
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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JiaXing Gas Group Co., Ltd.*
嘉興市燃氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9908)

**CONTINUING CONNECTED TRANSACTIONS
UNDER NATURAL GAS SUPPLY FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening 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 at 10:00 a.m. on Thursday, 4 July 2024 is set out on pages 31 to 33 of this circular.

A form of proxy for use at the EGM is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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 as soon as possible and in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than 10:00 a.m. on Wednesday, 3 July 2024 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

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

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DEFINITIONS

In this Circular, unless otherwise specified or the context otherwise requires, the following terms and expressions shall have the following meanings:

“Annual Cap(s)”	the maximum aggregate amount payable by Jiaxing Pipeline Company to the Company for each period/year during the term of the Natural Gas Supply Framework Agreement, details of which are set out in the paragraph headed “Natural Gas Supply Framework Agreement – Annual Caps” in this circular
“Articles”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	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 PRC on 21 December 2009 which is 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Domestic Shares”	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)

DEFINITIONS

“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, 4 July 2024 at 10:00 a.m. to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 31 to 33 of this circular, or any adjournment thereof
“Group”	collectively, the Company and its subsidiaries from time to time
“Hangjiaxin”	Zhejiang Hangjiaxin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司), a joint venture established in the PRC held by the Company as to 51%
“H Share(s)”	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
“H Shareholder(s)”	holder(s) of the H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the Natural Gas Supply Framework Agreement and the continuing connected transactions contemplated thereunder (including the 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 Natural Gas Supply Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Independent Shareholders”	Shareholders other than City Development, and all other Shareholders materially interested in the Natural Gas Supply Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps)
“Independent Third Party”	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
“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 which is a direct wholly-owned subsidiary of City Development
“Latest Practicable Date”	14 June 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Natural Gas Supply Framework Agreement”	the natural gas supply framework agreement dated 23 May 2024 entered into between the Company as supplier and Jiaxing Pipeline Company as purchaser in relation to the supply of natural gas by the Company to Jiaxing Pipeline Company during the period from 23 May 2024 to 31 March 2027
“PRC”	the People’s Republic of China, which, for the purpose of this circular, should exclude the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao 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) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares

DEFINITIONS

“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
“%”	percent

LETTER FROM THE BOARD



JiaXing Gas Group Co., Ltd.*
嘉興市燃氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 9908)

Executive Directors:

Mr. Sun Lianqing (*Chairman*)
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

18 June 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER NATURAL GAS SUPPLY FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 23 May 2024 in connection with the continuing connected transactions under the Natural Gas Supply Framework Agreement. The purpose of this circular is to provide you with further details of the foregoing matters and a notice convening the EGM.

* *For identification purpose only*

LETTER FROM THE BOARD

2. NATURAL GAS SUPPLY FRAMEWORK AGREEMENT

On 23 May 2024, the Company as supplier and Jiaying Pipeline Company as purchaser entered into the Natural Gas Supply Framework Agreement. Pursuant to the Natural Gas Supply Framework Agreement, Jiaying Pipeline Company and the Company may, from time to time, enter into definitive agreements in relation to supply of natural gas by the Company to Jiaying Pipeline Company during the period from 23 May 2024 to 31 March 2027, on and subject to the terms and conditions of the Natural Gas Supply Framework Agreement.

The principal terms of the Natural Gas Supply Framework Agreement are as follows:

Date:	23 May 2024
Parties:	(1) Company (as supplier) (2) Jiaying Pipeline Company (as purchaser)
Term of the agreement:	Subject to approval by the Independent Shareholders, the Natural Gas Supply Framework Agreement shall be effective from 23 May 2024 until 31 March 2027.
Scope of transactions:	On and subject to the terms of the Natural Gas Supply Framework Agreement, the Company may supply natural gas to Jiaying Pipeline Company pursuant to the definitive agreements to be entered into between Jiaying Pipeline Company and the Company.
Pricing policy:	The price which the Company shall charge Jiaying Pipeline Company for supply of natural gas shall be determined between the parties through arm's length negotiations based on the prevailing market prices. <i>(Note)</i> The exact amount payable by Jiaying Pipeline Company and arrangements (such as the manner of payment and gas delivery arrangements) for specific transactions shall be detailed in the definitive agreements to be entered into between Jiaying Pipeline Company and the Company.

Note: The Company has adopted specific internal control measures in relation to determination of the price for supply of natural gas under the pricing policy. Please refer to the paragraphs headed "Internal Control and Pricing Policy" in this circular for further details.

LETTER FROM THE BOARD

Annual Caps

Historical transactions

Prior to the entering into of the Natural Gas Supply Framework Agreement, Jiaxing Pipeline Company had not entered into transaction with the Company in relation to purchase of natural gas from the Company.

Annual Caps for the Continuing Connected Transactions Contemplated under the Natural Gas Supply Framework Agreement

The Directors expect that for each period/year during the term of the Natural Gas Supply Framework Agreement, the aggregate amount payable by Jiaxing Pipeline Company to the Company for supply of natural gas under the Natural Gas Supply Framework Agreement shall not exceed the respective Annual Cap as set forth below:

Period	Annual Cap <i>RMB million</i>
Year ending 31 December 2024 (applicable to the period from 23 May 2024 to 31 December 2024)	40.0
Year ending 31 December 2025	250.0
Year ending 31 December 2026	250.0
Year ending 31 December 2027 (applicable to the period from 1 January 2027 to 31 March 2027)	65.0

Basis of Determination of the Annual Caps

The Annual Caps are determined taking into account the following factors:

- (1) the expected demand of Jiaxing Pipeline Company for natural gas in connection with the operating needs in its natural gas business, taking into account the volume of natural gas to be supplied and possible adjustments in the volume as agreed between Jiaxing Pipeline Company and its suppliers and the future increase in demand originating from growth in operation. In particular, the Directors expect that, in order to secure the stable supply of natural gas to meet its operational needs, Jiaxing Pipeline Company will, on trial basis, purchase natural gas from the Company intermittently during the first year of cooperation, with not more than an average of 55,000 m³ per day during the period from 23 May 2024 to 31 December 2024. Leveraged on the Company's competitive advantage in procuring liquefied natural gas from overseas through its 51%-owned joint venture as further explained below in the paragraph headed "4. Reasons for and benefits of the transactions", the Directors expect that Jiaxing Pipeline Company will increase its purchase of natural gas from the Company starting from 2025, with an average daily purchase volume of not more than 200,000 m³; and

LETTER FROM THE BOARD

- (2) the prevailing market prices of natural gas from various sources and the prices at which natural gas is sold by the Company to Independent Third Party gas traders customers at the relevant times, which are usually higher during the heating season (November to March) and lower during the non-heating season (April to October) each year.

3. INTERNAL CONTROL AND PRICING POLICY

The Company shall implement the following measures to monitor the pricing and other terms of the continuing connected transactions contemplated under the Natural Gas Supply Framework Agreement and to ensure that such transactions will be entered into on normal commercial terms:

- (a) prior to entering into each definitive agreement under the Natural Gas Supply Framework Agreement, the trade department of the Company is responsible for negotiation of the contractual terms with reference to prevailing market price in relation to supply of natural gas in the operating area of Jiaying Pipeline Company and the Company. References will be made to the lowest gas prices charged by the Company to at least two randomly selected Independent Third Parties, who, similar to Jiaying Pipeline Company, are also natural gas traders rather than end-users customers of the Company, and the other relevant contractual terms. Where practicable, researches will be performed on the recent gas prices charged by at least two independent service providers in areas in proximity to the operating area of Jiaying Pipeline Company and the Company. A report on the above reference prices will be prepared afterwards. Pricing guidelines and/or requirements set forth in the relevant local regulation(s) or laid down by the relevant authorities (if any) will also be observed. The Company will enter into a definitive agreement with Jiaying Pipeline Company under the Natural Gas Supply Framework Agreement only if the gas price is agreed at a level comparable to the reference prices identified that is in line with the applicable pricing guidelines and/or requirements (if any). The above serve to ensure that the gas prices charged by the Company and the other terms of the definitive agreements are in conformity with the pricing policy and other relevant provisions set forth in the Natural Gas Supply Framework Agreement and on normal commercial terms that are no less favourable to the Company than those available to Independent Third Parties. The general manager of the Company is responsible for the final approval of the terms of each definitive agreement under the Natural Gas Supply Framework Agreement;
- (b) upon execution of each definitive agreement under the Natural Gas Supply Framework Agreement, the planning and finance department of the Company is responsible for continuously monitoring and checking as to whether the relevant laws and regulations on gas prices have been amended, in order to ensure that the gas prices charged under the definitive agreements remain consistent and compliant with the applicable requirements under the relevant laws and regulations;

LETTER FROM THE BOARD

- (c) throughout the term of the Natural Gas Supply Framework Agreement, the planning and finance department of the Group is responsible for monitoring the implementation of the definitive agreements under the Natural Gas Supply Framework Agreement to ensure that the terms, including the gas fees charged, are strictly adhered to by the parties to the agreements. Any deviation from the contractual terms will be reported to the management of the Company for further actions. In addition, the management of the Company will perform spot checks on implementation of the Natural Gas Supply Framework Agreement to ensure compliance with the contractual terms as and when necessary; and
- (d) the supply of natural gas by the Company under the Natural Gas Supply Framework Agreement shall be conducted on the overarching principle that priority will be given to satisfying the natural gas demand from those other customers (if any) transacting with the Company on terms more favourable to the Company. When determining the actual volume of natural gas to be supplied under each definitive agreement, the Company will take into account the demand from such other customers and only supply the residual natural gas to Jiaxing Pipeline Company after the demand from all such other customers has been filled.

In addition to the above, the Company will also adopt the following internal control measures in respect of the continuing connected transactions contemplated under the Natural Gas Supply Framework Agreement:

- (i) the planning and finance department of the Company will be responsible for regular monitoring of the transaction amounts under the Natural Gas Supply Framework Agreement to ensure that the transactions have been conducted within the relevant Annual Cap;
- (ii) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted under the Natural Gas Supply Framework Agreement and confirm whether such transactions are entered into, in all material respects, in accordance with the pricing policies and other provisions set forth in the Natural Gas Supply Framework Agreement and have exceeded the relevant Annual Cap; and
- (iii) the independent non-executive Directors will review the continuing connected transactions conducted under the Natural Gas Supply Framework Agreement on an annual basis and confirm in the annual reports of the Company for the years ending 31 December 2024, 2025, 2026 and 2027 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Natural Gas Supply Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors consider that the above internal control measures can ensure that the transactions contemplated under the Natural Gas Supply Framework Agreement will be conducted on normal commercial terms and in the interests of the Group and the Shareholders.

4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Under the reformation of the natural gas supply regime, with effect from 1 April 2023, provincial pipeline networks have been incorporated into the state pipeline networks and transportation and sale of natural gas has become separated in Zhejiang Province. Utilising the liquefied natural gas terminal and storage facilities of Hangjiaxin, the Company has been able to procure liquefied natural gas from overseas suppliers. This has put the Company in an advantageous competitive position as a natural gas supplier. Given the Company's access to natural gas resources, Jiaxing Pipeline Company is disposed to procure natural gas from the Company to meet its operating needs in relation to supply of natural gas to the urban area of Jiaxing.

The Company, on the other hand, is minded to address the business needs of Jiaxing Pipeline Company through continuous supply of natural gas to it. The entering into of the Natural Gas Supply Framework Agreement will allow the Group to take advantage of the stable demand of Jiaxing Pipeline Company for natural gas. Revenue of a sizeable amount is expected to be generated from the business collaboration between Jiaxing Pipeline Company and the Company, which will serve to enrich the income streams of the Company and promote its operating results.

The terms and conditions of the Natural Gas Supply Framework Agreement were negotiated between Jiaxing Pipeline Company and the Company on an arm's length basis. The Directors (including the independent non-executive Directors whose views have been formed taking the advice of the Independent Financial Adviser into account) are of the view that the terms of the Natural Gas Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the continuing connected transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

5. INFORMATION ABOUT PARTIES TO THE NATURAL GAS SUPPLY FRAMEWORK AGREEMENT

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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

6. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a substantial shareholder of the Company. Under Chapter 14A of the Listing Rules, Jiaxing Pipeline Company is an associate of City Development, and hence a connected person of the Company, and the transactions contemplated under the Natural Gas Supply Framework Agreement constitutes continuing connected transactions.

As (1) one or more of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the Natural Gas Supply Framework Agreement (calculated based on the largest of the Annual Caps) exceed(s) 5%; and (2) the largest of the Annual Caps exceeds HK\$10 million, the continuing connected transactions contemplated under the Natural Gas Supply Framework Agreement are subject to the announcement, annual reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors or their respective associate has any interest in the transactions contemplated under the Natural Gas Supply Framework Agreement and is required under the Articles to abstain from approving the Natural Gas Supply Framework Agreement and the transactions contemplated thereunder.

7. 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 at 10:00 a.m. on Thursday, 4 July 2024, is set out on pages 31 to 33 of this circular. At the EGM, a resolution will be proposed to approve the Agreement and the transactions contemplated thereunder, including, among others, issue of the Consideration Shares under the Specific Mandate.

LETTER FROM THE BOARD

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 (representing approximately 32.76% of the issued Domestic Shares and 23.76% of the entire issued share capital of the Company) as at the Latest Practicable Date, has a material interest in the Natural Gas Supply Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and hence is required to abstain from voting on the relevant resolution to be considered 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 to be put to vote at the EGM.

The register of members of the Company will not be closed to ascertain Shareholders' eligibility to attend and vote at the EGM. 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 Wednesday, 3 July 2024. Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 3 July 2024 are entitled to attend and vote at the EGM.

A form of proxy for use at the EGM is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jxrqgs.com). To be valid, for H Shareholders, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authorisation documents (if any) under which it is signed or a notarised letter of authority at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. For Domestic Shareholders, the form of proxy should be returned to the Company's registered office in the PRC at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 10:00 a.m. on Wednesday, 3 July 2024 (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.

LETTER FROM THE BOARD

8. VOTING BY THE WAY OF POLL

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. Therefore, resolution set forth in the notice of the EGM will be voted on by poll. The Company will announce the results of the poll in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

9. RECOMMENDATION

The Directors consider that the Natural Gas Supply Framework Agreement and the continuing connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

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



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)

18 June 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER NATURAL GAS SUPPLY FRAMEWORK AGREEMENT**

We refer to the circular dated 18 June 2024 (the “Circular”) issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, (i) the terms of the Natural Gas Supply Framework Agreement (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are fair and reasonable; (ii) whether such continuing connected transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholder as a whole; and (iii) how the Independent Shareholders should vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Altus Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with the foregoing matters. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 16 to 26 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular and the additional information set out in the section headed “General Information” in the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Natural Gas Supply Framework Agreement, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Natural Gas Supply Framework Agreement (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are fair and reasonable and in the interests of the Shareholders as a whole, and such continuing connected transactions are 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 to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the notice of the EGM so as to approve the Natural Gas Supply Framework Agreement (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps).

Yours faithfully

For and on behalf of

The Independent Board Committee

Mr. Yu Youda

Mr. Cheng Hok Kai Frederick

Mr. Zhou Xinfa

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders in respect of the proposed continuing connected transactions in relation to the Natural Gas Supply Framework Agreement (including the Annual Caps), which has been prepared for the purpose of incorporation in the Circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

18 June 2024

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 NATURAL GAS SUPPLY 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 Natural Gas Supply Framework Agreement, details of which are set out in the letter from the Board contained in the circular dated 18 June 2024 (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.

On 23 May 2024, the Company as supplier and Jiaxing Pipeline Company as purchaser entered into the Natural Gas Supply Framework Agreement, pursuant to which, Jiaxing Pipeline Company and the Company may, from time to time, enter into definitive agreements in relation to supply of natural gas by the Company to Jiaxing Pipeline Company during the period from 23 May 2024 to 31 March 2027, on and subject to the terms and conditions of the Natural Gas Supply Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a substantial shareholder of the Company. Under Chapter 14A of the Listing Rules, Jiaxing Pipeline Company is an associate of City Development, and hence a connected person of the Company, and the transactions contemplated under the Natural Gas Supply Framework Agreement constitutes continuing connected transactions.

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 Xinfa, has been established to advise the Independent Shareholders as to (i) whether the terms of the Natural Gas Supply Framework Agreement are fair and reasonable; (ii) whether the entering into of the Natural Gas Supply 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 Natural Gas Supply 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 Natural Gas Supply Framework Agreement are fair and reasonable; (ii) whether the entering into of the Natural Gas Supply 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 Natural Gas Supply Framework Agreement to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards (i) the revision of annual cap for continuing connected transactions; (ii) the discloseable and connected transaction in relation to the acquisition of a 10% equity interest in a target company; (iii) the continuing connected transactions in relation to the Group's entering into of a framework agreement; and (iv) the discloseable and connected transaction in relation to the acquisition of an additional 10% equity interest in a target company, details of which are set out in the circulars of the Company dated 14 October 2022, 24 May 2023, 31 July 2023 and 13 September 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 Acquisition 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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among others (i) Natural Gas Supply Framework Agreement; (ii) annual report of the Company for the year ended 31 December 2023 (“**2023 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”) (under Concession), liquefied natural gas (“LNG”) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Operating results of the Group*

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2022 and 2023 as extracted from the 2023 Annual Report.

	For the year ended 31 December	
	2023 ("FY2023") (audited) RMB'000	2022 ("FY2022") (audited) RMB'000
Revenue	2,956,483	3,466,036
<i>Sales of PNG</i>	1,827,052	2,025,701
<i>Sales of LNG</i>	661,415	957,739
<i>Sales of LPG</i>	110,722	133,521
Gross Profit	265,564	165,761
Share of profits and losses of joint ventures	147,609	(10,589)
Profit for the year	250,513	76,422

The Group's main source of income is from the sales of PNG, LNG and LPG. Revenue from the sales of PNG, LNG and LPG for FY2023 and FY2022 amounted to approximately RMB2.6 billion and RMB3.1 billion, representing approximately 88% and 89% of the revenue for FY2023 and FY2022 respectively. During FY2023, the total sales volume of natural gas of the Group achieved 704 million m³ and the Group recorded stable sales volume of natural gas.

The decrease in revenue from FY2022 to FY2023 was mainly due to the decrease in the purchase price of natural gas and the sales prices of non-residential natural gas. However, the gross profit of the Group increased by approximately 60.2% in FY2023 when compared with that of FY2022, mainly due to lower purchase price as a result of diversification of gas sources.

In addition to the Group's increased gross profit from approximately RMB165.8 million in FY2022 to approximately RMB265.6 million in FY2023, the Group also recorded a significant increase in its share of profits and losses of joint ventures in FY2023 (FY2023: share of profits of approximately RMB147.6 million; FY2022: share of losses of approximately RMB10.6 million). Such increase was mainly due to the increase in profit of Hangjiaxin, a material joint venture of the Group which acts as the Group's supplier and storage services provider of LNG. Hangjiaxin recorded a profit for the year of approximately RMB289.4 million and a loss for the year of approximately RMB18.7 million in FY2023 and FY2022 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the above, the Group's profit for the year increased from approximately RMB76.4 million in FY2022 to RMB250.5 million in FY2023.

(iii) Principal business of Jiaxing Pipeline Company

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 Latest Practicable Date.

2. Reasons for entering into the Natural Gas Supply Framework Agreement

Pursuant to the reformation of the natural gas supply regime, with effect from 1 April 2023, provincial pipeline networks have been incorporated into the state pipeline networks and transportation and sale of natural gas has become separated in Zhejiang Province. By utilising the LNG terminal and storage facilities of Hangjiaxin, a joint venture established in the PRC held by the Company as to 51%, the Company has been able to procure LNG directly from overseas suppliers. This has given the Company in a competitive advantage by positioning it as a more upstream natural gas supplier. Given the Company's access to natural gas resources, Jiaxing Pipeline Company is disposed to procure natural gas from the Company to meet its operating needs for supplying natural gas to the urban area of Jiaxing.

As mentioned under the paragraph headed "Operating results of the Group" above, the majority of the Group's revenue is derived the sales of natural gas, of which the sales of PNG, LNG and LPG accounted for approximately 88% and 89% of the revenue for FY2023 and FY2022 respectively. With the Group's principal business of selling natural gas, where a majority of its revenue is derived from such sales, we are of the view that the entering into of the Natural Gas Supply Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

Furthermore, as the supply of natural gas to Jiaxing Pipeline Company will provide the Group with an additional stream of income, we concur with the Management that the entering into of the Natural Gas Supply Framework Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Natural Gas Supply Framework Agreement

Set out below our assessment on the principal terms of the Natural Gas Supply Framework Agreement.

Date:	23 May 2024
Parties:	(1) the Company (as supplier) (2) Jiaxing Pipeline Company (as purchaser)
Term of the agreement:	Subject to approval by the Independent Shareholders, the Natural Gas Supply Framework Agreement shall be effective from 23 May 2024 until 31 March 2027.
Scope of the transactions:	On and subject to the terms of the Natural Gas Supply Framework Agreement, the Company may supply natural gas to Jiaxing Pipeline Company pursuant to the definitive agreements to be entered into between Jiaxing Pipeline Company and the Company.
Pricing policy:	<p>The price which the Company shall charge Jiaxing Pipeline Company for supply of natural gas shall be determined between the parties through arm's length negotiations based on the prevailing market prices. <i>(Note)</i></p> <p>The exact amount payable by Jiaxing Pipeline Company and arrangements (such as the manner of payment and gas delivery arrangements) for specific transactions shall be detailed in the definitive agreements to be entered into between Jiaxing Pipeline Company and the Company.</p>

Note: The Company has adopted specific internal control measures in relation to determination of the price for supply of natural gas under the pricing policy. Please refer to the paragraphs headed "3. Internal Control and Pricing Policy" in the "Letter from the Board" for further details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy

According to the Natural Gas Supply Framework Agreement, the price which the Company shall charge Jiaxing Pipeline Company for supply of natural gas shall be determined between the parties through arm's length negotiations based on the prevailing market prices. The exact amount payable by Jiaxing Pipeline Company and arrangements (such as the manner of payment and gas delivery arrangements) for specific transactions shall be detailed in the definitive agreements to be entered into between Jiaxing Pipeline Company and the Company.

Subject to our assessment on the internal control measures as detailed below, we are of the view that the above pricing policy is fair and reasonable since it is based on the prevailing market prices.

Internal control measures

The Company shall implement certain internal control measures in relation to the pricing policies, details of which are set out under the paragraphs headed "3. Internal control and pricing policy" in the "Letter from the Board".

We have discussed the future implementation of these internal control measures with Management. We have obtained and reviewed the list of average selling price of natural gas charged to the Group's LNG customers for each month since 1 April 2023, when the reformation of the natural gas supply regime came into effect. Additionally, we have randomly selected and obtained three sample invoices issued by the Group in April 2024, being the most recent calendar month before the date when the Company made the announcement relating to the Natural Gas Supply Framework Agreement (i.e. 23 May 2024), to its LNG customers showing the unit price of LNG supplied. Since the internal control measures to be adopted by the Company requires the reference to the gas prices charged by the Company to at least two Independent Third Parties, we are of the view that the three samples obtained can fairly demonstrate that there are sufficient transaction prices with LNG customers to enable the Group to implement the internal control measures relating to the pricing policy, where the Group would make references to the gas price charged to Independent Third Parties.

Section conclusion

Based on the analysis set out above, we are of the view that (i) the terms of the Natural Gas Supply Framework Agreement are fair and reasonable; and (ii) the entering into of the Natural Gas Supply Framework Agreement is on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Annual Caps

Prior to the entering into of the Natural Gas Supply Framework Agreement, Jiaxing Pipeline Company had not entered into any transaction with the Company in relation to purchase of natural gas from the Company.

The Directors expect that for each of the period/year during the term of the Natural Gas Supply Framework Agreement, the aggregated amount payable by Jiaxing Pipeline Company to the Company for supply of natural gas under the Natural Gas Supply Framework Agreement shall not exceed the respective Annual Caps as set forth below:

Period	Annual Cap <i>RMB million</i>
Year ending 31 December 2024 (applicable to the period from 23 May 2024 to 31 December 2024)	40.0
Year ending 31 December 2025	250.0
Year ending 31 December 2026	250.0
Year ending 31 December 2027 (applicable to the period from 1 January 2027 to 31 March 2027)	65.0

The Annual Caps are determined taking into account the following factors:

- (i) the expected demand of Jiaxing Pipeline Company for natural gas in connection with the operating needs in its natural gas business, taking into account the volume of natural gas to be supplied and possible adjustments in the volume as agreed between Jiaxing Pipeline Company and its suppliers and the future increase in demand originating from growth in operation. In particular, the Directors expect that, in order to secure the stable supply of natural gas to meet its operational needs, Jiaxing Pipeline Company will, on trial basis, purchase natural gas from the Company intermittently during the first year of cooperation, with no more than an average of 55,000 m³ per day during the period from 23 May 2024 to 31 December 2024. Leveraged on the Company's competitive advantage in procuring liquified natural gas from overseas through its 51%-owned joint venture as explained in the paragraphed headed "4. Reasons for and benefits of the transactions" in the "Letter from the Board", the Directors expect that Jiaxing Pipeline Company will increase its purchase of natural gas from the Company starting from 2025, with an average daily purchase volume of no more than 200,000 m³; and
- (ii) the prevailing market prices of natural gas from various sources and the prices at which natural gas is sold by the Company to Independent Third Party gas traders customers at the relevant times, which are usually higher during the heating season (November to March) and lower during the non-heating season (April to October) each year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the calculation of the Annual Caps from the Management and noted that the Annual Cap for each of year/period is determined based on (i) the estimated annual gas supply volume; and (ii) the estimated unit price. In particular,

- (i) the estimated annual gas supply is based on the estimated demand of Jiaxing Pipeline Company; and

With regards to the estimated demand of Jiaxing Pipeline Company, according to the Management, Jiaxing Pipeline Company has entered into long-term contracts with its upstream suppliers, which stipulated a minimum annual purchase volume. Due to the fixed transmission capacity of the pipeline network, Jiaxing Pipeline Company can only seek additional sources within the maximum transmission capacity of its pipeline network. The Annual Caps for the years ending 31 December 2025, 2026 and 2027 are determined based on the maximum available annual gas supply volume (i.e. not more than an average of 200,000 m³ per day) that Jiaxing Pipeline Company may procure after deducting the transmission capacity occupied by the gas from its existing long-term suppliers. Given that the transactions under the Natural Gas Supply Framework Agreement would provide additional income for the Company, we concur with the Management's estimation basis where there remains flexibility for the Group to fulfill all demands of Jiaxing Pipeline Company and hence, we are of view that this such estimation basis is fair and reasonable.

- (ii) the estimated unit price is based on the Management's expected unit price for the Group's LNG customers.

As advised by the Management, the expected unit price varies between the non-heating season (April to October) and the heating season (November to March). We have obtained and reviewed the average monthly unit price charged by the Group to its LNG customers and noted that (i) the price during heating season was generally higher than the price during non-heating season; (ii) the Management adopted different expected unit prices in heating seasons and non-heating seasons for the purpose of arriving at the Annual Caps; and (iii) the expected unit prices for heating season and non-heating season adopted by the Management is within such range of the average monthly unit price charged by the Group to its LNG customers during the heating season and non-heating season in the period from April 2023 to April 2024 respectively.

We noted that that the Annual Caps for the years ending 31 December 2025 to 2027 is disproportionately higher than that of 31 December 2024. We have discussed with the Management and noted that the disproportioned Annual Caps for the years ending 31 December 2025 to 2027 were based on the Management's communication with the Jiaxing Pipeline Company; it will, on trial basis, purchase natural gas from the Company intermittently during the first year of cooperation, with no more than an average of 55,000 m³ per day during the period from 23 May to 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Internal control

To ensure that the transactions under the Natural Gas Supply Framework Agreement will not exceed the Annual Caps, the Company has adopted the following internal control measures:

- (i) the planning and finance department of the Company will be responsible for regular monitoring of the transaction amounts under the Natural Gas Supply Framework Agreement to ensure that the transactions have been conducted within the relevant Annual Cap;
- (ii) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted under the Natural Gas Supply Framework Agreement and confirm whether such transactions are entered into, in all material respects, in accordance with the pricing policies and other provisions set forth in the Natural Gas Supply Framework Agreement and have exceeded the relevant Annual Cap; and
- (iii) the independent non-executive Directors will review the continuing connected transactions conducted under the Natural Gas Supply Framework Agreement on an annual basis and confirm in the annual reports of the Company for the years ending 31 December 2024, 2025, 2026 and 2027 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Natural Gas Supply Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Since the transactions under the Natural Gas Supply Framework Agreement will only start after the approval by the Independent Shareholders at the EGM, we have obtained and review the monthly report prepared by Company to monitor the annual cap utilisation of other existing continuing connected transactions in April 2024, being the most recent calendar month before the date when the Company made the announcement relating to the Natural Gas Supply Framework Agreement (i.e. 23 May 2024). We noted that such report contained the approved annual caps, actual transaction amount during the latest month and the previous months in 2024, the accumulative utilisation of the annual caps in 2024 and the accumulative utilisation of for the same period in 2023 for comparison. Based on the information set out in the sample monthly report above, we are of the view that, by preparing monthly reports containing the same set of information, the Company can effectively monitor the transaction amounts under the Natural Gas Supply Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Natural Gas Supply Framework Agreement are fair and reasonable; and (ii) the entering into of the Natural Gas Supply 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 Natural Gas Supply 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 nine years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF DIRECTORS AND CHIEF EXECUTIVE

To the best of the knowledge of the Directors, as at the Latest Practicable Date, the following Directors had interests in the shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); (ii) entered in the register referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as adopted by the Company:

Long positions in the Domestic Shares of the Company:

Name of Director	Capacity	Number of Shares (Note 1)	Approximate percentage of the shareholding in the relevant class of Shares (Note 2)	Approximate percentage of the issued 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%

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.

GENERAL INFORMATION

- (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. As at the Latest Practicable Date, Mr. Sun Lianqing was 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.

Save as disclosed above, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

To the best of the knowledge of the Directors, as at the Latest Practicable Date: (1) Mr. Sun Lianqing, the chairman of the Board and an executive Director, was the sole director of Taiding, a substantial Shareholder which was interested in 44,939,477 Shares (representing approximately 44.94% of the issued Domestic Shares and 32.60% of the entire issued share capital of the Company); (2) Mr. Xu Jiong, a non-executive Director, was a director of City Development, and Mr. Zheng Huanli, a non-executive Director, was the manager of the corporate management department of City Development; City Development was a substantial Shareholder interested in 32,757,502 Shares (representing approximately 32.76% of the issued Domestic Shares and 23.76% of the entire issued share capital of the Company); (3) Mr. Fu Songquan, a non-executive Director, was the sole director, legal representative and general manager of Zhuji Yujia, which was interested in 44,939,477 Shares (representing approximately 44.94% of the issued Domestic Shares and 32.60% of the entire issued share capital of the Company), and the director and general manager of Qianyu Group Company Limited* (乾宇集團有限公司), the sole shareholder of Zhuji Yujia; and (4) Ms. Ruan Zeyun was an executive director, the chief executive and the company secretary of Flat Glass Group Co., Ltd., a company listed on the Stock Exchange (Stock code: 6865.HK) and the Shanghai Stock Exchange (Stock code: 601865.SH), which was interested in 6,250,000 H Shares (representing approximately 16.51% of the issued H Shares and 4.53% of the entire issued share capital of the Company). Save as disclosed, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or proposed director of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

GENERAL INFORMATION

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

None of the Directors had any interest, direct or indirect, in any asset which had, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business apart from the businesses of the Group which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert which has given advice, letter and opinion 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

GENERAL INFORMATION

As at the Latest Practicable Date, the expert identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The expert identified above did not have any interest, direct or indirect, in any asset which had, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

The expert identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.jxrqgs.com/>) for the period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (a) the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular; and
- (c) the Natural Gas Supply Framework Agreement.

8. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF THE EGM



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 PRC at 10:00 a.m. on Thursday, 4 July 2024 to consider, and if thought fit, pass (with or without amendments or supplements) the following resolution (unless otherwise specified or the context requires otherwise, terms and expressions as defined in the circular of the Company dated 18 June 2024 (the “**Circular**”) shall carry the same meanings when used herein):

ORDINARY RESOLUTION

1. “To consider and approve
 - (a) the natural gas supply framework agreement (the “**Natural Gas Supply Framework Agreement**”) dated 23 May 2024 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 by the Company to Jiaxing Pipeline Company for a period from 23 May 2024 to 31 March 2027;
 - (b) the proposed annual caps (the “**Annual Caps**”) for the year ending 31 December 2024 (applicable to the period from 23 May 2024 to 31 December 2024), the two years ending 31 December 2026, and the year ending 31 December 2027 (applicable to the period from 1 January 2027 to 31 March 2027) for transactions under the Natural Gas Supply Framework Agreement; and

* For identification purpose only

NOTICE OF THE EGM

- (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 Natural Gas Supply Framework Agreement and the Annual Caps.”

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

Hong Kong, 18 June 2024

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 10:00 a.m. on Wednesday, 3 July 2024 (Hong Kong time)).
5. The register of members of the Company will not be closed to ascertain shareholders’ eligibility to attend and vote at the EGM. 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 Wednesday, 3 July 2024 (Hong Kong time). Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 3 July 2024 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*

NOTICE OF THE EGM

7. The address and contact details of the Company's H share registrar, Tricor Investor Services Limited, are as follows:

As to the transfer documents:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

As to the form of proxy:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Telephone No.: +852 2980 1333

Facsimile No.: +852 2810 8185

8. The address of the Company's registered office in the PRC and the contact details of the regular contact person for the EGM are as follows:

5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC

Telephone No.: +86 (573) 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 Board of Directors 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 Director; and Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu as independent non-executive Directors.