeded the annual caps pursuant to the Listing Rules.

Given that the internal control measures are in line with the principles set out in the Company's internal control management procedures which have been executed and operated by the Management in the past and in view of the procedures and arrangements set out above, we consider that there exist appropriate procedures and arrangements to ensure the Company to effectively monitor the transaction amounts under the Master Supply Agreements in view of the annual caps (including the Revised Annual Cap), and to ensure that the transactions under the Master Supply Agreements are on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the adoption of the Revised Annual Cap is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution for approving the Revised Annual Cap to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Leo Tam
Executive Director

Mr. Leo Tam ("Mr. Tam") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

GENERAL INFORMATION

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 and omission of which would make any statement herein or this circular misleading.

2. Disclosure of Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as known to the Directors of the Company, the interests and short positions of the Directors, supervisors of the Company and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules are as follows:

Long Positions in the Domestic Shares of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Sun Lianqing (Note 4)	Interest in controlled corporation	35,045,103 (L)	35.05%	25.42%
Xu Songqiang (Note 4)	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	3,069,891 (L) 31,975,212 (L)	35.05%	25.42%

GENERAL INFORMATION

Notes:

- (1) The letter “L” denotes the long position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司) (“**Taiding**”), Mr. Xu Songqiang, Ms. Xu Hua and Fengye Holdings Group Company Limited* (楓葉控股集團有限公司) (“**Fengye**”) are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties. Mr. Sun Lianqing is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO. Mr. Sun Lianqing is also the sole director of Taiding.

3. Directors’ Interest in Assets and Contracts

Reference is made to the announcement of the Company dated 21 April 2022. On 21 April 2022, the Company entered into two sale and purchase agreements (“**Sale and Purchase Agreements**”) with Jiaxing Yintai Real Estate Co., Ltd. (“**Jiaxing Yintai**”), a company owned as to 71.4% by three companies controlled by Mr. Sun Lianqing, the chairman and an executive Director, and as to 13.5% by Mr. Xu Songqiang, an executive Director, as at the date of the Sale and Purchase Agreements, pursuant to which the Company acquired from Jiaxing Yintai two properties in Jiaxing, the PRC for a total consideration of RMB7,888,610.

Save as disclosed, none of the Directors or supervisors of the Company had any interest, direct or indirect, in any assets which have been since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, no Director has a material interest in the Master Supply Agreements or the Revised Annual Cap.

Save as the aforesaid, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date.

GENERAL INFORMATION

4. Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) (a) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
Taiding <i>(Note 4)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	29,789,013 (L) 5,256,090 (L)	35.05%	25.42%
Xu Lili (徐麗麗) <i>(Note 5)</i>	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Chen Ying (陳瑛) <i>(Note 6)</i>	Domestic Shares	Interest of spouse	35,045,103 (L)	35.05%	25.42%
Xu Hua (徐華) <i>(Note 4)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	186,199 (L) 34,858,904 (L)	35.05%	25.42%
Fengye <i>(Notes 4 and 7)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	2,000,000 (L) 33,045,103 (L)	35.05%	25.42%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Shengying (傅生英) <i>(Notes 4 and 7)</i>	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Zhiqian (傅志權) <i>(Notes 4 and 7)</i>	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
City Development <i>(Note 8)</i>	Domestic Shares	Beneficial owner	32,757,502 (L)	32.76%	23.76%
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) <i>(Note 8)</i>	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) <i>(Note 8)</i>	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有限公司) (“Zhuji Yujia”) (Note 9)	Domestic Shares	Beneficial owner	11,894,374 (L)	11.89%	8.62%
Qianyu Group Company Limited* (乾宇集團有限公司) (“Qianyu”) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Tang Shiyao (湯仕堯) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Fu Fangying (傅芳英) (Note 10)	Domestic Shares	Interest of spouse	11,894,374 (L)	11.89%	8.62%
Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 11)	Domestic Shares	Beneficial owner	7,155,049 (L)	7.16%	5.19%
Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
ENN Energy Holdings Limited (新奧能源控股有限公司) <i>(Note 12)</i>	H Shares	Interest in a controlled corporation	4,355,500 (L)	11.51%	3.16%
Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) <i>(Note 13)</i>	H Shares	Beneficial owner	6,250,000 (L)	16.51%	4.53%
Flat Glass Group Co., Ltd. (福萊特玻璃集團股份有限公司) <i>(Note 13)</i>	H Shares	Interest in a controlled corporation	6,250,000 (L)	16.51%	4.53%
Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) <i>(Note 14)</i>	H Shares	Beneficial owner	5,700,000 (L)	15.06%	4.14%
Jiaxing Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司) <i>(Note 14)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Shen Xiaohong (沈小紅) <i>(Note 14)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Mingyuan Group Investment Limited <i>(Note 15)</i>	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Shum Tin Ching (沈天晴) (Note 15)	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei (Note 16)	H Shares	Interest of spouse	5,300,000 (L)	14.00%	3.84%
Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) (Note 17)	H Shares	Beneficial owner	2,320,000 (L)	6.13%	1.68%
Liu Zhenjiang (劉振江) (Note 17)	H Shares	Interest in a controlled corporation	2,320,000 (L)	6.13%	1.68%
Dan Hongying (但紅英) (Note 18)	H Shares	Interest of spouse	2,320,000 (L)	6.13%	1.68%

Notes:

- (1) The letter "L" denotes the shareholder's long position in the Shares and underlying shares of the Company. The letter "S" denotes the shareholder's short position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue or 37,844,500 H Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) Taiding, Mr. Xu Songqiang, Ms. Xu Hua and Fengye are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties.
- (5) Ms. Xu Lili is interested in 35% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.
- (6) Ms. Chen Ying is the spouse of Mr. Xu Songqiang. Under the SFO, Ms. Chen Ying is deemed to be interested in the same number of Shares in which Mr. Xu Songqiang is interested.

GENERAL INFORMATION

- (7) Fengye was wholly-owned by Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司), which was owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Under the SFO, each of Zhejiang Fengye Environmental Technology Limited*, Ms. Fu Shengying and Mr. Fu Zhiquan is deemed to be interested in the same number of Shares in which Fengye is interested.
- (8) City Development was wholly-owned by Zhejiang Jiaying State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which was indirectly owned as to 95.9571% by Jiaying State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) and as to 4.0429% by Zhejiang Financial Development Co., Ltd.* (浙江省財務開發有限責任公司), a wholly-owned entity under Zhejiang Provincial Department of Finance* (浙江省財政廳). Under the SFO, each of Zhejiang Jiaying State-owned Capital Investment Management Company Limited* and Jiaying State-owned Assets Supervision and Administration Commission is deemed to be interested in the same number of Shares in which City Development is interested. Mr. Xu Jiong, a non-executive Director, is the general manager, legal representative and a director of City Development. Mr. Zheng Huanli, a non-executive Director, is the manager of the finance department and the head of the financial management centre of City Development.
- (9) Zhuji Yujia is wholly-owned by Qianyu, which is 40%-owned by Mr. Tang Shiyao (湯仕堯). Under the SFO, each of Mr. Tang Shiyao and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested. Mr. Fu Songquan, a non-executive Director, is a director and the general manager of Qianyu, and the legal representative and the general manager of Zhuji Yujia.
- (10) Ms. Fu Fangying (傅芳英) is the spouse of Mr. Tang Shiyao (湯仕堯) and is therefore deemed to be interested in the same number of Shares in which Mr. Tang Shiyao is interested under the SFO.
- (11) Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) was a wholly-owned subsidiary of Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), which was in turn a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). Under the SFO, each of Xinao (China) Gas Investment Company Limited* and ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which Xinao Gas Development Company Limited* is interested.
- (12) The Shares are held by ENN Energy China Investment Limited, a wholly-owned subsidiary of ENN Energy Holdings Limited (新奧能源控股有限公司). Under the SFO, ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which ENN Energy China Investment Limited is interested.
- (13) Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). Under the SFO, Flat Glass Group Co., Ltd. is deemed to be interested in the same number of Shares in which Flat (Hong Kong) Co., Limited is interested. Mr. Ruan Hongliang, a non-executive Director, is an executive director, the chairman of the board of directors and the general manager of Flat Glass Group Co., Ltd.
- (14) Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) was a wholly-owned subsidiary of Jiaying Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅). Under the SFO, each of Jiaying Jinyuan Investment Co., Ltd.* and Mr. Shen Xiaohong is deemed to be interested in the same number of Shares in which Hong Sung Timber Trading Co., Limited is interested.
- (15) Mingyuan Group Investment Limited was wholly-owned by Mr. Shum Tin Ching (沈天晴). Under the SFO, Mr. Shum Tin Ching is deemed to be interested in the same number of Shares in which Mingyuan Group Investment Limited is interested.

* For identification purpose only

GENERAL INFORMATION

- (16) Ms. Wang Xinmei (王新妹) is the spouse of Mr. Shum Tin Ching (沈天晴). Under the SFO, Ms. Wang Xinmei is deemed to be interested in the same number of Shares in which Mr. Shum Tin Ching is interested.
- (17) Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) was wholly-owned by Mr. Liu Zhenjiang (劉振江). Under the SFO, Mr. Liu Zhenjiang is deemed to be interested in the same number of Shares in which Fashion Home International Trading Co., Limited is interested.
- (18) Ms. Dan Hongying (但紅英) is the spouse of Mr. Liu Zhenjiang (劉振江). Under the SFO, Ms. Dan Hongying is deemed to be interested in the same number of Shares in which Mr. Liu Zhenjiang is interested.

Save as disclosed herein, as at the Latest Practicable Date, there was no person known to any Directors or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

5. Service Agreements

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had a service contract with any member of the Group which was not determinable by the Company or the relevant members of the Group within one year without payment of compensation other than statutory compensation.

6. Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

7. Competing Interest

As at the Latest Practicable Date, none of the Directors and his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under Rule 8.10 of the Listing Rules if any of such Directors or his associates was a controlling Shareholder.

GENERAL INFORMATION

8. Qualification and Consent of Expert

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
Altus Capital Limited	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Altus Capital Limited was not beneficially interested in any share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and did not have any direct or indirect interest in any assets which since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by, or leased to any member of the Group.

9. Documents on Display

A copy of each of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>) from the date of this circular up to and including the date of the EGM:

- (a) the Master Supply Agreements.

10. Miscellaneous

The English text of this circular shall prevail over its Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (the “Company”, together with its subsidiaries, the “Group”) will be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the People’s Republic of China (“PRC”) on Wednesday, 2 November 2022 at 10:00 a.m. for the purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. To consider and approve the proposed revised annual cap for the year ending 31 December 2022 for transactions under the two master supply agreements the Group entered into with Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司) on 16 June 2016 for the supply of piped natural gas (the “Revised Annual Cap”) and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him for the purpose of giving effect to the Revised Annual Cap.

By Order of the Board
JiaXing Gas Group Co., Ltd.*
Sun Lianqing
Chairman and executive Director

Jiaxing, the PRC
14 October 2022

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The resolution at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>) in accordance with the Listing Rules.
2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies can only vote on a poll. In view of the development of the coronavirus disease 2019 (COVID-19) pandemic, shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the resolution, instead of attending EGM in person.
3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised executive officer(s) or duly authorised attorney(ies). If that instrument is signed by an attorney of a shareholder, the power of attorney or other document authorising that attorney to sign must be notarised.
4. In order to be valid, the form of proxy together with the notarised power of attorney or other authorization document, if any, must be deposited at the Company’s registered office in the PRC (for domestic shareholders) or at the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H shares) not less than 24 hours before the time fixed for the EGM (i.e. not later than 10:00 a.m. on Tuesday, 1 November 2022 (Hong Kong time)).
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 28 October 2022 to Wednesday, 2 November 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, holders of H shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 27 October 2022 (Hong Kong time). Shareholders whose names appear on the register of members of the Company on Friday, 28 October 2022 are entitled to attend and vote at the EGM.
6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the form of proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
7. The address and contact details of the Company’s H share registrar, Tricor Investor Services Limited, are as follows:

As to the transfer documents:
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

As to the form of proxy:
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Telephone No.: +852 2980 1333
Facsimile No.: +852 2810 8185
8. The address of the Company’s registered office in the PRC and the contact details of the regular contact person for the EGM are as follows:

5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC
Telephone No.: +86 (573) 8221 6881
Facsimile No.: +86 (573) 8222 7685
Name: Qian Yutao

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. In accordance with the Company's articles of association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, and this notice, when served on such person, shall be deemed to have been given to all joint holders of such share.
10. The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses.
11. Shareholders or their proxies shall produce their identification documents for inspection when attending the EGM.

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