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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)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO PIPELINE LEASE  
FRAMEWORK AGREEMENT**

**PIPELINE LEASE FRAMEWORK AGREEMENT**

On 28 March 2024, the Company entered into the Pipeline Lease Framework Agreement with Jiaying Pipeline Company. Pursuant to the Pipeline Lease Framework Agreement, Jiaying Pipeline Company, as lessor, may from time to time enter into definitive lease agreements with the Company as lessee in relation to lease of medium pressure natural gas pipelines within the area of concession of Jiaying Pipeline Company in the Jiaying Urban Operating Area during the period from 1 April 2024 to 31 December 2026.

**LISTING RULES IMPLICATIONS**

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

Each Annual Cap for the transactions contemplated under the Pipeline Lease Framework Agreement exceeds HK\$3 million, and one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to such transactions exceed(s) 0.1% but all such ratios fall below 5%. Accordingly, the transactions contemplated under the Pipeline Lease Framework Agreement are subject to the disclosure and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

\* For identification purposes only

## **PIPELINE LEASE FRAMEWORK AGREEMENT**

The Board wishes to announce that on 28 March 2024, the Company entered into the Pipeline Lease Framework Agreement with Jiaxing Pipeline Company. Pursuant to the Pipeline Lease Framework Agreement, Jiaxing Pipeline Company, as lessor, may from time to time enter into definitive lease agreements with the Company as lessee in relation to lease for a fixed term of specific medium pressure natural gas pipelines within the area of concession of Jiaxing Pipeline Company in the Jiaxing Urban Operating Area during the period from 1 April 2024 to 31 December 2026, subject to and in accordance with the terms and conditions of the Pipeline Network Lease Framework Agreement.

The principal terms of the Pipeline Lease Agreement are as follows:

### **Date**

28 March 2024

### **Assets to be leased**

Medium pressure natural gas pipelines (天然氣中壓管綫) which Jiaxing Pipeline Company transfers to the Company on or before 15 December each year in the Jiaxing Urban Operating Area which does not form part of the Own Pipeline Area, i.e. the area of concession of Jiaxing Pipeline Company.

### **Parties**

1. Jiaxing Pipeline Company (as lessor); and
2. the Company (as lessee).

### **Lease term**

The Pipeline Lease Framework Agreement has a term commencing on 1 April 2024 and ending on 31 December 2026.

### **Subject Matter**

Pursuant to the Pipeline Lease Framework Agreement, it is agreed that the Company and Jiaxing Pipeline Company may from time to time enter into separate definitive lease agreement(s) in relation to any particular Leased Pipeline(s), which shall set out the particular terms and conditions of such lease(s) (including the exact term of lease) and be in compliance with the terms of the Pipeline Lease Framework Agreement, in particular:

- (i) the terms of the definitive lease agreement(s) shall be determined in the ordinary course of business, on normal commercial terms, negotiated on an arm's length basis; and
- (ii) each definitive lease agreement shall include the data and methods used for calculation of rent payable based on the pricing basis under the Pipeline Lease Framework Agreement, which is set out in the paragraph headed "Pricing Basis" below.

## Pricing Basis

The annual rent payable under each definitive lease agreement entered into in accordance with the Pipeline Lease Framework Agreement is calculated at the rate of 9.16% of the total investment costs of the Leased Pipelines. Such a pricing basis has been agreed based on arm's length negotiation, taking into account factors including (i) investment costs; (ii) depreciation of the Leased Pipeline(s); and (iii) investment return, and is consistent with the basis of determination of the rent payable in respect of historical leases of pipeline networks by Jiaxing Pipeline Company to the Company. Jiaxing Pipeline Company shall provide to the Company all relevant breakdowns in relation to investment costs incurred by Jiaxing Pipeline Company on the construction of the Leased Pipelines, as well as all other information and documents reasonably requested by the Company in order to ascertain the relevant rent payable and term of lease under each definitive lease agreement.

In accordance with IFRS 16, the Group will recognise right-of-use assets in relation to a fixed-term lease in form of an asset (representing the right to use the underlying assets during the lease term) and a corresponding lease liability (for the obligations to make future lease payment during the lease term). As each definitive lease agreement to be entered into under the Pipeline Lease Framework Agreement will be subject to a fixed term, right-of-use assets will be recognised in the financial statements of the Group at the point in time when control of the subject assets is transferred to the Group under each definitive lease agreement.

In relation to each definitive lease agreement, the right-of-use assets to be recognised represent the Group's right to use the underlying Leased Pipelines over the lease term and the lease liabilities represent the Group's obligations to make lease payments. The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the lease payments under the definitive lease agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the shorter of the lease term and the estimated useful life of the assets; and (ii) interest expenses amortised from the lease liabilities over the shorter of the lease term and the estimated useful life of the assets.

## Annual Caps

The Annual Caps for the transactions contemplated under the Pipeline Lease Framework Agreement shall be as follows:

Each of the Annual Caps represents the maximum aggregate value of the right-of-use assets relating to the definitive lease agreement(s) to be entered into between Jiaxing Pipeline Company and the Company and recognised in the financial statements of the Group at the point in time when control of the subject assets is transferred to the Group under each definitive lease agreement during each period/year within the term of the Pipeline Lease Framework Agreement.

<b>For the period from 1 April 2024 to 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>
RMB17.0 million	RMB17.0 million	RMB17.0 million

## **Basis of Determination of the Annual Caps**

The Annual Caps are calculated with reference to the following factors:

- (1) the historical transactions involving leases of pipeline networks in Jiaxing Urban Area by Jiaxing Pipeline Company to the Company under previous definitive lease agreements, details of which are set forth in the paragraphs headed “Historical Transaction Amounts” below;
- (2) the annual rate of rent payable under the Pipeline Lease Framework Agreement, i.e. 9.16% of the total investment costs of the Leased Pipelines under each definitive lease agreement; and
- (3) the length of the pipeline networks in Jiaxing Urban Area expected to be constructed by Jiaxing Pipeline Company and leased to the Company during each period/year within the term of the Pipeline Lease Framework Agreement according to the latest business plans.

In light of the above factors, the Board considers that the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Historical Transaction Amounts**

References are made to the announcements of the Company dated 30 December 2020, 31 December 2021, 30 December 2022 and 28 December 2023. In each of the years 2020, 2021, 2022 and 2023, the Company entered into a definitive lease agreement with Jiaxing Pipeline Company for the lease of certain pipeline network in Jiaxing Urban Area of approximately 18.41 kilometers, 6.83 kilometers, 28.88 kilometers and 22.80 kilometers, respectively. Under each of these definitive lease agreements, the annual rent payable by the Company is calculated at the rate of 9.16% of the total investment cost of the relevant leased pipeline network, taking into account factors including investment costs, depreciation of pipeline network assets, investment return for Jiaxing Pipeline Company and the corresponding repair and maintenance costs to be incurred by the Group. In accordance with IFRS, the transaction contemplated under each of these definitive lease agreements was recognised as an acquisition of right-of-use assets by the Group. Set forth below is the value of the right-of-use assets recognised in the financial statements of the Group upon execution of the relevant definitive lease agreement during each of the four years ended 31 December 2023:

<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>
RMB8.9 million	RMB5.4 million	RMB16.4 million	RMB11.6 million

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LEASE FRAMEWORK AGREEMENT**

Pursuant to the Concessions, the Group has the right to construct urban pipeline network within the Own Pipeline Area. Jiaxing Pipeline Company is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of Own Pipeline Area according to the Group's business development plans and strategies. The Group manages and arranges for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and the Group's main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other services; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of Own Pipeline Area at the time the Group was granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and the Company entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to the Company for its use and operation of its PNG business, which the relevant local government had knowledge of and approved. Since 2009, the Group has been leasing urban pipeline network and gas facilities owned by Jiaxing Pipeline Company in the Jiaxing Urban Operating Area and the Group has been responsible for the maintenance and repair of such leased pipelines and facilities.

Historically, the Group had entered into various definitive lease agreements to secure the use of certain pipeline networks in the JiaXing Urban Operating Area which does not form part of the Own Pipeline Area for the Group's operation in a larger area with lesser capital investment. By entering into the Pipeline Lease Framework Agreement, the Group will enjoy greater flexibility and administrative efficiency in developing its leased pipeline network, in that the Group can enter into definitive lease agreements from time to time as and when necessary during the period of time covered by the Pipeline Lease Framework Agreement to address its business needs.

The Directors (including the independent non-executive Directors) are of the view that the Pipeline Lease Framework Agreement has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the Pipeline Lease Framework Agreement (together with the Annual Caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the leases under the definitive lease agreement(s) will be entered into in accordance with the terms of the Pipeline Lease Framework Agreement, the Group has adopted the following measures:

1. the internal control team of the Company will monitor the leases under the definitive lease agreements and ensure that the rent payable will be charged based on the pricing basis under the Pipeline Lease Framework Agreement;
2. the Company will comply with its internal control procedures in respect of connected transactions before the Group enters into any definitive lease agreement(s).

In particular, the internal control team of the Company will make sure that relevant breakdowns in relation to investment costs incurred by Jiaying Pipeline Company on the construction of the Leased Pipelines and other relevant information and supporting documents are provided in accordance with the terms of the Pipeline Lease Framework Agreement to verify the exact amount of the investment costs incurred, and that the rent payable under each definitive framework agreement is determined with strict adherence to the pricing basis laid down in the Pipeline Lease Framework Agreement;

3. the internal control team of the Company will ensure that the leases under the definitive lease agreements will be conducted in accordance with the terms of the Pipeline Lease Framework Agreement and the Annual Caps will not be exceeded;
4. the Company will continue to review on a regular basis the implementation and the effectiveness of the internal control system of the Group;
5. the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual review of the leases under the definitive lease agreements and the Annual Caps; and
6. the independent non-executive Directors will review all the continuing connected transactions of the Company annually to ensure that they have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and have been carried out pursuant to the terms of such transactions, and that such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a substantial shareholder of the Company. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

Each Annual Cap for the transactions contemplated under the Pipeline Lease Framework Agreement exceeds HK\$3 million, and one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to such transactions exceed(s) 0.1% but all such ratios fall below 5%. Accordingly, the transactions contemplated under the Pipeline Lease Framework Agreement are subject to the disclosure and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Pipeline Lease Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

## **INFORMATION ON THE PARTIES**

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

Jiaxing Pipeline Company is a limited liability company established under the laws of the PRC, principally engaged in the construction of pipeline networks and supply of PNG in Jiaxing as an upstream supplier. It is a direct wholly-owned subsidiary of City Development, 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.\*), which is wholly owned by 中華人民共和國浙江省財政廳 (Ministry of Finance of Zhejiang Province, the People's Republic of China\*), 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 date of this announcement.

## DEFINITIONS

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

“Annual Cap(s)”	the maximum aggregate amount payable by the Company to Jiaxing Pipeline Company during each period/year under the Pipeline Lease Framework Agreement, details of which are set out under the paragraph headed “Pipeline Lease Framework Agreement – Annual Caps” in this announcement
“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 PRC on 21 December 2009, and a substantial shareholder of the Company
“Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a joint stock liability company established under the laws of the PRC, whose issued H Shares are listed on the main board of the Stock Exchange
“Concessions”	the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession
“connected person(s)”	each has the meaning ascribed to it in 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 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board

“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 on 2 June 2006, a direct wholly-owned subsidiary of City Development
“Jiaxing Port Area Concession”	the concession agreement between Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局) and the Group, with effect from 1 May 2008, to act as the exclusive PNG distributor in Jiaxing Port Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with two supplemental agreements dated 8 May 2019 and 23 May 2019, respectively
“Jiaxing Urban Area”	the area comprised Xiuzhou District and Nanhu District, with a total area of 987 sq.km., representing 23.1% of Jiaxing in terms of geographical coverage
“Jiaxing Urban Area Concession”	the concession agreement between Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局), and the Group, with effect from 1 January 2008, to act as the exclusive PNG distributor in Jiaxing Urban Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with the supplemental agreement dated 8 May 2019
“Jiaxing Urban Operating Area”	the operating area in Jiaxing Urban Area where the Group was granted the exclusive right to the operation and management of medium and low pressure piped gas, including sales of PNG and LPG to users by means of pipeline distribution under the Jiaxing Urban Area Concession
“Leased Pipeline(s)”	the medium pressure natural gas pipelines (天然氣中壓管綫) in the Jiaxing Urban Operating Area which does not form part of the Own Pipeline Area, i.e. the area of concession of Jiaxing Pipeline Company, to be leased from Jiaxing Pipeline Company to the Company under a definitive lease agreement to be entered into between Jiaxing Pipeline Company and the Company in accordance with the Pipeline Lease Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

“Own Pipeline Area”	<p>the area where the Group was granted the exclusive right to construct urban pipeline network and gas facilities which ownership of the constructed assets belongs to the Group, which refers to:</p> <p>(a) under the Jiaxing Urban Area Concession, the area within the Jiaxing Urban Operating Area, comprising (i) the Central City and part of Nanhu New District that have been developed within the Third Ring Road, specifically, northwest to the New 320 National Road (excluded), and southeast to the Outer Ring Road East (excluded) – Shanghai-Hangzhou Railway – Central Ring Road East (included) – Pinghutang – Central Ring Road South – Shanghai – Hangzhou Railway – Outer Ring Road South (excluded); (ii) Xiuzhou New District Phase II, specifically, east to the New Beijiao River, south to Hangzhoutang, west to Zhapu – Jiaxing – Jiangsu Expressway and north to Xinchengtang; and (iii) Daqiao Town, specifically, east to the New 07 Provincial Road, south to the Central Ring Road South, west to the Xiayi Road and north to the Luli Street Extension; and</p> <p>(b) under the Jiaxing Port Area Concession, the area within the Jiaxing Port Operating Area (including Zhapu Town), comprising (i) east to the border of Zhapu Town and Huanggu Town, west to the junction of Zhapu Town and Haiyan Town, north to the Hangzhou – Pudong Expressway and south to the north bank of Hangzhou Bay; and (ii) the whole Jiulong Mountain Tourist Resort</p>
“Pipeline Lease Framework Agreement”	the pipeline lease framework agreement dated 28 March 2024 entered into between the Company and Jiaxing Pipeline Company in relation to the leasing of Leased Pipelines from Jiaxing Pipeline Company to the Company
“PNG”	natural gas distributed to end users through pipelines
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	the shareholder(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“%” per cent.

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

Hong Kong, 28 March 2024

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