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JY GAS LIMITED
交运燃气有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1407)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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Reference is made to the prospectus of the Company dated 31 October 2022 in relation to the 2022 Subcontracting Framework Agreement. The 2022 Subcontracting Framework Agreement expired on 31 December 2023.

The Board is pleased to announce that, on 10 September 2024, Jiaoyun Gas, a subsidiary of the Company, has entered into the 2024 Subcontracting Framework Agreement with Jiaoyun Property, an associate of Mr. Luan Linjiang (Chairman of the Board and an executive Director), in relation to the procurement of Subcontracting Work for a term commencing from 1 January 2024 to 31 December 2025.

LISTING RULES IMPLICATIONS

Jiaoyun Property is a limited liability company established in the PRC and is directly held as to approximately 99.98% by Mr. Luan Linjiang (chairman of the Board and an executive Director). As such, Jiaoyun Property is a connected person of the Company and the transactions contemplated under the 2024 Subcontracting Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2024 Subcontracting Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2024 Subcontracting Framework Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the prospectus of the Company dated 31 October 2022 in relation to the 2022 Subcontracting Framework Agreement. The 2022 Subcontracting Framework Agreement expired on 31 December 2023.

The Board is pleased to announce that, on 10 September 2024, Jiaoyun Gas, a subsidiary of the Company, has entered into the 2024 Subcontracting Framework Agreement with Jiaoyun Property, an associate of Mr. Luan Linjiang (Chairman of the Board and an executive Director), in relation to the procurement of Subcontracting Work for a term commencing from 1 January 2024 to 31 December 2025.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

2024 Subcontracting Framework Agreement

The principal terms of the agreement are summarised below:

Parties	:	(i) Jiaoyun Gas (ii) Jiaoyun Property
Date	:	10 September 2024
Term	:	From 1 January 2024 to 31 December 2025
Subject	:	Jiaoyun Gas has engaged Jiaoyun Property as its subcontractor to provide construction workers to carry out certain natural gas supply facilities installation, gas meter replacement works and pipeline network construction works to its customers (the “ Subcontracting Work ”).
Pricing Basis	:	The fees to be charged by Jiaoyun Property for the provision of the Subcontracting Work provided to the Group mainly represent labour fees for construction workers who carry out the construction work and the natural gas supply facilities installation and gas meter replacement works. Such fees were determined on arm’s length basis with reference to (i) historical fee rates; (ii) labour fee of workers needed for carrying out the Subcontracting Work; and (iii) the comparison of the fee quote provided by Jiaoyun Property to the Group with the fee quotes obtained from other suppliers which are Independent Third Parties and which provide similar services.

Historical Transaction Amounts

For the three years ended 31 December 2023, the total amount of the annual fee payable by Jiaoyun Gas for the Subcontracting Work are set out below:

	For the year ended 31 December					
	2021		2022		2023	
	(excluding VAT)	(including VAT)	(excluding VAT)	(including VAT)	(excluding VAT)	(including VAT)
Subcontracting Work provided by Jiaoyun Property	RMB2,877,000	RMB2,963,000	RMB2,283,000	RMB2,352,000	RMB2,138,000	RMB2,202,000
				(as compared to annual cap of RMB2,383,000)		(as compared to the annual cap of RMB2,663,000)

The Company confirms that the annual caps for transaction amounts with Jiaoyun Property under the 2022 Subcontracting Framework Agreement with Jiaoyun Property for the financial years ended 31 December 2022 and 2023 as set out in the Company's prospectus dated 31 October 2022 were not exceeded. For the year ended 31 December 2021, the Company was not yet listed, therefore it was not subject to any annual caps at the time.

Annual Caps

	For the year ending 31 December	
	2024	2025
Subcontracting Work provided by Jiaoyun Property	RMB7,810,000 (including VAT)	RMB4,240,000 (including VAT)

In arriving at the proposed annual caps in relation to the 2024 Subcontracting Framework Agreement for the two years ending 31 December 2025, the Directors have considered (i) the historical transaction set out above; (ii) the estimated amount of construction and installation work for existing properties in the Operating Area with reference to the estimated number of households in the areas for implementation of the Clean Energy Projects, and the estimated number of households which require installation of natural gas equipment according to historical trends, and the labour fees of workers per household for such construction works; (iii) the estimated number of real estate development

projects and buildings within the Operating Area, the corresponding number of residential and non-residential units in such projects, based on the construction plans filed with local government authorities, and labour fees of workers per household for such installation works; (iv) the estimated number of households which require replacement of existing gas meters with Goldcard Meters and labour fees of workers per household for such replacement works; (v) the estimated length of pipeline network to be constructed and the corresponding labour fees of workers according to the length of pipeline construction; and (vi) the applicable VAT.

The estimated annual cap for the year ending 31 December 2024 is especially high as compared to the historical transaction amounts, because there has been a delay in the plans for pipeline construction in 2023, therefore such works were carried forward to be completed in 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 SUBCONTRACTING FRAMEWORK AGREEMENT

Since pipeline construction and natural gas supply facilities installation works are labour intensive and require much manpower, the Group subcontracts such work to external workers to carry out the actual installation. In view of (i) the stable and amicable working relationship between the Group and Jiaoyun Property, and (ii) the Group will only engage Jiaoyun Property if the terms offered by them are the same or more favourable than those offered by independent suppliers, the Group plans to continue to engage Jiaoyun Property for the provision of the Subcontracting Work in its ordinary and usual course of business.

Given the procurement of Subcontracting Work from Jiaoyun Property is being carried out and will also be under normal commercial terms and on an arm's length basis, the Board (including the independent non-executive Directors) are of the view that the terms of the 2024 Subcontracting Framework Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Luan Linjiang holds 99.98% equity interest in Jiaoyun Property, he is deemed or may be perceived to have a material interest in the transactions contemplated under the 2024 Subcontracting Framework Agreement. Accordingly, he abstained from voting on the related Board resolutions. Other than Mr. Luan Linjiang, no other Directors have a material interest in the 2024 Subcontracting Framework Agreement and the transactions contemplated thereunder or are required to abstain from voting on the resolutions of the Board approving the same.

INFORMATION ON THE PARTIES

Jiaoyun Gas

Jiaoyun Gas is a limited liability company established in the PRC on 14 July 2003. It is a wholly-owned subsidiary of the Company. Its principal activity is operation of pipeline natural gas in the PRC.

Jiaoyun Property

Jiaoyun Property is a limited liability company established in the PRC on 11 April 2006. As at the date of this announcement, Jiaoyun Property was held as to 99.98% by Mr. Luan Linjiang (chairman of the Board and an executive director of the Company), hence it is an associate of Mr. Luan Linjiang and a connected person of the Company. Jiaoyun Property is principally engaged in real estate development and operation.

LISTING RULES IMPLICATIONS

Jiaoyun Property is a limited liability company established in the PRC and is directly held as to approximately 99.98% by Mr. Luan Linjiang (chairman of the Board and an executive director of the Company). As such, Jiaoyun Property is a connected person of the Company and the transactions contemplated under the 2024 Subcontracting Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2024 Subcontracting Framework Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2024 Subcontracting Framework Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“2022 Subcontracting Framework Agreement”	the subcontracting framework agreement dated 22 October 2022 entered into between Jiaoyun Gas and Jiaoyun Property
“2024 Subcontracting Framework Agreement”	the subcontracting framework agreement dated 10 September 2024 entered into between Jiaoyun Gas and Jiaoyun Property, for the two years ending 31 December 2025
“Board”	the board of Directors
“Clean Energy Projects”	government subsidised construction project(s) in rural areas of Gaomi City pursuant to the “Implementation Plan for Rural Clean Heating in Gaomi City in 2021” (《高密市2021年農村清潔取暖工作實施方案》). Each Clean Energy Project comprises, amongst other things, construction of PNG end-user pipelines, connection of these pipelines to our urban pipeline network, procurement of relevant pipelines, parts and equipment, and installation of gas-burning appliances in residential households, which are carried out as an extension to the coal-to-gas project (煤改氣工程) in line with coal-to-gas conversion and clean energy transmission policies promulgated by the PRC government
“Company”	JY GAS LIMITED (交運燃氣有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 9 March 2021 and the shares of which are listed on the Stock Exchange (stock code: 1407)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“Goldcard Meters”	Goldcard wireless remote gas meters, nationally accredited gas meters in the PRC designed by Goldcard Smart Group Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300349)
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Jiaoyun Gas”	Gaomi Jiaoyun Natural Gas Co., Ltd.* (高密市交運天然氣有限公司), a limited liability company established in the PRC on 14 July 2003 and is a wholly-owned subsidiary of the Company
“Jiaoyun Property”	Gaomi Jiaoyun Property Co., Ltd.* (高密市交運置業有限公司), a limited liability company established in the PRC on 11 April 2006 and is owned as to 99.98% by Mr. Luan Linjiang (chairman of the Board and an executive Director), hence it is a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Area”	the operating area (now representing approximately 70% of the administrative area of Gaomi City) in which the Group has actively supplied natural gas, and such area is within the granted area under the concession agreement the Group entered into with Gaomi City Bureau of Municipal Affairs Administration* (高密市市政管理局) to operate natural gas related businesses within the administrative area of Gaomi City in August 2009
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares
“Shares”	ordinary shares of US\$0.0001 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subcontracting Work” has the meaning ascribed to it under the section headed “Renewal of Continuing Connected Transactions — 2024 Subcontracting Framework Agreement” in this announcement

“VAT” the applicable value-added tax at a rate of 3% for the Subcontracting Work

Yours faithfully,
By order of the Board
JY GAS LIMITED
Luan Linjiang
Chairman of the Board

Hong Kong, 10 September 2024

As at the date of this announcement: (1) the chairman and executive Director is Mr. Luan Linjiang; (2) the executive Directors are Mr. Luan Xiaolong and Mr. Luan Linxin; and (3) the independent non-executive Directors are Mr. Wei Yi, Mr. Tian Qiang and Ms. Liu Xiaoye.