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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)

**CONNECTED TRANSACTION
LAND USE RIGHT TRANSFER AGREEMENT**

CONNECTED TRANSACTION IN RELATION TO LAND USE RIGHT TRANSFER AGREEMENT

On 17 December 2021 (after trading hours), the Company and Jiaying Pipeline Company entered into the Land Use Right Transfer Agreement, pursuant to which the Company agreed to transfer to Jiaying Pipeline Company, the Land Use Right for a land parcel in Nanhu District, Jiaying, the PRC at a total consideration of RMB5,250,000 in accordance with and subject to the terms and conditions of the Land Use Right Transfer Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaying Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaying Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules. Accordingly, the Land Use Right Transfer Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 0.1% but all are less than 5%, the Land Use Right Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

CONNECTED TRANSACTION IN RELATION TO LAND USE RIGHT TRANSFER AGREEMENT

On 17 December 2021 (after trading hours), the Company and Jiaxing Pipeline Company entered into the Land Use Right Transfer Agreement, pursuant to which the Company agreed to transfer to Jiaxing Pipeline Company the land use right for a land parcel in Nanhu District, Jiaxing, the PRC at a total consideration of RMB5,250,000 in accordance with and subject to the terms and conditions of the Land Use Right Transfer Agreement.

The Land Use Right Transfer Agreement

The principal terms of the Land Use Right Transfer Agreement are as follows:

- Date:** 17 December 2021 (after trading hours)
- Parties:**
- (1) The Company (as the transferor)
 - (2) Jiaxing Pipeline Company (as the transferee)

Subject matter

The Land Use Right is for municipal use and was granted to the Company up to 10 November 2059 for a land parcel in Nanhu District, Jiaxing with an area of 7,373.19 sq.m. As disclosed in the Prospectus, the land for which the Land Use Right relates to has been leased to Jiaxing Pipeline Company for a term from 1 January 2010 to 31 December 2028.

Consideration and terms of payment

The consideration for the Land Use Right is RMB5,250,000, which is the market value appraised by an independent property valuer using the land datum value method as at 25 May 2021, of which 50% will be paid within 10 working days following the date of the Land Use Right Transfer Agreement and the remaining 50% will be paid within 10 working days following the delivery of possession of the land parcel under the Land Use Right Transfer Agreement and the real property ownership certificate indicating Jiaxing Pipeline Company as the owner of the Land Use Right.

Net profit/(loss) before/after taxes

For the years ended 31 December 2019 and 2020, the land for which the Land Use Right relates to has been leased to Jiaxing Pipeline Company and the net profit attributable to the Land Use Right is as follows:

	For the year ended 31 December 2019 <i>(RMB'000)</i>	For the year ended 31 December 2020 <i>(RMB'000)</i>
Net profit before taxes	140.2	140.2
Net profit after taxes	104.4	93.3

Financial Effects of the Sale

The Group expects to realise a gain of approximately RMB1.9 million from the transfer of the Land Use Right, which represents the consideration under the Land Use Right Transfer Agreement less (a) the book value of the Land Use Right, which was approximately RMB1.1 million as at the date of this announcement; (b) corporate income tax of approximately RMB0.6 million; and (c) value-added tax and other taxes and expenses in connection with the transfer of the Land Use Right of approximately RMB1.7 million.

Shareholders should note that the financial effect set out in the above is for illustrative purpose only. The actual amount of gain or loss as a result of the transfer of the Land Use Right to be recorded in the audited financial statements of the Group will be subject to the review and final audit by the auditors of the Group.

The net proceeds from the transfer of the Land Use Right will be used as the general working capital of the Company.

Reasons for and Benefits of Entry into of the Land Use Right Transfer Agreement

The Directors believe that the entry into of the Land Use Right Transfer Agreement with Jiaxing Pipeline Company is conducive to streamlining the assets of the Company and obtaining more working capital for business development and enhancement of the core competitiveness of the Company.

The Directors, including independent non-executive Directors, believe that given the consideration under the Land Use Right Transfer Agreement is based on the appraised market value, the Land Use Right Transfer Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Land Use Right Transfer Agreement has been approved by the Board. Mr. He Yujian, being the chairman of Jiaxing Pipeline Company and a non-executive Director of the Company, has abstained from voting on the board resolution approving the Land Use Right Transfer Agreement and the transactions contemplated thereunder.

Information on the Parties Involved

The Company is principally engaged in the sales of piped natural gas, liquefied natural gas and liquefied petroleum gas in Jiaxing, provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers and provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

Jiaxing Pipeline Company, a limited liability company established under the laws of the PRC on 2 June 2006, is principally engaged in building pipeline networks in Jiaxing and supplies piped natural gas as an upstream supplier. Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder, which is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會) as at the date of this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. 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. Accordingly, the Land Use Right Transfer Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 0.1% but all are less than 5%, the Land Use Right Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“City Development”	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC 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 limited liability company established under the laws of the PRC, with its H Shares listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are issued, listed on the Stock Exchange, subscribed and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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), formerly known as Jiaxing Natural Gas Pipeline Network Construction Management Co., Ltd.* (嘉興市天然氣管網建設管理有限公司), a limited liability company established under the laws of the PRC on 2 June 2006, a direct wholly-owned subsidiary of City Development
“Land Use Right”	the land use right for a land parcel in Nanhu District, Jiaxing, the PRC to be transferred from the Company to Jiaxing Pipeline Company under the Land Use Right Transfer Agreement
“Land Use Right Transfer Agreement”	the land use right transfer agreement dated 17 December 2021 entered into between the Company and Jiaxing Pipeline Company in relation to the transfer of Land Use Right
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 30 June 2020 in connection with its global offering
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“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
“%”	percentage

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

Jiaxing, the PRC, 17 December 2021

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

* For identification purpose only