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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN
RELATION TO PROPOSED ACQUISITION OF
10% EQUITY INTEREST IN TARGET COMPANY**

PROPOSED ACQUISITION OF 10% EQUITY INTEREST IN TARGET COMPANY

On 8 May 2023, the Equity Transfer Agreement was entered into between, *inter alia*, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Purchaser has agreed to conditionally purchase from the Vendor the 10% equity interest in the Target Company for a Consideration of RMB33,600,000, which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, and the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shencheng.

Listing Rules Implications

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Sun Lianqing, as a controller (within the meaning under Rule 14A.28 of the Listing Rules) of the Company, is a substantial shareholder of the Target Company. The Acquisition therefore constitutes a connected transaction under Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration exceeds HK\$10 million, the Acquisition is subject to the announcement, circular and the independent shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene the EGM to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement. A circular containing, among others, details of the Equity Transfer Agreement, the letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement will be despatched to the Shareholders together with the notice of the EGM on or before 30 June 2023 which is more than 15 business days after the publication of this announcement as additional time is required for preparing and gathering the relevant information to be contained in the circular.

PROPOSED ACQUISITION OF 10% EQUITY INTEREST IN TARGET COMPANY

The Acquisition

The Board is pleased to announce that on 8 May 2023, the Equity Transfer Agreement was entered into between, *inter alia*, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Purchaser has agreed to conditionally purchase from the Vendor the 10% equity interest in the Target Company for a Consideration of RMB33,600,000, which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, and the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shencheng.

Equity Transfer Agreement

Major terms of the Equity Transfer Agreement are set out below:

Date

8 May 2023

Parties

- a. The Purchaser (a wholly-owned subsidiary of the Company);
- b. Yancheng Xiangyuan (as registered owner of the Sale Interest); and
- c. The Vendor (as beneficial owner of the Sale Interest).

Subject matter of the Acquisition

The 10% equity interest in the Target Company.

Consideration

The Consideration for the Acquisition is RMB33,600,000 which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, on the basis that the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shengcheng, upon Completion.

Basis of Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account, among others, (i) value of the Sale Interest as at 31 March 2023 of approximately RMB36,566,403 as appraised by an independent asset valuer with asset-based approach; and (ii) the reasons and benefits set out in the section headed "Reasons for and Benefits of the Acquisition" in this announcement.

On the basis of the above factors, the Directors (excluding the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will express their view through the letter from the Independent Board Committee to the Independent Shareholders after considering, among others, the advice from the Independent Financial Adviser.

Conditions

Completion is subject to the satisfactory fulfillment and/or waiver of the following Conditions:

- (a) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder;
- (b) the Purchaser having completed the relevant due diligence of the Target Company including but not limited to financial and legal due diligence, and being satisfied with the results of the due diligence in all respects;
- (c) the Vendor and the Target Company having disclosed to the Purchaser in writing all information and materials related to transfer of the Sale Interest that are required by the Purchaser and there having been no material omissions, concealment or misleading statements;

- (d) the passing of the necessary resolutions by the shareholders or the board of directors of each of the Vendor and the Target Company approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder in the form and substance satisfactory to the Purchaser, which should contain (i) as for Vendor, confirming (a) it has obtained all approvals and/or consents to enter into and perform its obligations under the Equity Transfer Agreement, (b) the entering into of the Equity Transfer Agreement does not violate any other documents it has signed, (c) the consent of all shareholders of the Target Company have been obtained in respect of the transfer of Sale Interest and the relevant shareholders have expressly waived their pre-emptive right to the transfer of the Sale Interest in writing; and (ii) as for the Target Company, the right of the Vendor to appoint one director of the Target Company shall be exercised by the Purchaser such that the Purchaser shall have the right to appoint one director to the board of the Target Company;
- (e) all transitional obligations of Yancheng Xiangyuan, the Vendor and the Target Company under the Equity Transfer Agreement having been properly complied with;
- (f) all representations, warranties and undertakings of Yancheng Xiangyuan, the Vendor and the Target Company under the Equity Transfer Agreement having remained true, accurate, complete and not misleading;
- (g) apart from the registration with the market supervision and management authority on the Completion Date, having obtained all approvals and consents for the transfer of the Sale Interest and such approvals and consents having remained fully valid and there being no applicable laws or actions of government agencies that restrict, prohibit or cancel the transfer of the Sale Interest, nor being there any litigation or other disputes that would have a material adverse effect on the legality or otherwise of the transfer of the Sale Interest; and
- (h) the Target Company and the Vendor having delivered to the Purchaser a duly signed statement certifying that the above Conditions except Conditions (a) and (b) have been satisfied.

The Purchaser may at any time waive in writing any Conditions (other than Conditions (a) and (g) above).

If the Conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before the date falling three months from the date of the Equity Transfer Agreement (or any later date agreed by the Purchaser) (the “**Long Stop Date**”), the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement without any liability for breach of contract, and reserve the right to recover losses resulting from any breach by other parties.

Completion

When the Conditions have been fulfilled or waived by the Purchaser (as the case may be), Yancheng Xingzhou, the Vendor and the Target Company shall complete the necessary registration to have the Sale Interest registered under the name of the Purchaser at the competent market supervision and management authority.

The Completion shall take place no later than the Long Stop Date.

Upon Completion, the Target Company will be owned as to 10% by the Purchaser. Therefore, the Company will, through its direct wholly-owned subsidiary, the Purchaser, be interested in the 10% equity interest of the Target Company and the results of which will not be consolidated into the financial statements of the Group.

Information about the parties to the Equity Transfer Agreement

The Group is principally engaged in (i) the sales of gas, mainly piped natural gas, 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.

The Purchaser is a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company, principally engaged in the provision of construction and installation services.

Yancheng Xiangyuan is a limited liability company established under the laws of the PRC which is principally engaged in property development, property management and the provision of carpark services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Yancheng Xiangyuan is ultimately owned as to (i) 51% by Taiding, which is a company owned as to 65% by Mr. Sun Lianqing, the chairman of the Board and executive Director, and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing; and (ii) 49% by Shaoxing Buheng Real Estate Development Co., Ltd.* (紹興步恒置業發展有限公司), which is a company ultimately owned as to 98% by Mr. Zhu Genshui and as to 2% by Ms. Zhu Lanzhen, who are Independent Third Parties..

The Vendor is a limited liability company incorporated in Singapore which is principally engaged in the provision of management consultancy services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor is ultimately owned by Mr. Chen Hongbing, Mr. Ma Tong, Mr. Zong Chong and Mr. Xu Dewei as to approximately 35.7%, 35.7%, 14.3% and 14.3%, respectively.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Information of Jiayuan Shencheng

Jiayuan Shencheng is a limited liability company established under the laws of the PRC which is principally engaged in property development and the provision of corporate management consultancy services and corporate management services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Jiayuan Shencheng is a subsidiary of Jiayuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) which is 100% ultimately owned by Mr. Shum Tin Ching (also known by the alias of Mr. Shen Yuxing).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Jiayuan Shencheng and its ultimate beneficial owner are Independent Third Parties.

Information of the Target Company

The Target Company is a company established in the PRC with limited liability, and is beneficially owned as to 65%, 20% and 15% by Yancheng Xiangyuan, the Vendor and Yancheng Chengnan Real Estate Development Co., Ltd.* (鹽城市城南房地產開發有限責任公司) (“**Yancheng Chengnan**”), respectively, as at the date of this announcement. Yancheng Chengnan is ultimately wholly-owned by Yancheng People’s Government* (鹽城市人民政府). The Target Company is principally engaged in property development, property management and carpark management. As at the date of this announcement, the Target Company possesses one land use right in relation to a piece of residential and commercial land with an aggregate site area of 130,827.0 square metres.

As at the date of this announcement, the Target Company has no subsidiary.

Financial information of the Target Company

Set out below is the summary of the key financial information of the Target Company for the two years ended 31 December 2021 and 31 December 2022, prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December 2021 (audited) RMB’000	For the year ended 31 December 2022 (unaudited) RMB’000
Revenue	—	—
Net profit/(loss)	(6,452.3)	(16,709.8)

The audited net asset value of the Target Company as at 31 December 2021 was approximately RMB365.2 million and the unaudited net asset value of the Target Company as at 31 December 2022 was approximately RMB348.5 million.

The registered capital of the Target Company is RMB720 million, of which RMB468 million, RMB144 million and RMB108 million are attributable to the 65%, 20% and 15% interest in the Target Company held by Yancheng Xiangyuan, Urban Economics and Yancheng Chengnan, respectively. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, approximately RMB288 million and RMB88.6 million have been paid up by Yancheng Xiangyuan and the Vendor respectively, as at the date of this announcement. The Purchaser shall assume the obligation to pay up the approximately RMB27.7 million unpaid capital attributable to the Sale Interest upon Completion.

Reasons for and Benefits of the Acquisition

The Group has been exploring various opportunities for investments projects to broaden the scope of investment according to the market conditions with an aim to enhance Shareholders' value. Despite the slowdown of the PRC market in 2022, the PRC government has introduced various policies to stabilise the property market and reinforce the status of real estate being a major industry in the PRC. According to the Notice of the People's Bank of China and the China Banking and Insurance Regulatory Commission on Enhancing the Current Financial Support for the Steady and Healthy Development of the Real Estate Market* (中國人民銀行中國銀行保險監督管理委員會關於做好當前金融支持房地產市場平穩健康發展工作的通知) published in November 2022, the PRC government will keep the real estate financing in a stable and orderly manner to support the healthy development of the real estate market. Further, based on the 2022 Central Economic Working Conference* (2022中央經濟工作會議) took place in December 2022, the PRC government has made clear that the real estate industry is a pillar of the nation's economy, and the government will make strategies from the supply and demand aspects and to assist real estate corporations in their transformation into a new industry model.

The Target Company is the developer of a real estate project concerning a piece commercial and residential land in Yancheng, Jiangsu Province with an aggregate site area of 130,827.0 square metres, and the real estate project involves the construction of 21 residential buildings offering approximately 1,792 residential units in total and commercial building(s), shop(s), hotel(s), of an aggregate gross floor area of approximately 471,880.67 square meters. As at the date of this announcement, the Target Company has commenced construction of 18 residential buildings and has sold 731 residential units in pre-sale. Given the firm support of the PRC government in the real estate market and the steady progress of the real estate project of the Target Company, the Directors are of the view that the investment in the Target Company will bring positive financial impacts to the Group. As the Group has also been providing landscape construction services to real estate developers, including the Target Company, as part of its business, the Directors believe that the Acquisition is in line with the overall business direction of the Group, and the property development business of the Target Company will create synergies with the existing municipal construction business of the Group.

Taking into account, among others, the above factors, the Directors (excluding the independent non-executive Directors who will express their view through the letter from the Independent Board Committee to the Independent Shareholders after considering, among others, the advice from the Independent Financial Adviser) are of the opinion that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms or better after arm's length negotiations between the parties and are fair and reasonable, and the Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Sun Lianqing, as a controller (within the meaning under Rule 14A.28 of the Listing Rules) of the Company, is a substantial shareholder of the Target Company. The Acquisition therefore constitutes a connected transaction under Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration exceeds HK\$10 million, the Acquisition is subject to the announcement, circular and the independent shareholders' approval requirements under the Listing Rules.

Mr. Sun Lianqing is considered to have a material interest in the Acquisition and he has therefore abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreement and none of them has abstained from voting on the relevant Board resolution.

As at the date of this announcement, the Concert Parties together hold 35,045,103 Shares, representing 25.42% of the total issued share capital of the Company. The Concert Parties will abstain from voting on the resolutions approving the Acquisition and the transactions contemplated thereunder in the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, no other Shareholder is interested in the Acquisition and the transactions contemplated thereunder.

Establishment of the Independent Board Committee and Appointment of the Independent Financial Adviser

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment and/or waiver of the Conditions. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

EGM

The Company will convene the EGM to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement. A circular containing, among others, details of the Equity Transfer Agreement, the letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement will be despatched to the Shareholders together with the notice of the EGM on or before 30 June 2023 which is more than 15 business days after the publication of this announcement as additional time is required for preparing and gathering the relevant information to be contained in the circular.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement
“associate(s)”	shall have the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a joint stock liability company established under the laws of the PRC, whose issued H Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date of the Completion
“Concert Parties”	collectively, Taiding, Mr. Xu Songqiang, Ms. Xu Hua (徐華) and Fengye, being the parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021
“Condition(s)”	the conditions precedent to Completion pursuant to the Equity Transfer Agreement, a summary of which is set forth under the paragraph headed “Equity Transfer Agreement — Conditions” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB33,600,000 for the Acquisition
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder, and any adjournment of such extraordinary general meeting
“Equity Transfer Agreement”	the equity transfer agreement for the Acquisition entered into between, <i>inter alia</i> , the Vendor and Purchaser dated 8 May 2023
“Fengye”	Fengye Holdings Group Company Limited* (楓葉控股集團有限公司), a limited liability company established under the laws of the PRC on 24 April 1996, which is wholly-owned by Zhejiang Fengye Environmental Protection Technology Co., Ltd.* (浙江楓葉環保科技有限公司), which is in turn owned as to 61% by Ms. Fu Shengying and 39% by Mr. Fu Zhiquan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the Acquisition and the transactions contemplated thereunder
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Jiayuan Shencheng”	Zhejiang Jiayuan Shencheng Real Estate Group Co., Ltd.* (浙江佳源申城房地產集團有限公司), a limited liability company established under the laws of the PRC on 6 April 2016 and an Independent Third Party

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“PRC”	the People’s Republic of China
“Purchaser”	Jiaxing Jiaran Construction Co., Ltd.* (嘉興市嘉燃建設有限公司) (formerly known as Jiaxing Jia’an Gas Technology Service Company Limited* (嘉興市佳安燃氣技術服務有限公司)), a limited liability company established under the laws of the PRC on 19 December 2006, a direct wholly-owned subsidiary of the Company, which is the purchaser of the Sale Interest
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 10% equity interest in the Target Company that is registered under the name of Yancheng Xiangyuan while being beneficially owned by the Vendor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Taiding”	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011 and owned as to 65% by Mr. Sun Lianqing and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing
“Target Company”	Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.* (鹽城星洲佳源房地產開發有限公司), a limited liability company established under the laws of the PRC on 19 November 2019, which is beneficially owned as to 65%, 20% and 15% by Yancheng Xiangyuan, Urban Economics and Yancheng Chengnan Real Estate Development Co., Ltd.* (鹽城市城南房地產開發有限責任公司), respectively
“Vendor”	Urban Economics Pte. Ltd. (新加坡城市經濟發展有限公司*), a limited liability company incorporated in Singapore, which is the beneficial owner of the Sale Interest and an Independent Third Party

“Yancheng Xiangyuan” Yancheng Xiangyuan Real Estate Co., Ltd.* (鹽城祥源房地產有限公司), a limited liability company established under the laws of the PRC on 20 December 2019, an associate of Mr. Sun Lianqing, the chairman of the Board and an executive Director, which is the registered owner of the Sale Interest

“%” per cent

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

Jiaying, the PRC
8 May 2023

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

* For identification purpose only