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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
NEW NATURAL GAS FRAMEWORK AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 15 to 16 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 17 to 31 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 Thursday, 17 August 2023 at 9:30 a.m. is set out on pages 42 to 44 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 9:30 a.m. on Wednesday, 16 August 2023 (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.

\* For identification purpose only

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## DEFINITIONS

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*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, and a Substantial Shareholder
“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
“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 Thursday, 17 August 2023 at 9:30 a.m., to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 42 to 44 of this circular, or any adjournment thereof

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## DEFINITIONS

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“Existing Master Supply Agreements”	the two existing master supply agreements the Group entered into with Jiaxing Pipeline Company on 16 June 2016 in relation to the supply of piped natural gas by Jiaxing Pipeline Company to the Group for a period up to 31 December 2025
“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 New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“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 New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“Independent Shareholders”	shareholders other than City Development and its associates
“Independent Third Party(ies)”	person(s) who, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are third party(ies) independent of and not connected with the Company and its connected persons

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## DEFINITIONS

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“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), a limited liability company established under the laws of the PRC, a direct wholly-owned subsidiary of City Development
“Latest Practicable Date”	26 July 2023, 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
“New Annual Caps”	the proposed annual caps for the five years ending 31 December 2027 and the three months ending 31 March 2028 for transactions under the New Natural Gas Framework Agreement
“New Natural Gas Framework Agreement”	the natural gas framework agreement the Company entered into with Jiaxing Pipeline Company on 14 July 2023 in relation to the supply of natural gas and pipeline gas transmission services by Jiaxing Pipeline Company and/or its subsidiaries to the Group for a period from 1 April 2023 to 31 March 2028, in substitution for the Existing Master Supply Agreements
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

Mr. Xu Songqiang

*Non-executive Directors:*

Mr. Xu Jiong

Mr. Zheng Huanli

Mr. Fu Songquan

Ms. Ruan Zeyun

*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

31 July 2023

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW NATURAL GAS FRAMEWORK AGREEMENT**

#### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 14 July 2023 in relation to the Company's entering into the New Natural Gas Framework Agreement on 14 July 2023.

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 New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps); (ii) a letter of advice from Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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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 New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps).

### 2. NEW NATURAL GAS FRAMEWORK AGREEMENT

References are made to the prospectus of the Company dated 30 June 2020, the announcement of the Company dated 30 August 2021, the circular of the Company dated 15 October 2021, the announcement of the Company dated 23 September 2022 and the circular of the Company dated 14 October 2022 in relation to the Existing Master Supply Agreements and the related annual caps up to the year ending 31 December 2025.

Under the Existing Master Supply Agreements, the gas sourcing price (which comprises (1) gas purchase price and (2) pipeline gas transmission price) charged by Jiaying Pipeline Company to the Group for the transactions under the Existing Master Supply Agreements was set according to the pricing notices published by the government from time to time.

Pursuant to the new regulatory policy in Zhejiang Province, the PRC which came into effect on 1 April 2023, pricing notices regulating the gas purchase prices would no longer be issued by the government, whereas pricing notices regulating the pipeline gas transmission price would remain to be issued by the government from time to time. Such change in regulatory policy in turn caused a change to the pricing basis for transactions contemplated under the Existing Master Supply Agreements. In response to the aforementioned change and to ensure continual supply of natural gas by Jiaying Pipeline Company to the Group, on 14 July 2023, the Company and Jiaying Pipeline Company entered into the New Natural Gas Framework Agreement in substitution for the Existing Master Supply Agreements to reflect, among others, the new pricing basis under which the Group would purchase, and Jiaying Pipeline Company and/or its subsidiaries would sell to the Group, natural gas for the period from 1 April 2023 to 31 March 2028.

#### (a) Principal terms of the New Natural Gas Framework Agreement

##### *Date*

14 July 2023

##### *Parties*

- (1) the Company (for itself and on behalf of its subsidiaries), as purchaser; and
- (2) Jiaying Pipeline Company (for itself and on behalf of its subsidiaries), as supplier

##### *Term*

1 April 2023 to 31 March 2028

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## LETTER FROM THE BOARD

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### *Subject matter*

Under the current arrangements between Jiaxing Pipeline Company and the Group, the forms of transaction and the respective pricing components are as follows:

	<b>Forms of transaction</b>	<b>Pricing component</b>
(A)	Natural gas is sold and transmitted by Jiaxing Pipeline Company and/or its subsidiaries	Gas sourcing price = Gas purchase price + Pipeline gas transmission price
(B)	Natural gas transmitted by Jiaxing Pipeline Company and/or its subsidiaries only (where natural gas is sold by parties other than Jiaxing Pipeline Company and/or its subsidiaries)	Pipeline gas transmission price

### *Pricing policy*

*Gas purchase price:* The price shall be determined based on the government regulated price published by Zhejiang Provincial Development and Reform Commission from time to time. If there is no such government regulated price, the price shall be the price at which Jiaxing Pipeline Company purchases the natural gas from its upstream supplier(s). To the best of the Directors' knowledge and belief, given that Jiaxing Pipeline Company is a state-owned enterprise operating the pipeline network in Jiaxing, the PRC, as at the Latest Practicable Date, Jiaxing Pipeline Company only sourced natural gas from another state-owned enterprise (an Independent Third Party) that has been a major supplier to natural gas distributors in Zhejiang Province, the PRC which is capable of ensuring a substantial and stable supply in light of its state-owned background and the large number of long-term natural gas supply contracts that it has entered into with natural gas distributors in Zhejiang Province that increases its bargaining power to secure the required volume of natural gas for its downstream customers.

*Pipeline gas transmission price:* The price shall be determined based on the government regulated price published by Jiaxing Development and Reform Commission from time to time.

The Directors are of the view that the pricing policy is on normal commercial terms and fair and reasonable as (1) the prices are transparent and are verifiable that, as disclosed in the paragraph headed "Internal Control" below, the Group would obtain the upstream price for verification to ensure it is equivalent to the gas purchase price and the Group would also monitor the

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## LETTER FROM THE BOARD

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pricing notices for pipeline gas transmission price to ensure it is equal to the price charged by Jiaxing Pipeline Company; (2) the price at which Jiaxing Pipeline Group sourced natural gas from its upstream supplier is linked to the international market price and it is applicable to all of its customers, and the pipeline gas transmission price is a government regulated price applicable to all pipeline transmission transactions in Jiaxing, the PRC; and (3) the Group could understand the prevailing market prices and terms through its transactions with other Independent Third Party natural gas suppliers to assess whether the prices and terms offered by Jiaxing Pipeline Company are fair and reasonable and on normal commercial terms.

### *Other terms*

The annual contract purchase volume (合同量) for each gas supply year (供气年), which is a 12-month period from 1 April of each year, shall be agreed under individual agreements to be entered into by the parties. The parties shall have one opportunity to negotiate and adjust the annual contract purchase volume of the subsequent gas supply years within three (3) months before the start of the second gas supply year, and the range of adjustment shall in principle be within 95% to 105% of the pre-determined annual contract purchase volume. If the adjusted annual contract purchase volume proposed by the Group exceeds 105% of the pre-determined annual contract purchase volume, Jiaxing Pipeline Company has the right to consider whether it is able to fulfil the proposed adjusted volume based on its resources and pipeline transmission capacity. If the parties could not agree on any adjusted volume prior to the commencement of the second gas supply year, the pre-determined annual contract purchase volume shall continue to apply.

The New Natural Gas Framework Agreement shall take effect and substitute the Existing Master Supply Agreements after the necessary approval is obtained from the Independent Shareholders. The Company and Jiaxing Pipeline Company were not able to enter into the New Natural Gas Framework Agreement before the new regulatory policy took effect on 1 April 2023, as a considerable amount of time was required for the parties to enter into a new long-term agreement given that natural gas transactions involve multiple layers of upstream suppliers and various state-owned entities. The Existing Master Supply Agreement has a term that in the case of a natural gas reform, the parties shall adjust the terms of the agreement such that the transactions are in accordance with the newly effective policies or laws, and before a new agreement could be entered into, the parties shall continue to perform the Existing Master Supply Agreement. Therefore, to ensure continual supply of natural gas to the Company and in turn to the end users, the Company and Jiaxing Pipeline Company agreed to transact based on the pricing policy as described above in the paragraph headed "Pricing Policy" since 1 April 2023 on the operation of the aforementioned term in the Existing Master Supply Agreement, while pending for the New Natural Gas Framework Agreement to be signed.

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## LETTER FROM THE BOARD

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For the natural gas transactions taken place from 1 April 2023 to the Latest Practicable Date, the average gas sourcing price had been approximately 13% lower than the average gas sourcing price for the previous non-heating season (April 2022 to October 2022) and approximately 12% lower than the average gas sourcing price for the previous heating season (November 2022 to March 2023). However, despite there has been no material difference in the gas sourcing prices before and after the new regulatory policy took effect on 1 April 2023, the Directors consider that the entering into of the New Natural Gas Framework Agreement leads to certain changes to the transactional terms between the parties e.g. a new five-year term, a different pricing policy and a different adjustment method for the annual contract purchase volume, etc. The Directors have therefore complied with the applicable disclosure requirements and convened the EGM to obtain independent Shareholders' approval in accordance with Chapter 14A of the Listing Rules as soon as practicable.

Jiaxing Pipeline Company is the largest upstream supplier of piped natural gas in Jiaxing, the PRC and operates the pipeline network for transmission of piped natural gas in Jiaxing, the PRC. In order to supply the Group's gas distribution business, while the Group primarily purchases natural gas from Jiaxing Pipeline Company since it has the largest capacity of supply, the Group also increasingly purchases natural gas from other suppliers as a part of the X+1+X reform model for the national natural gas system. According to the Opinions on Deepening the Reform of the Oil and Gas System\* (《關於深化石油天然氣體制改革的若干意見》) published by the State Council of the PRC in May 2017, the PRC government is determined to carry out a reform in the oil and gas system, and one of the steps to implement such reform is to segregate the operation of pipeline transmission and the sales of gas (管銷分離) and open up provincial pipeline network to third-party market players to ensure fair play in the market. The implementation of such reform was re-affirmed by subsequent government publications such as Implementation Opinions on the Reform of Oil and Gas Pipeline Network Operation Mechanism\* (《石油天然氣管網運營機制改革實施意見》) in March 2019 which announced that state-controlled oil and gas pipeline company(ies) with diversified investment portfolio should be set up to facilitate the establishment of a market system with : "X" — multi-channeled upstream supply; "1" — unified pipeline network transmission; and "X" — multi-player competitive downstream sales market. China Oil & Gas Pipeline Network Corporation was established in December 2019 to facilitate the opening up of the gas infrastructure market to third-party market players and to facilitate the X+1+X reform model. As the gas distribution network of the Group is connected to the pipeline network of Jiaxing Pipeline Company, the piped natural gas that the Group purchased from Jiaxing Pipeline Company as well as other suppliers is also transmitted through the pipeline network of Jiaxing Pipeline Company.

Jiaxing Pipeline Company and the Group entered into the Existing Master Supply Agreements in 2016 in relation to the supply of piped natural gas to the Group for a period up to 31 December 2025 based on the government regulated gas sourcing price which is composed of (1) gas purchase price and (2) pipeline gas

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## LETTER FROM THE BOARD

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transmission price. As part of a natural gas market reform, on 8 December 2022, the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) issued the 《省發展改革委關於天然氣省級門站價格等有關事項的通知》浙發改價格[2022]307號 (Notice of the Provincial Development and Reform Commission on Natural Gas Provincial Gate Station Prices and Other Matters Zhejiang Development Reform Price [2022] No. 307\*) which states that pricing notices regulating the gas purchase price would no longer be issued by the government from 1 April 2023. As explained in the paragraph headed “Introduction” in this circular, such change in regulatory policy in turn caused a change to the pricing basis for transactions contemplated under the Existing Master Supply Agreements, and necessitated Jiaxing Pipeline Company and the Company to enter into the New Natural Gas Framework Agreement in order to reflect, among others, the new pricing basis for the natural gas transactions between the parties in the upcoming five years. The entering into of the New Natural Gas Framework Agreement is beneficial to the development of the Group as the Group could secure a stable natural gas supply for its natural gas business and also allows the Group to utilise the pipeline network of Jiaxing Pipeline Company for the transmission of the piped natural gas purchased from parties other than Jiaxing Pipeline Company.

The New Natural Gas Framework Agreement has a duration of five years, in other words has a term longer than the requirement under Rule 14A.52 of the Listing Rules that the period of an agreement for continuing connected transactions must not exceed three years. The Directors consider that such relatively longer term is fair and reasonable and in the interest of the Company on the bases that the Group has been granted the long-term exclusive right to the operation and management of medium and low pressure piped gas, including sales of piped natural gas and liquefied natural gas to users by means of pipeline distribution in the Group’s operating area in urban area and port area of Jiaxing initially to 31 December 2032 and 30 April 2033, respectively, it is in line with industry practice for the Company to enter into a framework agreement of a longer term to ensure a stable supply of natural gas to the Group over a five-year period at a time, which could in turn secure a stable supply to the end-users of the natural gas.

### (b) Historical transaction amounts, existing annual caps and New Annual Caps

For the years ended 31 December 2021 and 2022, and the five months ended 31 May 2023, the historical transaction amounts (tax exclusive) of the Group under the existing Master Supply Agreements are as follows:

	For the year ended		For the five
	31 December		months
	2021	2022	ended
	(RMB	(RMB	31 May
	million)	million)	2023
	(audited)	(audited)	(RMB
			million)
			(unaudited)
Historical amounts	1,228.5	1,839.7	52.8

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## LETTER FROM THE BOARD

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The Company proposes that the below New Annual Caps (tax exclusive) be set for the gas sourcing and pipeline gas transmission transactions contemplated under the New Natural Gas Framework Agreement:

	For the year ending 31 December				For the three months ending 31 March	
	2023	2024	2025	2026	2027	2028
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing annual caps	1,573	1,730	1,903	-	-	-
New Annual Caps	1,350	1,385	1,550	1,600	1,670	450

### (c) Basis of determination for the New Annual Caps

In determining the New Annual Caps, the Directors estimated the transaction amount for natural gas purchased from and transmitted by Jiaxing Pipeline Company and the transaction amount for natural gas transmitted by Jiaxing Pipeline Company only. The Directors took into account the projected volume of consumption of natural gas of the Group, with reference to (a) the historical transaction amounts; (b) the potential growth in demand for natural gas in the Group's operating area in Jiaxing, the PRC; and (c) the expected increase in proportion of natural gas to be supplied by third party suppliers; and the estimated gas purchase price with reference to (a) the prevailing prices in Zhejiang Province, the PRC and (b) the current government regulated pipeline gas transmission price.

None of the Directors had a material interest in the New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) and had to abstain from voting on the relevant board resolution. The independent non-executive Directors, whose view has been given after taking the advice from the Independent Financial Adviser, consider that the terms of and the transactions contemplated under the New Natural Gas Framework Agreement are 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 New Natural Gas Framework Agreement comply with the pricing terms stated therein and will not exceed the New Annual Caps, 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

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## LETTER FROM THE BOARD

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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 business unit shall obtain the monthly notices issued by the upstream supplier(s) of Jiaxing Pipeline Company concerning the price at which the upstream supplier(s) sold natural gas to Jiaxing Pipeline Company, in order to verify the gas purchase price charged by Jiaxing Pipeline Company to the Group is equal to price at which the natural gas was sold to Jiaxing Pipeline Company by its upstream supplier(s).
- (iii) The relevant regulatory notices setting the government regulated pipeline gas transmission 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.
- (iv) 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 to assess whether the relevant annual caps have been exceeded. When the transaction amounts have reached 80% of the relevant annual cap, the finance department will (i) send an alert to the relevant business units and they would be required to ascertain if there is still sufficient unused annual cap before conducting any further transactions with the relevant connected person(s); and (ii) report to the management for them to consider whether appropriate steps shall be taken in advance to revise the annual caps in order to comply with the relevant requirements under the Listing Rules.
- (v) The connected transactions will be reported to the audit committee of the Company (which comprises all independent non-executive Directors) on an annual basis.
- (vi) 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.
- (vii) 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

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## LETTER FROM THE BOARD

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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 New Natural Gas Framework Agreement in view of the New Annual Caps, and to ensure that the transactions under the New Natural Gas Framework Agreement 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 piped natural gas, liquefied natural gas and liquefied petroleum gas in Jiaying, the PRC; (ii) the provision of construction and installation services; and (iii) other activities, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties.

Jiaying Pipeline Company, a limited liability company established under the laws of the PRC, is principally engaged in building pipeline networks in Jiaying and supplies natural gas as an upstream supplier. Jiaying 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 Jiaying State-owned Capital Investment Management Company Limited\*), which is owned as to 4.0429% by 浙江省財務開發有限責任公司 (Zhejiang Financial Development Co., Ltd.\*), a wholly-owned entity under 浙江省財政廳 (Zhejiang Provincial Department of Finance\*), and as to 95.9571% by 嘉興市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jiaying Municipal People's Government\*) as at the Latest Practicable Date.

### **(f) Listing Rules Implications**

As at the Latest Practicable Date, Jiaying Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaying Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules. The transactions contemplated under the New Natural Gas Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest of the New Annual Caps for the transactions contemplated under the New Natural Gas Framework Agreement exceeds HK\$10 million and one or more of the applicable percentage ratios also exceed 5%, the New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### 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 Thursday, 17 August 2023 at 9:30 a.m. is set out on pages 42 to 44 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 New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) and hence is required to abstain from voting on the relevant resolution 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.

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 9:30 a.m. on Wednesday, 16 August 2023 (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.

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## LETTER FROM THE BOARD

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### 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 Monday, 14 August 2023 to Thursday, 17 August 2023, 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 Friday, 11 August 2023 (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 terms of and the transactions contemplated under the New Natural Gas Framework Agreement (including the New Annual Caps) 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.

### 6. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 15 to 16 of this circular which contains its advice to the Independent Shareholders regarding the terms of and the transactions contemplated under the New Natural Gas Framework Agreement (including the New Annual Caps), the letter from the Independent Financial Adviser set out in pages 17 to 31 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of and the transactions contemplated under the New Natural Gas Framework Agreement (including the New Annual Caps), the reason why the New Natural Gas Framework Agreement requires a period longer than three years, whether such period is normal business practice for agreement of this type, 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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)**

31 July 2023

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW NATURAL GAS FRAMEWORK AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 31 July 2023 (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 terms of the New Natural Gas Framework Agreement, and the transactions contemplated under it, including the adoption of the New Annual Caps, are 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, including the reason(s) as to why the New Natural Gas Framework Agreement requires a period longer than three years and whether such period is a normal business practice for agreement of this type, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in arriving its advice, are set out on pages 17 to 31 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 14 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 17 to 31 of the Circular.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other things, the principal factors and reasons for entering into the New Natural Gas Framework Agreement and the transactions contemplated thereunder, including the New Annual Caps, as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider the terms of the New Natural Gas Framework Agreement and the transactions contemplated thereunder, including the New Annual Caps, are 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 New Natural Gas Framework Agreement as 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 continuing connected transactions in relation to the New Natural Gas Framework Agreement, which has been prepared for the purpose of incorporation in the Circular.*

# ALTUS

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

31 July 2023

*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,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW NATURAL GAS FRAMEWORK AGREEMENT**

#### **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 continuing connected transactions in relation to the New Natural Gas Framework Agreement, details of which are set out in the letter from the Board contained in the circular dated 31 July 2023 (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.

Under the Existing Master Supply Agreements, the gas sourcing price (which comprises (1) gas purchase price and (2) pipeline gas transmission price) charged by Jiaxing Pipeline Company to the Group for the transactions under the Existing Master Supply Agreements was set according to the pricing notices published by the government from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to a new regulatory policy which came into effect on 1 April 2023 in Zhejiang Province, the government no longer would issue pricing notices on the gas purchase prices but will continue to issue pricing notices on the pipeline gas transmission price from time to time. Such change in regulatory policy triggered a change to the pricing basis for transactions contemplated under the Existing Master Supply Agreements. In response to the aforementioned change and to ensure continual supply of natural gas by Jiaxing Pipeline Company to the Group, on 14 July 2023, the Company and Jiaxing Pipeline Company entered into the New Natural Gas Framework Agreement to replace the Existing Master Supply Agreements to reflect, among others, the new pricing basis under which the Group would purchase, and Jiaxing Pipeline Company and/or its subsidiaries would sell to the Group, natural gas for the period from 1 April 2023 to 31 March 2028.

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 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 New Natural Gas Framework Agreement constitute continuing connected transactions 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 terms of the New Natural Gas Framework Agreement are fair and reasonable; (ii) whether the entering into of the New Natural Gas Framework Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution relating to the New Natural Gas Framework Agreement 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 terms of the New Natural Gas Framework Agreement are fair and reasonable; (ii) whether the entering into of the New Natural Gas Framework Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution relating to the New Natural Gas Framework Agreement to be proposed at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We had acted as the independent financial adviser to the Company with regards to (i) the revision of annual cap for continuing connected transactions; and (ii) the discloseable and connected transaction in relation to a proposed acquisition, details of which are set out in the circulars of the Company dated 14 October 2022 and 24 May 2023 respectively. Save for the aforesaid engagements, we have not acted as an independent financial adviser or financial adviser in relation to any transactions of the Group in the last two years prior to 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 terms of the New Natural Gas Framework Agreement 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(s) or connected person(s).

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, among others (i) New Natural Gas Framework Agreement; (ii) annual report of the Company for the year ended 31 December 2022 (“**2022 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 piped natural gas (“PNG”), 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 natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties.

#### *(ii) Principal business of Jiaxing Pipeline Company*

Jiaxing Pipeline Company, a limited liability company established in the PRC, is principally engaged in building pipeline networks in Jiaxing, the PRC and supplies PNG as an upstream supplier. Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a substantial Shareholder, which is wholly-owned by 浙江嘉興國有資本投資運營有限公司 (Zhejiang 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. Reasons for entering into the New Natural Gas Framework Agreement

Jiaxing Pipeline Company has been a long-term major supplier of natural gas of the Group and one of the largest upstream suppliers of natural gas in Jiaxing, the PRC. The pipeline network of the Group is connected to the pipeline network of Jiaxing Pipeline Company. Jiaxing Pipeline Company and the Group entered into the Existing Master Supply Agreements in 2016 in relation to the supply of PNG to the Group for a period up to 31 December 2025, of which the then government regulated gas price which is composed of (1) gas purchase price; and (2) pipeline gas transmission price.

Pursuant to the 《省發展改革委關於天然氣省級門站價格等有關事項的通知》浙發改價格[2022]307號 (Notice of the Provincial Development and Reform Commission on Natural Gas Provincial Gate Station Prices and Other Matters Zhejiang Development Reform Price [2022] No. 307\*) issued by the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) on 8 December 2022, the government no longer would issue pricing notices on the gas purchase prices from 1 April 2023.

In the absence of the government regulated gas purchase price going forward, the pricing basis for transactions contemplated under the Existing Master Supply Agreements will not be applicable. Therefore, we concur with the Management’s view that a new framework agreement to set out the new pricing basis for the natural gas transactions between the parties is necessary.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As confirmed by the Management, Jiaxing Pipeline Company has been able to provide stable supply of PNG to the Group for the past years and is expected to remain capable to provide stable supply of PNG going forward. As at the Latest Practicable Date, the Group had entered into agreements with two independent third party PNG suppliers (collectively, “Existing I3P Suppliers”), who are both prominent national-wide natural gas suppliers in the PRC. The aggregated annual supply volume from the Existing I3P Suppliers only accounts for less than 30% on average of the estimated annual PNG demand of the Group for the coming five years. The Management advised that the annual supply volume agreed by the Existing I3P Suppliers is the largest volume that the Group is able to source from at the current market circumstances. As such, although the Group is allowed to purchase natural gas from third party PNG suppliers, it is in the interests of the Company and Shareholders as a whole to enter into a framework agreement to allow the Group to purchase from Jiaxing Pipeline Company when needed. In addition, as the gas distribution network of the Group is connected to the pipeline network of Jiaxing Pipeline Company, the natural gas that the Group purchased from Jiaxing Pipeline Company as well as other suppliers is all transmitted through the pipeline network of Jiaxing Pipeline Company. As such, we are of the view that the entering into the New Natural Gas Framework Agreement is beneficial to the development of the Group as it allows the Group to use the pipeline network of Jiaxing Pipeline Company for the transmission of the piped natural gas purchased its suppliers, including Jiaxing Pipeline Company and others.

Based on the above and given that the transactions contemplated under the New Natural Gas Framework Agreement falls under the scope of the Group’s principal business, we are of the view that the entering into of the New Natural Gas Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the New Natural Gas Framework Agreement

Set out below our assessment on the principal terms of the New Natural Gas Framework Agreement. For other terms of the New Natural Gas Framework Agreement, please refer to the “Letter from the Board” in the Circular.

<b>Date</b>	14 July 2023
<b>Parties</b>	(1) the Company (for itself and on behalf of its subsidiaries), as purchaser; and  (2) Jiaxing Pipeline Company (for itself and on behalf of its subsidiaries), as supplier
<b>Term</b>	1 April 2023 to 31 March 2028

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Subject matter** Under the current arrangements between Jiaxing Pipeline Company and the Group, the forms of transaction and the respective pricing components are as follows:

<b>Forms of transaction</b>	<b>Pricing component</b>
(A) Natural gas is sold and transmitted by Jiaxing Pipeline Company and/or its subsidiaries	Gas sourcing price = Gas purchase price + Pipeline gas transmission price
(B) Natural gas transmitted by Jiaxing Pipeline Company and/or its subsidiaries only (where natural gas is sold by parties other than Jiaxing Pipeline Company and/or its subsidiaries)	Pipeline gas transmission price

**Pricing policy** *Gas purchase price:*

The price shall be determined based on the government regulated price published by Zhejiang Provincial Development and Reform Commission from time to time. If there is no such government regulated price, the price shall be the price at which Jiaxing Pipeline Company purchases the natural gas from its upstream supplier(s).

*Pipeline gas transmission price:*

The price shall be determined based on the government regulated price published by Jiaxing Development and Reform Commission from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Other terms** The annual contract purchase volume (合同量) for each gas supply year (供气年), which is a 12-month period from 1 April of each year, shall be agreed under individual agreements to be entered into by the parties.

The parties shall have one opportunity to negotiate and adjust the annual contract purchase volume of the subsequent gas supply years within three (3) months before the start of the second gas supply year, and the range of adjustment shall in principle be within 95% to 105% of the pre-determined annual contract purchase volume. If the adjusted annual contract purchase volume proposed by the Group exceeds 105% of the pre-determined annual contract purchase volume, Jiaxing Pipeline Company has the right to consider whether it is able to fulfil the proposed adjusted volume based on its resources and pipeline transmission capacity. If the parties could not agree on any adjusted volume prior to the commencement of the second gas supply year, the pre-determined annual contract purchase volume shall continue to apply.

The New Natural Gas Framework Agreement shall take effect and substitute the Existing Master Supply Agreements after the necessary approval is obtained from the Independent Shareholders.

### **3.1 Duration**

The term of the New Natural Gas Framework Agreement is five years from 1 April 2023 to 31 March 2028, which exceeds the requirement under Rule 14A.52 of the Listing Rules that the period of an agreement for continuing connected transactions must not exceed three years.

In assessing the duration of the New Natural Gas Framework Agreement, we have considered the following principal factors and reasons:

- (i) The Group has been granted long-term exclusive right to the operation and management of medium and low pressure piped gas, including sales of PNG and liquefied natural gas to users by means of pipeline distribution in the Group's operating area in urban area and port area of Jiaxing initially to 31 December 2032 and 30 April 2033, respectively. To secure stable natural gas supply for the Group's natural gas business and the end users, it is beneficial to the Group to enter into long-term agreements with its natural gas suppliers; and

- (ii) Based on our research on companies which are natural gas suppliers with operations in the PRC and are listed on The Stock Exchange of Hong Kong Limited, we have identified three natural gas suppliers who had entered into natural gas supply agreements with durations of over three years, being Shanghai Dazong Public Utilities (Group) Co., Ltd. (stock code: 1635), JY Gas Limited (stock code: 1407) and Binhai Investment Company Limited (stock code: 2886). Each of them had entered into natural gas supply agreement with its supplier for 20 years, over five years and over 19 years respectively for the reasons of, among others, securing stable supply of natural gas for the end users.

Based on the above, we are of the view and confirm that (i) the New Natural Gas Framework Agreement having a term of longer than three years is in the interest of the Company as it allows the Group to secure its supply of natural gas; and (ii) it is a normal business practice for this type of natural gas supply agreement to be of such duration.

### **3.2 Pricing policy**

#### *Gas purchase price*

When there is no government regulated price, the price shall be the price at which Jiaxing Pipeline Company purchases the natural gas from its upstream supplier(s).

When the Group purchases natural gas from Jiaxing Pipeline Company, the consideration includes (i) gas purchase price; and (ii) pipeline gas transmission price. The gas purchase price shall be the price at which Jiaxing Pipeline Company purchases the natural gas from its upstream supplier. The pipeline gas transmission price shall be determined based on the government regulated price. As pipeline gas transmission prices shall be determined based on the government regulated price, the fairness and reasonableness of natural gas purchased by the Group shall be assessed with reference to the price of natural gas charged by the upstream supplier of Jiaxing Pipeline Company.

As confirmed by the Management, the sole supplier of natural gas of Jiaxing Pipeline Company adopted a natural gas price linked to international market price, which is applicable to all of its customers. We are provided with the pricing terms adopted by the sole supplier of Jiaxing Pipeline Company to three different customers, being natural gas distributors in other cities in Zhejiang Province, the PRC, and noted they are identical. We are further provided with the monthly pricing notice for April, May and June 2023 issued by the sole supplier of Jiaxing Pipeline Company to all customers, which we noted that all customers are charged at the same price. In addition, we have obtained and reviewed the pricing notice issued by Jiaxing Pipeline Company to the Group for April, May and June 2023, and noted that the difference in the price charged by Jiaxing Pipeline Company to the Group and the price

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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payable by Jiaxing Pipeline Company to its sole supplier was the amount relating to the pipeline gas transmission price, which is a government regulated price. Based on the above, we are of the view that the pricing policy relating to the gas purchase price is fair and reasonable.

From 1 April 2023 to the Latest Practicable Date, we noted that the gas purchase price of Jiaxing Pipeline Company and the gas purchase price of one of the Existing I3P Suppliers (“**I3P Supplier A**”) were linked to international market prices and are only available in the subsequent month of purchase (rather than at the time of purchase). On the other hand, the gas purchase price of the other Existing I3P Supplier (“**I3P Supplier B**”) was fixed pursuant to the agreement entered into between the parties, with upward adjustment during peak seasons.

As such, at the time the Group purchases natural gas, it is not possible to make direct comparison of the gas purchase price offered by different suppliers due to the fact that the natural gas supplied by Jiaxing Pipeline Company and I3P Supplier A was settled based on temporary settlement prices and adjusted subsequently when the international market price became available in the subsequent month following the month of purchase. Since 1 April 2023 to the Latest Practicable Date, the gas purchase price offered by Jiaxing Pipeline Company and I3P Supplier B were comparable, with less than 3% variance.

It is noted that the ultimate gas purchase price offered by I3P Supplier A was lower than the price offered by Jiaxing Pipeline Company by approximately 10% during April to June 2023. However, we understand from the Management that the maximum annual volume to be supplied by I3P Supplier A as stipulated in the five-year contract entered into between the Company and I3P Supplier A can only satisfy less than 10% of the estimated annual PNG demand of the Group. As such, to ensure stable supply of PNG to the customers, the Company had to source PNG from other suppliers, including Jiaxing Pipeline Company and I3P Supplier B, despite the price offered by them were higher since 1 April 2023 to the Latest Practicable Date.

Considering that:

- (i) our review on pricing notices issued by Jiaxing Pipeline Company and its sole supplier for April, May and June 2023 demonstrated the Group’s compliance with the pricing policy relating to the gas purchase price under the New Natural Gas Framework Agreement; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) our review on the price offered by Jiaxing Pipeline Company and the Existing I3P Suppliers since 1 April 2023 to the Latest Practicable Date showed that (a) the gas purchase prices offered by Jiaxing Pipeline Company and I3P Supplier B were comparable; and (b) despite the fact that the Group was able to lower slightly lower its overall purchase cost by purchasing PNG from I3P Supplier A, the maximum annual volume to be supplied by I3P Supplier A as stipulated in the five-year contract entered into between the Company and I3P Supplier A can only satisfy less than 10% of the estimated annual PNG demand of the Group,

we are of the view that the price charged by Jiaxing Pipeline Company since 1 April 2023 to the Latest Practicable Date is fair and reasonable, in the interest of the Company and its shareholders as a whole, and on normal commercial terms.

### *Pipeline gas transmission price*

The price shall be determined based on the government regulated price published by Jiaxing Development and Reform Commission from time to time. We are of the view that the pipeline gas transmission price is fair and reasonable as it is a government regulated price. Based on the pricing notice issued by Jiaxing Pipeline Company to the Group for April, May and June 2023 and the notice published by Jiaxing Development and Reform Commission, the gas transmission price therein was consistent with the currently effective government regulated price.

### **3.3 Other terms**

The contract purchase volume under the New Natural Gas Framework Agreement shall be agreed between the Group and Jiaxing Pipeline Company. The parties shall have one opportunity to negotiate and adjust the annual contract purchase volume of the subsequent gas supply years within three months before the start of the second gas supply year. As such, during the period from January to March 2024, the Group will have an opportunity to adjust the annual purchase volume of the remaining four gas supply years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have enquired the Management on the reasons for the above arrangement and noted that:

- (i) Jiaxing Pipeline Company had been the sole supplier of PNG of the Group since 16 June 2016, when the Existing Master Supply Agreements were entered into. It has been able to provide stable supply of PNG to the Group for the past years and is expected to remain capable to provide stable supply of PNG going forward, given that it is one of the largest upstream suppliers of piped natural gas in Jiaxing, the PRC; and
- (ii) the Management confirmed that they had use their best endeavours to source PNG from independent third party suppliers but only two agreements have been entered into as at the Latest Practicable Date. The aggregated annual supply volume from the Existing I3P Suppliers only accounts for less than 30% on average of the estimated annual PNG demand of the Group. Furthermore, the Management advised that such annual supply volume agreed by the Existing I3P Suppliers is the largest volume that the Group is able to obtain and that these two suppliers are not able to commit a larger supply volume going forward at the current market circumstances.

Based on the above, we are of the view that the terms relating to the contract purchase volume is justifiable.

### 3.4 Section conclusion

Based on the analysis set out under the sub-sections headed “3.1 Duration”, “3.2 Pricing policy” and “3.3 Other terms” above, we are of the view that (i) the terms of the New Natural Gas Framework Agreement are fair and reasonable; and (ii) the entering into of the New Natural Gas Framework Agreement is on normal commercial terms.

## 4. Historical transaction amounts, existing annual caps and New Annual Caps

For the years ended 31 December 2021 and 31 December 2022 and the five months ended 31 May 2023, the historical transaction amounts (tax exclusive) of the Group under Existing Master Supply Agreements are as follows:

	For the year ended		For the five
	31 December		months ended
	2021	2022	31 May
	(RMB million)	(RMB million)	2023
	(audited)	(audited)	(RMB million)
			(unaudited)
Historical amounts	1,228.5	1,839.7	52.8

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Management, the relatively low transaction amounts for the five months ended 31 May 2023 was mainly due to that the Group made more purchase of natural gas from suppliers other than Jiaxing Pipeline Company since 1 April 2023, when the Group was allowed to purchase from other PNG suppliers as part of the reform of the national gas system.

Set out below existing annual cap of the Existing Master Supply Agreements and the New Annual Cap (tax exclusive) for the gas purchase and pipeline transmission transactions contemplated under the New Natural Gas Framework Agreement.

	For the year ending 31 December				For the three months ending 31 March	
	2023	2024	2025	2026	2027	2028
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing annual cap	1,573	1,730	1,903	N/A	N/A	N/A
New Annual Cap	1,350	1,385	1,550	1,600	1,670	450

In determining the New Annual Caps, the Directors estimated the transaction amount for natural gas purchased from and transmitted by Jiaxing Pipeline Company and the transaction amount for natural gas transmitted by Jiaxing Pipeline Company only. The Directors took into account (i) the projected volume of consumption of natural gas of the Group, with reference to (a) the historical consumption volume, (b) the potential growth in demand for natural gas in the Group's operating area in Jiaxing, the PRC, and (c) the expected increase in proportion of natural gas to be supplied by third party suppliers; and (ii) (a) the estimated gas purchase price with reference to the prevailing prices in Zhejiang Province, the PRC and (b) the current government regulated pipeline gas transmission price.

We have obtained and reviewed the calculation of the New Annual Caps from the Management and noted that the New Annual Cap for each of year/period is determined based on (i) the estimated total gas purchase value; and (ii) the estimated total pipeline gas transmission value for the respective year/period. In particular,

- (i) the estimated total gas purchase value is derived by the projected volume of consumption of natural gas and the estimated gas purchase price; and

Based on the calculation provided by the Management, the volume of consumption of natural gas was projected mainly based on the historical and current monthly consumption volume of natural gas. As the Group has adopted the current business model which allows purchasing natural gas from third party PNG suppliers since 1 April 2023, we have obtained and reviewed the actual consumption volume for April to June 2023 and noted that the volume of consumption under the New Annual Caps was projected

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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mainly based on the historical consumption volume and the potential growth in demand for natural gas in the Group's operating area.

On the potential growth in demand for natural gas, we have reviewed the historical growth in GDP and industrial energy consumption of Jiaxing for the past five years and noted that the potential growth in demand for natural gas in the Group's operating area is reasonable.

In respect of the estimated gas purchase price, we noted that it was estimated mainly based on the prevailing prices in Zhejiang Province, being the current gas purchase price and the latest gas purchase price in the last winter season, which we concur with the Management that they are fair and reasonable reference.

- (ii) the estimated total pipeline gas transmission value is derived by the projected volume of pipeline gas transmission and the government-regulated pipeline gas transmission price.

The volume of pipeline gas transmission represents the volume of PNG to be purchased from third party suppliers, which would be transmitted by the gas pipeline network of Jiaxing Pipeline Company at a transmission price which is government-regulated. Based on the calculation provided by the management, the projected volume of pipeline gas transmission was projected mainly based on the historical and current monthly volume of pipeline gas transmission. As the Group has adopted the current business model which allows purchasing natural gas from third party PNG suppliers since 1 April 2023, we have obtained and reviewed the actual volume of pipeline gas transmission for April to June 2023 and noted that the volume of pipeline gas transmission under the New Annual Caps was projected mainly based on the historical transmission volume and the potential growth in demand for natural gas for the coming years/periods ending 31 March 2028.

Taking into account our analysis under section, we are of the view that the New Annual Caps are fairly and reasonably arrived at.

### **5. Internal control**

To ensure that the transactions under the New Natural Gas Framework Agreement comply with the pricing terms stated therein and will not exceed the New Annual Caps, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) The relevant business unit shall obtain the monthly notices issued by the upstream supplier(s) of Jiaxing Pipeline Company concerning the price at which the upstream supplier(s) sold natural gas to Jiaxing Pipeline Company, in order to verify the gas purchase price charged by Jiaxing Pipeline Company to the Group is equal to price at which the natural gas was sold to Jiaxing Pipeline Company by its upstream supplier(s).
- (iii) The relevant regulatory notices setting the government regulated pipeline gas transmission 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.
- (iv) 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 to assess whether the relevant annual caps have been exceeded. When the transaction amounts have reached 80% of the relevant annual cap, the finance department will (i) send an alert to the relevant business units and they would be required to ascertain if there is still sufficient unused annual cap before conducting any further transactions with the relevant connected person(s); and (ii) report to the management for them to consider whether appropriate steps shall be taken in advance to revise the annual caps in order to comply with the relevant requirements under the Listing Rules.
- (v) The connected transactions will be reported to the audit committee of the Company (which comprises all independent non-executive Directors) on an annual basis.
- (vi) 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.
- (vii) 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.

We concur with the Directors' view that the internal control measures above can allow the Company to effectively monitor the transaction amounts under the New Natural Gas Framework Agreement and to ensure that the transactions under the New Natural Gas Framework Agreement are on normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the New Natural Gas Framework Agreement are fair and reasonable; (ii) the entering into of the New Natural Gas Framework Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group 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 relating to the New Natural Gas Framework Agreement to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Leo Tam**  
*Responsible Officer*

*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 eight 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.*

\* For identification purpose only

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## GENERAL INFORMATION

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### 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	44,939,477 (L)	44.94%	32.60%
Xu Songqiang (Note 4)	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	3,069,891 (L) 41,869,586 (L)	44.94%	32.60%

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## GENERAL INFORMATION

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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 Zhuji Yujia New Energy Technology Company Limited\* (諸暨宇嘉新能源科技有限公司) (“**Zhuji Yujia**”) are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2023. 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 8 May 2023 and the circular of the Company dated 24 May 2023. On 8 May 2023, the Jiaxing Jiaran Construction Co., Ltd.\* (嘉興市嘉燃建設有限公司) (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, entered into an equity transfer agreement (“**Equity Transfer Agreement**”) with Urban Economics Pte. Ltd. (新加坡城市經濟發展有限公司\*) (the “**Vendor**”), an Independent Third Party, pursuant to which the Purchaser acquired from the Vendor 10% equity interest in Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.\* (鹽城星洲佳源房地產開發有限公司) (the “**Target Company**”), a limited liability company established under the laws of the PRC (the “**Acquisition**”). As at the date of the Equity Transfer Agreement, Mr. Sun Lianqing, an executive Director of the Company, was a substantial shareholder of the Target Company, and therefore, the Acquisition constituted a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

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 2022, 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, none of the Directors had a material interest in the New Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps).

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.

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## GENERAL INFORMATION

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### 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) 15,150,464 (L)	44.94%	32.60%
Xu Lili (徐麗麗) <i>(Note 5)</i>	Domestic Shares	Interest in a controlled corporation	44,939,477 (L)	44.94%	32.60%
Chen Ying (陳瑛) <i>(Note 6)</i>	Domestic Shares	Interest of spouse	44,939,477 (L)	44.94%	32.60%
Xu Hua (徐華) <i>(Note 4)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	186,199 (L) 44,753,278 (L)	44.94%	32.60%
Zhuji Yujia <i>(Notes 4 and 8)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	11,894,374 (L) 33,045,103 (L)	44.94%	32.60%

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**GENERAL INFORMATION**

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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>
Qianyu Group Company Limited* (乾宇集團有限公司) (“Qianyu”) <i>(Notes 4, 8 and 9)</i>	Domestic Shares	Interest in a controlled corporation	44,939,477 (L)	44.94%	32.60%
Tang Shiyao (湯仕堯) <i>(Notes 4 and 8)</i>	Domestic Shares	Interest in a controlled corporation	44,939,477 (L)	44.94%	32.60%
Fu Fangying (傅芳英) <i>(Notes 4 and 9)</i>	Domestic Shares	Interest in a controlled corporation	44,939,477 (L)	44.94%	32.60%
City Development <i>(Note 7)</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 7)</i>	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%

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**GENERAL INFORMATION**

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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)
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) (Note 7)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 10)	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 10)	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 10)	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 11)</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 12)</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 12)</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 13)</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 13)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Shen Xiaohong (沈小紅) <i>(Note 13)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%

## 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>
Mingyuan Group Investment Limited <i>(Note 14)</i>	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%
Shum Tin Ching (沈天晴) <i>(Note 14)</i>	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei <i>(Note 15)</i>	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) <i>(Note 16)</i>	H Shares	Beneficial owner	2,771,000 (L)	7.32%	2.01%
Liu Zhenjiang (劉振江) <i>(Note 16)</i>	H Shares	Interest in a controlled corporation	2,771,000 (L)	7.32%	2.01%
Dan Hongying (但紅英) <i>(Note 17)</i>	H Shares	Interest of spouse	2,771,000 (L)	7.32%	2.01%

*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.

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## GENERAL INFORMATION

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- (4) Taiding, Zhuji Yujia, Mr. Xu Songqiang and Ms. Xu Hua are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2023. 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.
- (7) 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 State-owned Assets Supervision and Administration Commission of Jiaying Municipal People's Government\* (嘉興市人民政府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 enterprise management department of City Development.
- (8) Zhuji Yujia was wholly-owned by Qianyu, which was 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 sole director, the legal representative and the general manager of Zhuji Yujia.
- (9) Zhuji Yujia was wholly-owned by Qianyu, which was 60%-owned by Ms. Fu Fangying (傅芳英). Under the SFO, each of Ms. Fu Fangying and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested.
- (10) 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.
- (11) 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.
- (12) 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. Ms. Ruan Zeyun, a non-executive Director, is an executive director, the president, general manager of the public utilities department and the company secretary of Flat Glass Group Co., Ltd.
- (13) 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.

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## GENERAL INFORMATION

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- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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.

\* For identification purpose only

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 2022, 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.

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## GENERAL INFORMATION

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### 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 2022, 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 the following document 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 for at least 14 days:

- (a) the New Natural Gas Framework Agreement.

### 10. Miscellaneous

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

## 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 Thursday, 17 August 2023 at 9:30 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
  - (a) the natural gas framework agreement (the “**New Natural Gas Framework Agreement**”) dated 14 July 2023 entered into between the Company and Jiaxing Natural Gas Pipeline Network Management Co., Ltd.\* (嘉興市天然氣管網經營有限公司) (the “**Jiaxing Pipeline Company**”) in relation to the supply of natural gas and pipeline gas transmission services by Jiaxing Pipeline Company to the Group for a period from 1 April 2023 to 31 March 2028, in substitution for the two existing master supply agreements the Group entered into with Jiaxing Pipeline Company on 16 June 2016 in relation to the supply of natural gas distributed to end users through pipelines by Jiaxing Pipeline Company to the Group for a period up to 31 December 2025;
  - (b) the proposed annual caps (the “**New Annual Caps**”) for the five years ending 31 December 2027 and the three months ending 31 March 2028 for transactions under the New Natural Gas Framework Agreement; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) any one director (“**Director**”) of the Company be and is hereby authorized to do all such acts or things and sign all documents deemed necessary by him for the purpose of giving effect to the New Natural Gas Framework Agreement and the New Annual Caps.”

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

Jiaxing, the PRC  
31 July 2023

*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.
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 9:30 a.m. on Wednesday, 16 August 2023 (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 Monday, 14 August 2023 to Thursday, 17 August 2023, 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 Friday, 11 August 2023 (Hong Kong time). Shareholders whose names appear on the register of members of the Company on Monday, 14 August 2023 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.

\* *For identification purpose only*

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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) 8222 6947

Facsimile No.: +86 (573) 8222 7685

Name: Qian Yutao

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 the notice of the EGM. Any joint shareholder may sign the form of proxy, but if more than one joint shareholder is present in person or by proxy, a vote by the joint shareholder in priority, whether in person or by proxy, shall be accepted as the sole vote on behalf of the remaining joint shareholders. For this purpose, the order of precedence of the joint shareholders shall be determined by the rank of such joint shareholders in the register of shareholders of the Company in relation to the shares concerned.
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, the executive Directors are Mr. Sun Lianqing and Mr. Xu Songqiang, the non-executive Directors are Mr. Xu Jiong, Mr. Zheng Huanli, Mr. Fu Songquan and Ms. Ruan Zeyun, and the independent non-executive Directors are Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu.*