
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 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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF
10% EQUITY INTEREST IN TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 15 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 35 of this circular.

The notice convening the EGM of JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Friday, 9 June 2023 at 9:30 a.m. is set out on pages 65 to 67 of this circular.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the EGM (i.e. not later than 9:30 a.m. on Thursday, 8 June 2023 (Hong Kong time)) or the adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“City Development”	Jiaying City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a substantial Shareholder of the Company, being a state-owned enterprise established under the laws of the PRC on 21 December 2009, and solely owned by Zhejiang Jiaying State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly owned as to 95.9571% by State-owned Assets Supervision and Administration Commission of Jiaying Municipal People’s Government* (嘉興市人民政府國有資產監督管理委員會) and as to 4.0429% by Zhejiang Financial Development Co., Ltd.* (浙江省財務開發有限責任公司), a wholly-owned entity under Zhejiang Provincial Department of Finance* (浙江省財政廳)
“Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a joint stock limited liability company incorporated in the PRC whose issued H Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Concert Parties”	collectively, Taiding, Mr. Xu Songqiang, Ms. Xu Hua (徐華) and Fengye, being the parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021
“Condition(s)”	the conditions precedent to Completion pursuant to the Equity Transfer Agreement, a summary of which is set forth under the paragraph headed “Equity Transfer Agreement – Conditions” in the announcement of the Company dated 8 May 2023

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB33,600,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic invested ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB, and are unlisted Shares which are currently not listed or traded on any stock exchange
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“EGM”	the extraordinary general meeting of the Company to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Friday, 9 June 2023 at 9:30 a.m., to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 65 to 67 of this circular, or any adjournment thereof
“Equity Transfer Agreement”	the equity transfer agreement for the Acquisition entered into between, inter alia, the Vendor and Purchaser dated 8 May 2023
“Fengye”	Fengye Holdings Group Company Limited* (楓葉控股集團有限公司), a limited liability company established under the laws of the PRC on 24 April 1996, which is wholly-owned by Zhejiang Fengye Environmental Protection Technology Co., Ltd.* (浙江楓葉環保科技有限公司), which is in turn owned as to 61% by Ms. Fu Shengying and 39% by Mr. Fu Zhiquan
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of the H Share(s)

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the Equity Transfer Agreement
“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 Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolution approving the Acquisition and the transactions contemplated thereunder
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Jiayuan Shencheng”	Zhejiang Jiayuan Shencheng Real Estate Group Co., Ltd* (浙江佳源申城房地產集團有限公司), a limited liability company established under the laws of the PRC on 6 April 2016 and an Independent Third Party
“Latest Practicable Date”	19 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Jiaying Jiaran Construction Co., Ltd.* (嘉興市嘉燃建設有限公司) (formerly known as Jiaying Jia’an Gas Technology Service Company Limited* (嘉興市佳安燃氣技術服務有限公司)), a limited liability company established under the laws of the PRC on 19 December 2006, a direct wholly-owned subsidiary of the Company, which is the purchaser of the Sale Interest
“Qianyu”	Qianyu Group Company Limited* (乾宇集團有限公司), a limited liability company established under the laws of the PRC on 14 July 2009 and an associate of Mr. Fu Songquan, a non-executive Director
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 10% equity interest in the Target Company that is registered under the name of Yuancheng Xiangyuan while being beneficially owned by the Vendor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of RMB1.00 each in the capital of the Company, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of Share(s), comprising Domestic Shareholder(s) and H Shareholder(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taiding”	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011 and owned as to 65% by Mr. Sun Lianqing and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing

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“Target Company”	Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.* (鹽城星洲佳源房地產開發有限公司), a limited liability company established under the laws of the PRC on 19 November 2019, which is beneficially owned as to 65%, 20% and 15% by Yancheng Xiangyuan, the Vendor and Yancheng Chengnan Real Estate Development Co., Ltd* (鹽城市城南房地產開發有限責任公司), respectively
“Vendor”	Urban Economics Pte. Ltd. (新加坡城市經濟發展有限公司*), a limited liability company incorporated in Singapore, which is the beneficial owner of the Sale Interest in the Target Company and an Independent Third Party
“Yancheng Xiangyuan”	Yancheng Xiangyuan Real Estate Co., Ltd.* (鹽城祥源房地產有限公司), a limited liability company established under the laws of the PRC on 20 December 2019, an associate of Mr. Sun Lianqing, the chairman of the Board and an executive Director, which is the registered owner of the Sale Interest
“Zhuji Yujia”	Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有限公司), a limited liability company established under the laws of the PRC on 13 December 2018, a wholly-owned subsidiary of Qianyu and an associate of Mr. Fu Songquan, a non-executive Director
“%”	per cent

* For identification purpose only

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 and chief executive officer)
Mr. Xu Songqiang

Non-executive Directors:

Mr. Xu Jiong
Mr. Zheng Huanli
Mr. Fu Songquan
Mr. Ruan Hongliang

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

24 May 2023

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF 10% EQUITY INTEREST IN TARGET COMPANY

1. INTRODUCTION

Reference is made to the announcement of the Company dated 8 May 2023 in relation to the discloseable and connected transaction in relation proposed acquisition of 10% of equity interest in Target Company.

The purposes of this circular are to provide you with (i) details of the Equity Transfer Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement, (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, and (iv) a notice convening the EGM at which ordinary resolution will be proposed to seek the Independent Shareholders' approval for the Acquisition and the transactions contemplated thereunder.

* For identification purpose only

LETTER FROM THE BOARD

2. PROPOSED ACQUISITION OF 10% EQUITY INTEREST IN TARGET COMPANY

The Acquisition

On 8 May 2023, the Equity Transfer Agreement was entered into between, *inter alia*, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Purchaser has agreed to conditionally purchase from the Vendor the 10% equity interest in the Target Company for a Consideration of RMB33,600,000, which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, and the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shencheng given that the Vendor also owes an associated company of Jiayuan Shencheng a debt. As at 31 December 2022, the aggregate amount of principal and interest that Jiayuan Shencheng owed the Group was approximately RMB64.5 million. It is expected that, after set-off of an amount equivalent to the Consideration upon Completion, the outstanding balance would be approximately RMB30.9 million which is expected to be repaid to the Group by 30 September 2023.

Equity Transfer Agreement

Major terms of the Equity Transfer Agreement are set out below:

Date

8 May 2023

Parties

- a. The Purchaser (a wholly-owned subsidiary of the Company);
- b. Yancheng Xiangyuan (as registered owner of the Sale Interest); and
- c. The Vendor (as beneficial owner of the Sale Interest).

Subject matter of the Acquisition

The 10% equity interest in the Target Company.

Consideration

The Consideration for the Acquisition is RMB33,600,000 which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, on the basis that the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shengcheng, upon Completion.

Basis of Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account, among others, (i) value of the Sale Interest as at 31 March 2023 of approximately RMB36,566,403 as appraised by an independent asset valuer with asset-based approach; and (ii) the reasons and benefits set out in the section headed "Reasons for and Benefits of the Acquisition" in this circular.

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On the basis of the above factors, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is subject to the satisfactory fulfillment and/or waiver of the following Conditions:

- (a) the passing of the necessary resolution by the Independent Shareholders at the duly convened EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder;
- (b) the Purchaser having completed the relevant due diligence of the Target Company including but not limited to financial and legal due diligence, and being satisfied with the results of the due diligence in all respects;
- (c) the Vendor and the Target Company having disclosed to the Purchaser in writing all information and materials related to transfer of the Sale Interest that are required by the Purchaser and there having been no material omissions, concealment or misleading statements;
- (d) the passing of the necessary resolutions by the shareholders or the board of directors of each of the Vendor and the Target Company approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder in the form and substance satisfactory to the Purchaser, which should contain (i) as for Vendor, confirming (a) it has obtained all approvals and/or consents to enter into and perform its obligations under the Equity Transfer Agreement, (b) the entering into of the Equity Transfer Agreement does not violate any other documents it has signed, (c) the consent of all shareholders of the Target Company have been obtained in respect of the transfer of Sale Interest and the relevant shareholders have expressly waived their pre-emptive right to the transfer of the Sale Interest in writing; and (ii) as for the Target Company, the right of the Vendor to appoint one director of the Target Company shall be exercised by the Purchaser such that the Purchaser shall have the right to appoint one director to the board of the Target Company;
- (e) all transitional obligations of Yancheng Xiangyuan, the Vendor and the Target Company under the Equity Transfer Agreement having been properly complied with;
- (f) all representations, warranties and undertakings of Yancheng Xiangyuan, the Vendor and the Target Company under the Equity Transfer Agreement having remained true, accurate, complete and not misleading;

LETTER FROM THE BOARD

- (g) apart from the registration with the market supervision and management authority on the Completion Date, having obtained all approvals and consents for the transfer of the Sale Interest and such approvals and consents having remained fully valid and there being no applicable laws or actions of government agencies that restrict, prohibit or cancel the transfer of the Sale Interest, nor being there any litigation or other disputes that would have a material adverse effect on the legality or otherwise of the transfer of the Sale Interest; and
- (h) the Target Company and the Vendor having delivered to the Purchaser a duly signed statement certifying that the above Conditions except Conditions (a) and (b) have been satisfied.

The Purchaser may at any time waive in writing any Conditions (other than Conditions (a) and (g) above).

If the Conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before the date falling three months from the date of the Equity Transfer Agreement (or any later date agreed by the Purchaser) (the “**Long Stop Date**”), the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement without any liability for breach of contract, and reserve the right to recover losses resulting from any breach by other parties.

Completion

When the Conditions have been fulfilled or waived by the Purchaser (as the case may be), Yancheng Xingzhou, the Vendor and the Target Company shall complete the necessary registration to have the Sale Interest registered under the name of the Purchaser at the competent market supervision and management authority.

The Completion shall take place no later than the Long Stop Date.

Upon Completion, the Target Company will be owned as to 10% by the Purchaser. Therefore, the Company will, through its direct wholly-owned subsidiary, the Purchaser, be interested in the 10% equity interest of the Target Company and the results of which will not be consolidated into the financial statements of the Group.

Information about the parties to the Equity Transfer Agreement

The Group is principally engaged in (i) the sales of gas, mainly piped natural gas, 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

The Purchaser is a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company, principally engaged in the provision of construction and installation services.

Yancheng Xiangyuan is a limited liability company established under the laws of the PRC which is principally engaged in property development, property management and the provision of carpark services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Yancheng Xiangyuan was ultimately owned as to (i) 51% by Taiding, which was a company owned as to 65% by Mr. Sun Lianqing, the chairman of the Board and executive Director, and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing; and (ii) 49% by Shaoxing Buheng Real Estate Development Co., Ltd.* (紹興步恒置業發展有限公司), which was a company ultimately owned as to 98% by Mr. Zhu Genshui and as to 2% by Ms. Zhu Lanzhen, who were Independent Third Parties.

The Vendor is a limited liability company incorporated in Singapore which is principally engaged in the provision of management consultancy services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the Vendor was ultimately owned by Mr. Chen Hongbing, Mr. Ma Tong, Mr. Zong Chong and Mr. Xu Dewei as to approximately 35.7%, 35.7%, 14.3% and 14.3%, respectively.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the Vendor and its ultimate beneficial owners were Independent Third Parties.

Information of Jiayuan Shencheng

Jiayuan Shencheng is a limited liability company established under the laws of the PRC which is principally engaged in property development and the provision of corporate management consultancy services and corporate management services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Jiayuan Shencheng was a subsidiary of Jiayuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) which was 100% ultimately owned by Mr. Shum Tin Ching (also known by the alias of Mr. Shen Yuxing).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Jiayuan Shencheng and its ultimate beneficial owner were Independent Third Parties.

Information of the Target Company

The Target Company is a company established in the PRC with limited liability, and is beneficially owned as to 65%, 20% and 15% by Yancheng Xiangyuan, the Vendor and Yancheng Chengnan Real Estate Development Co., Ltd.* (鹽城市城南房地產開發有限責任公司) (“**Yancheng Chengnan**”), respectively, as at the Latest Practicable Date. Yancheng Chengnan was ultimately wholly-owned by Yancheng People’s Government* (鹽城市人民政府). The Target Company is principally engaged in property development, property

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management and carpark management. As at the Latest Practicable Date, the Target Company possessed one land use right in relation to a piece of residential and commercial land with an aggregate site area of 130,827.0 square metres.

As at the Latest Practicable Date, the Target Company had no subsidiary.

Financial information of the Target Company

Set out below is the summary of the key financial information of the Target Company for the two years ended 31 December 2021 and 31 December 2022, prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December 2021 (audited) RMB'000	For the year ended 31 December 2022 (unaudited) RMB'000
Revenue	–	–
Net profit/(loss)	<u>(6,452.3)</u>	<u>(16,709.8)</u>

The audited net asset value of the Target Company as at 31 December 2021 was approximately RMB365.2 million and the unaudited net asset value of the Target Company as at 31 December 2022 was approximately RMB348.5 million.

The registered capital of the Target Company is RMB720 million, of which RMB468 million, RMB144 million and RMB108 million are attributable to the 65%, 20% and 15% interest in the Target Company held by Yancheng Xiangyuan, the Vendor and Yancheng Chengnan, respectively. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, approximately RMB288 million and RMB88.6 million of registered capital had been paid up by Yancheng Xiangyuan and the Vendor respectively, representing approximately 61.5% of their respective capital contribution obligations, for supporting the then capital needs of the Target Company over the past years. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the reason why no capital contribution from Yancheng Chengnan was recorded was that Yancheng Chengnan had provided support to the operational needs of the Target Company by means other than capital contribution, and therefore the Target Company had not demanded for capital contribution from Yancheng Chengnan.

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The portion of unpaid capital attributable to the 20% interest in the Target Company currently held by the Vendor was RMB55.4 million as at the Latest Practicable Date. Upon Completion i.e. after the Purchaser has purchased the Sale Interest from Vendor, which represents half of the interest currently held by the Vendor, the Purchaser shall assume the obligation to pay up the approximately RMB27.7 million unpaid capital attributable to the Sale Interest, which represents half of the unpaid capital that the Vendor currently has obligation to pay up. As the RMB27.7 million represents the unpaid capital attributable to the Sale Interest which is proportionate to the percentage equity interest that the Purchaser will have in the Target Company upon Completion, and that the amount also represents the monetary contribution potentially required to be paid by the Purchaser for covering the costs and expenses associated with the property development project undertaken by the Target Company, the Directors consider that the assumption of the obligation to pay up such capital is fair and reasonable and in the interest of the Company and its shareholders as a whole. As at the Latest Practicable Date, there was no specific timeline for payment of the remaining unpaid capital as further payment of the registered capital of the Target Company shall be subject to the actual capital needs of the Target Company and the relative levels of equity and debt financing required at different stages of the project and over the course of the operation period of the Target Company which is until 18 November 2039. It is understood that the Target Company is in the course of ascertaining the capital needs which have to be satisfied by capital contribution rather than other financing means in the future, and the Group and Yancheng Xiangyuan (controlled by Mr. Sun Lianqing, the chairman of the Board), which together will hold 75% of the voting rights in the Target Company and 4 out of 5 board seats on the board of the Target Company after Completion, will push for a clearer timeline for future injection of the registered capital to be set and procure all shareholders of the Target Company including Yancheng Chengnan, which only holds 15% of the voting rights in the Target Company and 1 board seat on the board of the Target Company, to pay up their respective share of the registered capital in accordance with the new timeline that will be set out in the amended articles of association of the Target Company.

Reasons for and Benefits of the Acquisition

The Group has been exploring various opportunities for investments projects to broaden the scope of investment according to the market conditions with an aim to enhance Shareholders' value. Despite the slowdown of the PRC market in 2022, the PRC government has introduced various policies to stabilise the property market and reinforce the status of real estate being a major industry in the PRC. According to the Notice of the People's Bank of China and the China Banking and Insurance Regulatory Commission on Enhancing the Current Financial Support for the Steady and Healthy Development of the Real Estate Market* (中國人民銀行中國銀行保險監督管理委員會關於做好當前金融支持房地產市場平穩健康發展工作的通知) published in November 2022, the PRC government will keep the real estate financing in a stable and orderly manner to support the healthy development of the real estate market. Further, based on the 2022 Central Economic Working Conference* (2022中央經濟工作會議) took place in December 2022, the PRC government has made clear that the real estate industry is a pillar of the nation's economy, and the government will make strategies from the supply and demand aspects and to assist real estate corporations in their transformation into a new industry model.

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The Target Company is the developer of a real estate project concerning a piece commercial and residential land in Yancheng, Jiangsu Province with an aggregate site area of 130,827.0 square metres, and the real estate project involves the construction of 21 residential buildings offering approximately 1,792 residential units in total and commercial building(s), shop(s), hotel(s), of an aggregate gross floor area of approximately 471,880.67 square meters. As at the Latest Practicable Date, the Target Company had commenced construction of 18 residential buildings and had sold 731 residential units in pre-sale. Given the firm support of the PRC government in the real estate market and the steady progress of the real estate project of the Target Company, the Directors are of the view that the investment in the Target Company will bring positive financial impacts to the Group through the possible future dividend distribution of the Target Company that will take place after the Target Company has accumulated profit from the sales of the real estate project. As the Group has also been providing landscape construction services to real estate developers, including the Target Company, as part of its business, the Directors believe that the Acquisition is in line with the overall business direction of the Group, and the property development business of the Target Company will create synergies with the existing municipal construction business of the Group.

Taking into account, among others, the above factors, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) are of the opinion that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms or better after arm's length negotiations between the parties and are fair and reasonable, and the Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Sun Lianqing, as a controller (within the meaning under Rule 14A.28 of the Listing Rules) of the Company, was a substantial shareholder of the Target Company. The Acquisition therefore constitutes a connected transaction under Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration exceeds HK\$10 million, the Acquisition is subject to the announcement, circular and the independent shareholders' approval requirements under the Listing Rules.

Mr. Sun Lianqing is considered to have a material interest in the Acquisition and he has therefore abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreement and none of them has abstained from voting on the relevant Board resolution.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Concert Parties together held 35,045,103 Shares, representing 25.42% of the total issued share capital of the Company. The Concert Parties will abstain from voting on the resolution approving the Acquisition and the transactions contemplated thereunder in the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder was interested in the Acquisition and the transactions contemplated thereunder.

3. EGM AND PROXY ARRANGEMENT

The notice of the EGM to be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC on Friday, 9 June 2023 at 9:30 a.m. is set out on pages 65 to 67 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, the Concert Parties together held 35,045,103 Shares, representing 25.42% of the total issued share capital of the Company. The Concert Parties will abstain from voting on the resolution approving the Acquisition and the transactions contemplated thereunder in the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the resolution put to vote at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>). To be valid, for H Shareholders, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authorisation documents (if any) under which it is signed or a notarised letter of authority at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. For Domestic Shareholders, the form of proxy should be returned to the Company's registered office in the PRC at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the EGM (i.e. at or before 9:30 a.m. on Thursday, 8 June 2023 (Hong Kong time)) or any adjournment thereof (as the case maybe).

Completion, signing and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

LETTER FROM THE BOARD

4. CLOSURE OF H SHARE REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, H Shareholders whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 June 2023 (Hong Kong time). Shareholders whose names appear on the register of members of the Company on Tuesday, 6 June 2023 are entitled to attend and vote at the EGM.

5. RECOMMENDATIONS

The Board of Directors (including the independent non-executive Directors whose views have been formed taking the advice of the Independent Financial Adviser into account) considers that the Acquisition and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment and/or waiver of the Conditions. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

6. ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee on pages 16 to 17 of this circular which contains its advice to the Independent Shareholders regarding the Acquisition and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser on pages 18 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Equity Transfer Agreement and the principal factors and reasons taken into consideration in arriving at its advice; (iii) the appendices to this circular on pages 47 to 64 of this circular which contain the summary of the equity valuation report and the property valuation report.

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

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.



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

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

(Stock Code: 9908)

24 May 2023

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF 10% EQUITY INTEREST IN TARGET COMPANY

We refer to the circular of the Company to the Shareholders dated 24 May 2023 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider whether the Equity Transfer Agreement, though not entered into in the ordinary and usual course of business of the Group, is on normal commercial terms, fair and reasonable, and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

The Independent Financial Adviser has been appointed by the Company to advise us and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 18 to 35 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 6 to 15 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 18 to 35 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other things, the principal factors and reasons underlying the Equity Transfer Agreement as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider the Equity Transfer Agreement, though not entered into in the ordinary and usual course of business of the Group, is on normal commercial terms, fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution for approving the Acquisition and the transactions contemplated thereunder as set out in the notice of the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
JiaXing Gas Group Co., Ltd.*
Yu Youda
Cheng Hok Kai Frederick
Zhou Xinfu

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition, which has been prepared for the purpose of incorporation into this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

24 May 2023

To the Independent Board Committee and the Independent Shareholders

JiaXing Gas Group Co., Ltd.

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

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO PROPOSED ACQUISITION OF 10% EQUITY
INTEREST IN TARGET COMPANY**

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 terms of the Acquisition, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 24 May 2023 (the “Circular”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 8 May 2023, the Equity Transfer Agreement was entered into between, *inter alia*, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Vendor has conditionally agreed to transfer 10% of the equity interest of the Target Company to the Purchaser for a consideration of RMB33,600,000 which shall be satisfied by way of pro tanto set-off against an equivalent amount of debt owed by Jiayuan Shencheng to the Purchaser, and the Vendor has agreed to settle on behalf of Jiayuan Shencheng given that the Vendor also owes an associated company of Jiayuan Shencheng a debt. As at 31 December 2022, the aggregate amount of principal and interest that Jiayuan Shencheng owed the Group was approximately RMB64.5 million. It is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

expected that, after set-off of an amount equivalent to the Consideration upon Completion, the outstanding balance would be approximately RMB30.9 million which is expected to be repaid to the Group by 30 September 2023.

LISTING RULES IMPLICATIONS

Mr. Sun Lianqing, as a controller (within the meaning under Rule 14A.28 of the Listing Rules) of the Company, is a substantial shareholder of the Target Company. The Acquisition therefore constitutes a connected transaction under Rule 14A.28 of the Listing Rules.

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% and the Consideration exceeds HK\$10 million, the Acquisition is subject to the announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Sun Lianqing is considered to have a material interest in the Acquisition and he has therefore abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreement and none of them has abstained from voting on the relevant Board resolution.

As at the date of the circular, the Concert Parties together hold 35,045,103 Shares, representing 25.42% of the total issued share capital of the Company. The Concert Parties will abstain from voting on the resolution approving the Acquisition and the transactions contemplated thereunder in the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of the circular, no other Shareholder is interested in the Acquisition and the transactions contemplated thereunder.

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 consider and advise the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the entering into of the Equity Transfer 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 thereto to be proposed at the EGM, after 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 Equity Transfer Agreement are fair and reasonable; (ii) whether the entering into of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Equity Transfer 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 thereto to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards to the revision of annual cap for continuing connected transactions, details of which are set out in the circular of the Company dated 14 October 2022. Save for the aforesaid engagement, 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 Loan Agreement is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the Equity Transfer Agreement; (iii) the Equity Valuation Report issued by the Independent Asset Valuer (as defined under the paragraph headed “4. Evaluation of the Consideration of the Acquisition” below); and (iv) other information contained or referred to 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 for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM.

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 at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is principally engaged in (i) the sales of gas, mainly piped natural gas, 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.

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the 2022 Annual Report.

Extract of consolidated statement of profit or loss

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
	(audited)	(audited)
Revenue	1,988,553	3,466,036
(a) Contracts with customers	1,982,168	3,460,687
(b) Rental income	13,137	13,835
(c) Government surcharges	(6,752)	(8,486)
Gross profit	237,670	165,761
Share of profits and loss of:		
Joint ventures	(13,098)	(10,589)
Associates	11,582	2,838
Profit for the year/period	112,448	76,422

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	1,374,294	1,444,837
– Property, plant and equipment	494,280	576,333
– Investment properties	220,203	203,248
– Investments in joint ventures	354,396	323,426
– Investments in associates	15,506	10,826
Current assets	589,427	631,990
– Debt investment at amortised cost	60,000	58,600
– Cash and cash equivalents	258,664	220,691
Non-current liabilities	712,715	673,782
Current liabilities	435,127	525,536
Net assets	815,879	877,509

Year ended 31 December 2021 (FY2021) compared with year ended 31 December 2022 (FY2022)

The Group's revenue is primarily derived from sales of natural gas to customers and the overall substantial increase in revenue, from approximately RMB2.0 billion in FY2021 to RMB3.5 billion in FY2022 was mainly due to the increase in sales volume of natural gas by approximately 74.5%. However, as a result of the inversion of residential gas sales prices during FY2022, notwithstanding the significant increase in the Group's revenue, gross profit of the Group dropped from approximately RMB237.7 million for FY2021 to approximately RMB165.8 million in FY2022.

In addition, the Group invested in joint ventures, associates as well as financial assets which include listed and unlisted equity or products. With regard to the Group's investments in joint ventures, which are mainly engaged in the construction of docks and LNG warehouses, operations of natural gas refuelling stations and sales of hydrogen refuelling and hydrogen storage facilities for stations in the PRC, the Group recorded share of losses of approximately RMB13.1 million and RMB10.6 million during FY2021 and FY2022 respectively.

The Group also invested in associates, which are in the businesses of sales of gas products and pipeline constructions and maintenance, operation of natural gas refuelling stations, sales of piped gas products and road freight transport. Share of profits from the Group's associates amounted to approximately RMB11.6 million and RMB2.8 million during FY2021 and FY2022 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Due to the net effects of (i) the aforementioned decrease in the Group's gross profit; and (ii) other income of government grant (FY2022: approximately RMB10.9 million; FY2021: RMB8,000) and gain on foreign exchange differences (FY2022: foreign exchange gain of approximately RMB14.9 million; FY2021: foreign exchange loss of approximately RMB6.7 million), the Group's profit for the year decreased from approximately RMB112.4 million for FY2021 to RMB76.4 million for FY2022.

31 December 2021 compared with 31 December 2022

The Group's non-current assets mainly comprised of property, plant and equipment, investment properties and investments in joint ventures, which accounted for approximately 77.8% and 76.3% of the Group's total non-current assets as at 31 December 2021 and 2022 respectively.

The Group's cash and cash equivalents represents approximately 43.9% and 34.9% of its current assets as at 31 December 2021 and 2022 respectively. During FY2021, the Group provided a loan to a third party company, which was recorded as a debt investment at amortised cost; such loan amounted to RMB58.6 million and RMB60.0 million as at 31 December 2022 and 2021 respectively and is due on 31 December 2023.

The Group's liabilities mainly included trade and bills payables, contract liabilities and interest-bearing bank borrowings. The enhancement of net assets from approximately RMB815.9 million to RMB877.5 million was mainly due to profits made during FY2022.

1.2 Outlook of the Group

Taking into consideration of the merging of the national pipeline network and the provincial pipeline network as well as the acceleration of the reform of the natural gas industry, the Management is optimistic on the Group's future prospects as the Company can use the provincial natural gas pipeline network operator in the future to further expand procurement sources and coordinate pipeline gas resources and LNG resources to enhance the Group's natural gas supply capacity and competitiveness.

2. Reasons for the Acquisition

The Target Company is principally engaged in property development, property management and carpark management and possesses one land use right in relation to a piece of residential and commercial land with an aggregate site area of 130,827.0 square metres. The Target Company is the developer of a real estate project which involves the construction of 21 residential buildings offering approximately 1,792 residential units and commercial buildings of aggregate gross floor area of approximately 471,880.67 square metres. As at the Latest Practicable Date, the Target Company has commenced construction of 18 residential buildings and has sold 731 residential units in pre-sale. Accordingly, the Acquisition is an opportunity for the Group to further invest in the real estate sector.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has been exploring various opportunities for investment projects to broaden the scope of investment according to the market conditions with an aim to enhance Shareholders' value. The investment into the Target Company is in-line with the Group's overall investment strategy, whereby apart from investments in joint ventures, associates and financial assets, the Group also invested in properties in the PRC amounting to approximately RMB203.2 million as at 31 December 2022. Please refer to the paragraph headed "1.1. Financial information of the Group" of this letter for details of the Group's investments.

As the Group has also been providing landscape construction services to real estate developers, including the Target Company under the Landscape Construction Agreement, as part of its business, the investment into the Target Company not only is in-line with the Group's overall business, the Management believes the property development business of the Target Company will also create synergies with the existing municipal construction business of the Group. Moreover, the Directors are of the view that the investment in the Target Company will bring positive financial impacts to the Group through the possible future dividend distribution of the Target Company that will take place after the Target Company has accumulated profit from the sales of the real estate project. Given that real estate development projects normally generate income when the properties are sold, we are of the view that the expectation of realising investment return by way of dividend distribution after the Target Company has accumulated profit from sale of properties is reasonable.

In addition, with regard to the prospect of the real estate sector in the PRC, we noted that the PRC government has introduced various policies to stabilise the property market and reinforce the status of real estate being a major industry in the PRC. According to the Notice of the People's Bank of China and the China Banking and Insurance Regulatory Commission on Enhancing the Current Financial Support for the Steady and Healthy Development of the Real Estate Market* (中國人民銀行中國銀行保險監督管理委員會關於做好當前金融支持房地產市場平穩健康發展工作的通知) published in November 2022, the PRC government will maintain the real estate financing in a stable and orderly manner to support the healthy development of the real estate market. Further, based on the 2022 Central Economic Working Conference* (2022中央經濟工作會議) which took place in December 2022, the PRC government has made clear that the real estate industry is a pillar of the nation's economy, and the government will make strategies from the supply and demand aspects and to assist real estate corporations in their transformation into a new industry model. Therefore, we concur with the Management that broadening the Group investment under the current market conditions via the investment into the Target Company is in-line with the overall business direction of the Group and that it is in the interest of the Company and Shareholders as a whole.

3. Principal terms of the Equity Transfer Agreement

Major terms of the Equity Transfer Agreement are set out below:

Date	8 May 2023
Parties	a. The Purchaser (a wholly-owned subsidiary of the Company);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- b. Yancheng Xiangyuan (as registered owner of the Sale Interest); and
- c. The Vendor (as beneficial owner of the Sale Interest)

Subject matter of the Acquisition	The 10% equity interest of the Target Company.
Consideration	RMB33,600,000 which shall be satisfied by way of pro tanto set-off against an equivalent amount of the debt owed by Jiayuan Shencheng to the Purchaser, on the basis that the Vendor has agreed to settle such amount of debt on behalf of Jiayuan Shengcheng, upon Completion.
Conditions	Please refer to the paragraph headed “Conditions” under the “Letter from the Board”

According to the “Letter from the Board”, the registered capital of the Target Company is RMB720 million, of which RMB468 million, RMB144 million and RMB108 million are attributable to the 65%, 20% and 15% interest in the Target Company held by Yancheng Xiangyuan, the Vendor and Yancheng Chengnan, respectively. It is noted that no capital contribution from Yancheng Chengnan was recorded as Yancheng Chengnan had provided support to the operational needs of the Target Company by means other than capital contribution, and therefore the Target Company had not demanded for capital contribution from Yancheng Chengnan.

As confirmed by the Management, (i) shareholders of the Target Company is obliged to contribute the registered capital according to their respective shareholding of the Target Company; (ii) the registered capital attributable to the Sale Interest is RMB72 million, being 10% of the registered capital; (iii) as at the Latest Practicable Date, among the RMB72 million registered capital attributable to the Sale Interest, approximately RMB44.3 million had been paid up; (iv) the Purchaser shall assume the obligation to pay up the remaining approximately RMB27.7 million unpaid capital attributable to the Sale Interest; and (v) as at the Latest Practicable Date, there was no specific timeline for payment of the remaining unpaid capital as further payment of the registered capital of the Target Company shall be subject to the actual capital needs of the Target Company and the relative levels of equity and debt financial required at different stages of the project and over the course of the operation period of the Target which is until 18 November 2039;

We have reviewed the Equity Valuation Report and noted that the Target Company’s valuation of approximately RMB365.7 million had taken into account of the paid-up capital. In relation to obligated unpaid capital by the shareholders of the Target Company, such amounts shall not be reflected or considered when conducting the valuation of the Target Company based on the asset-based valuation method.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding that the Group assumes the obligation to pay up the aforementioned RMB27.7 million unpaid capital attributable to the Sale Interest upon Completion, we are of the view that such future investment is in-line with the Group's overall investment strategy, where it had also made various investments in joint ventures, associates and financial assets as detailed under the paragraph headed "Financial information of the Group" above.

As such, given that the Group's obligation to pay up the remaining RMB27.7 million share capital (i) relates to Target Company's future business operational needs; and (ii) shall not be reflected in the valuation of the Target Company based on the asset-based valuation method, we are of the view that our analysis under the paragraph headed "4. Evaluation of the Consideration of the Acquisition" below is sufficient for our assessment of the fairness and reasonableness of the Consideration.

In addition, considering that (i) since shareholders of the Target Company is obliged to contribute the registered capital according to their respective shareholding, once becoming a shareholder of the Target Group, it is reasonable that the Group shall assume the obligation to pay up the remaining RMB27.7 million share capital (regardless of whether there is any unpaid share capital attributable to other shareholders of the Target Company); and (ii) payment of the registered capital of the Target Company shall be subject to the actual capital needs of the Target Company and the relative levels of equity and debt financing required at different stages of the project, we are of the view that the fact that Yancheng Chengnan did not make capital contribution to the Target Company due to its provision of support to the operational needs of the Target Company, will not affect the fairness and reasonableness of the Group's obligation to pay up the remaining RMB27.7 million share capital attributable to the Sale Interest.

4. Evaluation of the Consideration of the Acquisition

According to the "Letter from the Board", the Consideration was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account, among others, (i) value of the Sale Interest as at 31 March 2023 (the "**Reference Date**") of approximately RMB36.6 million, being 10% of the appraised market value of the entire shareholders' equity of the Target Company, as appraised by an independent asset valuer (the "**Independent Asset Valuer**") with an asset-based approach; and (ii) the reasons and benefits set out in the section headed "Reasons and Benefits of the Acquisition" under the "Letter from the Board".

The Independent Asset Valuer has been engaged to issue the valuation report (the "**Equity Valuation Report**") in respect of the market value of the entire equity interest of the Target Company as at the Reference Date. We noted that as compared to the value of Sale Interest as at 31 March 2023 as appraised by the Independent Asset Valuer, the Consideration is lower by approximately RMB3.0 million, which is favourable to the Company.

4.1 *Independent Asset Valuer's qualification*

In assessing the competence of the Independent Asset Valuer, we have reviewed and enquired into (i) the qualification and experience of the Independent Asset Valuer; and (ii) the steps and due diligence measures taken by the Independent Asset Valuer in relation to the preparation of the Equity Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the qualifications of the Independent Asset Valuer, based on our interview with the Independent Asset Valuer and relevant qualifications cited from the website of China Appraisal Society, we noted that the Independent Asset Valuer possessed relevant qualifications to undertake the valuation of the entire equity interest of the Target Company. This includes the Independent Asset Valuer (i) being registered as a member with the China Appraisal Society; and (ii) having completed registered with the Jiaxing Municipal Bureau of Finance.

Regarding the competence of the Independent Asset Valuer, based on (i) internet search on the name of the Independent Asset Valuer; and (ii) a summary of credentials provided by the Independent Asset Valuer, we noted that the Independent Asset Valuer is equipped with relevant experience in valuing equity interests of PRC companies in real estate industry. In particular, we noted that the Independent Asset Valuer (i) had issued valuation report on the equity interest of a company principally engaged in property development in the PRC in relation to a transaction of a Hong Kong listed Company; and (ii) possesses experience in over ten real estate related asset valuation projects. In addition, according to the website of China Appraisal Society, each of the two signing principals of the Equity Valuation Report is registered as asset valuer.

Based on the above, we are satisfied with the competence of the Independent Asset Valuer in respect of the preparation of the Equity Valuation Report.

Having considered that:

- (i) as required under provision four of Basis Principles for Asset Valuation (資產評估基本準則, the “**Valuation Principles**”) issued by Ministry of Finance of the PRC in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;
- (ii) as required under provision six of the Valuation Principles, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or other relevant persons involved; and (c) should not determine the value on pre-setting basis; and
- (iii) the Independent Asset Valuer has confirmed it is independent from the Company, Yancheng Xiangyuan and the Vendor during the interview,

we are satisfied with the objectivity of the Independent Asset Valuer in the preparation of the Equity Valuation Report.

4.2 Valuation methodology

According to the Equity Valuation Report, as required by the Asset Appraisal Practice Guidelines – Enterprise Value (資產評估執業準則 – 企業價值) (the “**Practice Guidelines**”) issued by China Appraisal Society, when performing any valuation of enterprise value, the suitability of three valuation methods, namely the income approach, the market approach and the asset-based approach, shall be considered based on (i) the purpose of valuation, (ii) the nature of the subject being valued; and (iii) the availability of information, etc., so as to ensure of the application of the most appropriate valuation method(s).

In selecting appropriate valuation approach for the preparation of the Equity Valuation Report, we understand that the Independent Asset Valuer has considered the following valuation approaches and has the following views:

- (i) **Market approach:** According to the Practice Guidelines, the market approach in enterprise value evaluation refers to the valuation approach that compares the valuation target with comparable listed companies on stock exchanges or comparable transaction cases to determine the value of the valuation target.

The Independent Asset Valuer is of the view that the market approach is not applicable to this case for the reasons including that since the PRC currently lacks a fully developed and active capital market, it is difficult to accurately quantify the similarity between comparable listed companies or transaction cases and the evaluation object. Therefore, it is difficult to accurately consider the accuracy of valuation results based on the market approach.

As the Target Company is the developer of a real estate project for both commercial and residential use and the development of the properties had been ongoing, we concur with the Independent Asset Valuer’s view that the it is difficult to accurately quantify the similarity between comparable transactions and the evaluation object. Accordingly, the market approach is not applicable to this case.

- (ii) **Income approach:** According to the Practice Guidelines, the income approach in enterprise value evaluation refers to the valuation approach that capitalises or discounts the expected income to determine the value of the valuation target. Asset appraisal professionals shall consider the applicability of the income approach based on the corporate nature, asset scale, historical operating conditions, feasibility of future earning estimation and the adequacy of appraisal materials.

According to the Equity Valuation Report, from the perspective of the applicability of the income approach, (i) the future revenue of the Target Company is largely uncertain as it was established in April 2020 and

had been loss-making for the past two years; and (ii) the Target Company's daily operations are subject to considerable uncertainty as affected by the factors such as changes in management. It is not possible to reasonably predict the future profitability of the Target Company and it is difficult to accurately predict future revenue. Accordingly, the Independent Asset Valuer is of the view and we concur that the income approach is not applicable to this case.

- (iii) **Asset-based approach:** According to the Practice Guidelines, the asset-based approach in enterprise value evaluation refers to the valuation approach that reasonably evaluates the value of assets and liabilities on and off the balance sheet of the enterprise and determines the value of the evaluation object based on the balance sheet of the evaluation object on the evaluation base date. Moreover, when the asset-based approach is adopted for enterprise value evaluation, the value of each asset component shall be derived by appropriate valuation methodology according to the specific circumstances of each asset.

According to the Equity Valuation Report, the assets and liabilities on the balance sheet of the Target Company on the Reference Date, being the evaluation base date, can be clearly identified. The asset appraisal professionals are able to (i) collect sufficient external information in fulfilling the requirements of the asset-based approach; and (ii) carry out a comprehensive stocktake and assessment of the assets and liabilities of the Target Company. Accordingly, the Independent Asset Valuer is of the view that the asset-based approach is more appropriate for conducting the valuation of the Target Company.

We have reviewed the summary of asset appraisal results (資產評估結果分類匯總表) and noted that the assets and liabilities on the balance sheet of the Target Company were clearly identifiable. In particular, the book value of the real estate inventory (development cost) accounted for approximately 77.3% of the audited total asset of the Target Company as at the Reference Date. There were no intangible assets nor contingent liabilities. As such, given that the Equity Valuation Report was prepared in accordance with applicable laws, regulations and standards, we concur with the Independent Asset Valuer's view that the adoption of asset-based approach for conducting the valuation is appropriate and reasonable.

4.3 Assumptions

The Equity Valuation Report was subject to certain assumptions. We have interviewed the Independent Asset Valuer who advised that the assumptions adopted in the Equity Valuation Report are commonly adopted in valuation reports for equity interest. Nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Equity Valuation Report.

4.4 The appraised value of the Target Company

In assessing the appraised value of the market value of the entire equity interest of the Target Company as at the Reference Date, we noted from the Equity Valuation Report that the Independent Asset Valuer collected relevant information required for the asset-based approach, including the Target Company's audited balance sheet. We understand from the Independent Asset Valuer that, as the Target Company's balance sheet components relate primarily to the aforementioned real estate project undertaken by it, the valuation of the Target Company's real estate inventory, being the development costs, is essential for assessing the market value of the entire equity interest of it (the book value of the real estate inventory accounted for approximately 77.3% of the audited total asset of the Target Company as at the Reference Date, while other assets mainly represent cash and cash equivalents and receivables).

According to the Equity Valuation Report, for the real estate inventory of the Target Company, the Independent Asset Valuer adopted the following basic formulas and the inputs:

Appraised value = Appraised value of buildings + Appraised value of land use right

RMB1,640 million = RMB512 million + RMB1,128 million

Appraised value of buildings = Replace cost * New condition rate (成新率)

RMB512 million = RMB512 million * 100%

Appraised value of land use right = $V_0 * A * B * C * D * E$

Where: V_0 : Comparable sample price

A: Land price index of the subject land as at the Reference Date/Land price index as at the date of transaction of the comparable sample(s)

B: Land condition index of the subject land / Land condition index of comparable sample(s)

C: Year index of the subject land/Year index of the comparable sample(s)

D: Regional factor index of the subject land/ Regional factor index of the comparable sample(s)

E: Individual factor index of the subject land/Individual factor index of the comparable sample(s)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the land use right for residential use:

Adjustment item	Comparable transaction (Y1) <i>Adjustment coefficient</i>	Comparable transaction (Y2) <i>Adjustment coefficient</i>	Comparable transaction (Y3) <i>Adjustment coefficient</i>
Transaction time adjustment coefficient (a)	1.01	1.03	1.04
Transaction condition adjustment coefficient (b)	1.00	1.00	1.00
Remaining term adjustment coefficient (c)	0.9995	0.9997	1.0003
Regional factor coefficient (d)	1.02	1.02	1.00
Individual factor coefficient (e)	0.97	1.000	1.000
Floor price n (RMB/M ²)	4,438.00	3,605.00	3,607.00
Adjusted floor price (RMB/M ²) (Formula: n*a*b*c*d*e)	4,433.00	3,786.00	3,752.00

For the land use right for commercial use:

Adjustment item	Comparable transaction (Y1) <i>Adjustment coefficient</i>	Comparable transaction (Y2) <i>Qualitative comparison</i>	Comparable transaction (Y3) <i>Qualitative comparison</i>
Transaction time adjustment coefficient (a)	1.00	1.02	1.03
Transaction condition adjustment coefficient (b)	1.00	1.00	1.00
Remaining term adjustment coefficient (c)	0.9899	0.9928	0.9970
Regional factor coefficient (d)	1.04	1.00	0.96
Individual factor coefficient (e)	0.95	0.97	1.06
Floor price n (RMB/M ²)	1,556.00	1,695.00	1,759.00
Adjusted floor price (RMB/M ²) (Formula: n*a*b*c*d*e)	1,522.00	1,665.00	1,838.00

Based on our interview with the Independent Asset Valuer, we understand that the above basic formulas are commonly used in the valuation of real estate inventory in the PRC. For the value of the buildings, the Independent Asset Valuer adopted the replacement cost method after taking into account the condition of the real estate inventory and the fact that direct comparable samples of real estate development project in terms of size, development progress and quality are difficult to find. The new condition rate is 100% as the buildings are construction in progress. For the value of the land use right, the Independent Asset Valuer adopted comparable approach, which is commonly used in the valuation of land in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the Independent Asset Valuer has made reference to comparable land transactions taking into account, among others, the usage, proximity and date of transaction. The appraised value of the land use right was estimated by referencing to sample transactions of lands in the locality.

Based on the above, we noted that the Independent Asset Valuer has considered different nature and specific conditions of the assets being evaluated and adopted appropriate valuation methodologies and assumptions.

Set out below is a table summarising certain key financial information of the Target Company for the two years ended 31 December 2021 and 31 December 2022, prepared in accordance with the generally accepted accounting principles in the PRC.

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	–	–
Net loss	(6,452.3)	(16,709.8)

The audited net asset value of the Target Company as at 31 December 2021 was approximately RMB365.2 million and the unaudited net asset value of the Target Company as at 31 December 2022 was approximately RMB348.5 million. According to the Equity Valuation Report, the audited net asset value of the Target Company as at 31 March 2023, being the Reference Date, was approximately RMB345.4 million. The appraised value of the entire equity interest of the Target Company as at the same date was approximately RMB365.7 million. Such difference was mainly due to valuation uplift of the real estate inventory.

4.5 Section conclusion

Taking into account the analysis set out under the paragraphs 4.1 to 4.4 above, we are of the view that the Consideration, which is determined after arm's length negotiation and the value of the Sale Interest as at 31 March 2023 as appraised by the Independent Asset Valuer by way of asset-based approach, is fairly and reasonably arrived at.

As at 31 March 2023, being the Reference Date, with reference to the appraised value of the entire equity of the Target Company of approximately RMB365.7 million, 10% of the equity interest of the Target Company is approximately RMB36.6 million. Accordingly, the Consideration of RMB33.6 million is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Evaluation of the Property Valuation Report

A property valuation report (“**Property Valuation Report**”) issued by Valplus Consulting Limited (the “**Property Valuer**”) is set out under Appendix II to the Circular as required by the Listing Rules. Set out below our analysis of the Property Valuation Report for Independent Shareholders’ information.

5.1 Result of the Property Valuation Report

According to the Property Valuation Report, the market value in existing state of the Property (as defined under the Property Valuation Report) as at 31 March 2023 was RMB1,640 million. Such amount is the same as the appraised value of the Target Company’s real estate inventory as stated in the appendix to the Property Valuation Report.

5.2 Property Valuer’s qualification

In assessing the competence and experience of the Property Valuer, we have reviewed the qualification and experience of the Property Valuer and noted that the principal signing off the Property Valuation Report has over six years’ experience in valuation of properties in Hong Kong, Macau, the PRC and the overseas, is a member of Royal Institution of Chartered Surveyors. Having reviewed the scope of work detailed in the engagement letter of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for the valuation of the Property.

5.3 Valuation methodology

According to the Property Valuation Report, the Property Valuer it has applied a direct comparison approach to arrive at the market value of the Property with reference to comparable land transactions and other sales evidence that available in the relevant market. In addition, the Property Valuer has also taken into account the expended construction costs.

We understand from the Valuer that (i) direct comparison approach is commonly adopted when determining the market value of land use rights; and (ii) cost approach is commonly adopted when determining the market value of construction in progress. We noted precedent case in the market where the direct comparison method was similarly adopted in the valuation of land use rights and cost approach was adopted in the valuation of construction in progress. We therefore concur with the Valuer that the valuation approach is commonly adopted for such type of valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have further obtained from the Property Valuer details of the comparable transactions that it has applied to evaluate the land use right for residential and commercial use respectively as set out below:

No.	Location	Land use	Date of transaction	Maximum gross floor area (sq.m.)	Adjusted average price per square metre (approximate) (RMB)
1	Yancheng City	Residential	2022-12-28	242,169.30	3,629
2	Yancheng City	Residential	2022-12-28	185,672.00	3,773
3	Yancheng City	Residential	2022-12-28	185,253.20	3,599
4	Yancheng City	Residential	2022-12-09	104,781.60	6,008
5	Yancheng City	Residential	2022-11-10	116,449.20	5,232
6	Yancheng City	Commercial	2023-01-16	240,736.00	1,344
7	Yancheng City	Commercial	2022-12-02	170,807.10	1,468
8	Yancheng City	Commercial	2022-08-25	197,758.80	1,688
9	Yancheng City	Commercial	2022-08-05	99,435.60	1,535
10	Yancheng City	Commercial	2022-08-05	173,807.70	1,321
11	Yancheng City	Commercial	2022-08-05	50,343.00	1,429

Based on our review on the details of the selected land sites and our discussion with the Property Valuer, we noted that the selected comparable transactions (i) are related to lands for residential use or commercial use located in Yancheng City, which is the same as the subject land; and (ii) were transacted within one year prior to the Valuation Date (being 31 March 2023, as defined under the Property Valuation Report).

The accommodation value of land parcels of similar premises in the locality as at the Valuation Date are (i) in the range from RMB3,600 per sq.m. to RMB6,000 per sq.m. for the residential portion; and (ii) in the range from RMB1,300 per sq.m. to RMB1,700 per sq.m. for the commercial portion. According to the Property Valuation Report, appropriate adjustments to the unit rates have been considered to reflect factors including but not limited to time, location, density and quantum in arriving at our opinion on the value. The Property Valuer has adopted average unit rates of approximately RMB4,100 per sq.m. and RMB1,400 per sq.m. to the residential and commercial portions respectively, which are consistent with the range of comparable transactions.

5.4 Assumptions

We noted that the Property Valuer had adopted certain assumptions set out under section 7 of the Property Valuation Report. We understand from the Property Valuer that all assumptions adopted are standard assumptions commonly adopted for property valuations and there are no specific assumptions adopted for this particular project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.5 Section conclusion

In summary, we have considered that:

- (i) the Property Valuer has sufficient qualification and experience to undertake the valuation of the Property (as defined under the Property Valuation Report);
- (ii) the valuation methodology adopted by the Property Valuer is commonly adopted for determining the value of land use right and construction in progress; and
- (iii) the major assumptions for the valuation are commonly adopted for similar valuation,

we are of the view that the valuation of the Property (as defined under the Property Valuation Report) is determined on a fair and reasonable basis.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Equity Transfer Agreement are fair and reasonable; (ii) the entering into of the Equity Transfer Agreement, though not in the ordinary and usual course of business of the Group, is on normal commercial terms 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 to be proposed at the EGM to approve the Equity Transfer Agreement.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Leo Tam
Executive Director

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over eight years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

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 and omission of which would make any statement herein or this circular misleading.

2. Disclosure of Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as known to the Directors of the Company, the interests and short positions of the Directors, supervisors of the Company and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules are as follows:

Long Positions in the Domestic Shares of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Sun Lianqing (Note 4)	Interest in controlled corporation	35,045,103 (L)	35.05%	25.42%
Xu Songqiang (Note 4)	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	3,069,891 (L) 31,975,212 (L)	35.05%	25.42%

GENERAL INFORMATION

Notes:

- (1) The letter “L” denotes the long position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) Taiding, Mr. Xu Songqiang, Ms. Xu Hua and Fengye are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties. Mr. Sun Lianqing is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

3. Directors’ Interest in Assets and Contracts

None of the Directors or supervisors of the Company had any interest, direct or indirect, in any assets which have been since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Sun Lianqing is considered to have a material interest in the Acquisition and he has therefore abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement.

Save as the aforesaid, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date.

GENERAL INFORMATION

4. Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) (a) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
Taiding <i>(Note 4)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	29,789,013 (L) 5,256,090 (L)	35.05%	25.42%
Xu Lili (徐麗麗) <i>(Note 5)</i>	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Chen Ying (陳瑛) <i>(Note 6)</i>	Domestic Shares	Interest of spouse	35,045,103 (L)	35.05%	25.42%
Xu Hua (徐華) <i>(Note 4)</i>	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	186,199 (L) 34,858,904 (L)	35.05%	25.42%

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Name of Shareholder	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Fengye (Notes 4 and 7)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	2,000,000 (L) 33,045,103 (L)	35.05%	25.42%
Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Shengying (傅生英) (Notes 4 and 7)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Zhiquan (傅志權) (Notes 4 and 7)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
City Development (Note 8)	Domestic Shares	Beneficial owner	32,757,502 (L)	32.76%	23.76%
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) (Note 8)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) (Note 8)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Zhuji Yujia (Note 9)	Domestic Shares	Beneficial owner	11,894,374 (L)	11.89%	8.62%
Qianyu (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Tang Shiyao (湯仕堯) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Fu Fangying (傅芳英) (Note 10)	Domestic Shares	Interest of spouse	11,894,374 (L)	11.89%	8.62%
Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 11)	Domestic Shares	Beneficial owner	7,155,049 (L)	7.16%	5.19%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) <i>(Note 11)</i>	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) <i>(Note 11)</i>	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) <i>(Note 12)</i>	H Shares	Interest in a controlled corporation	4,355,500 (L)	11.51%	3.16%
Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) <i>(Note 13)</i>	H Shares	Beneficial owner	6,250,000 (L)	16.51%	4.53%
Flat Glass Group Co., Ltd. (福萊特玻璃集團股份有限公司) <i>(Note 13)</i>	H Shares	Interest in a controlled corporation	6,250,000 (L)	16.51%	4.53%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Total approximate percentage of shareholding in the total share capital of the Company <i>(Note 3)</i>
Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) <i>(Note 14)</i>	H Shares	Beneficial owner	5,700,000 (L)	15.06%	4.14%
Jiaxing Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司) <i>(Note 14)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Shen Xiaohong (沈小紅) <i>(Note 14)</i>	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Mingyuan Group Investment Limited <i>(Note 15)</i>	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%
Shum Tin Ching (沈天晴) <i>(Note 15)</i>	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei <i>(Note 16)</i>	H Shares	Interest of spouse	5,300,000 (L)	14.00%	3.84%

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) (Note 17)	H Shares	Beneficial owner	2,320,000 (L)	6.13%	1.68%
Liu Zhenjiang (劉振江) (Note 17)	H Shares	Interest in a controlled corporation	2,320,000 (L)	6.13%	1.68%
Dan Hongying (但紅英) (Note 18)	H Shares	Interest of spouse	2,320,000 (L)	6.13%	1.68%

Notes:

- (1) The letter “L” denotes the shareholder’s long position in the Shares and underlying shares of the Company. The letter “S” denotes the shareholder’s short position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue or 37,844,500 H Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) Taiding, Mr. Xu Songqiang, Ms. Xu Hua and Fengye are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties.
- (5) Ms. Xu Lili is interested in 35% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.
- (6) Ms. Chen Ying is the spouse of Mr. Xu Songqiang. Under the SFO, Ms. Chen Ying is deemed to be interested in the same number of Shares in which Mr. Xu Songqiang is interested.
- (7) Fengye was wholly-owned by Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司), which was owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Under the SFO, each of Zhejiang Fengye Environmental Technology Limited*, Ms. Fu Shengying and Mr. Fu Zhiquan is deemed to be interested in the same number of Shares in which Fengye is interested.

GENERAL INFORMATION

- (8) City Development was wholly-owned by Zhejiang Jiaying State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which was indirectly owned as to 95.9571% by Jiaying State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) and as to 4.0429% by Zhejiang Financial Development Co., Ltd.* (浙江省財務開發有限責任公司), a wholly-owned entity under Zhejiang Provincial Department of Finance* (浙江省財政廳). Under the SFO, each of Zhejiang Jiaying State-owned Capital Investment Management Company Limited* and Jiaying State-owned Assets Supervision and Administration Commission is deemed to be interested in the same number of Shares in which City Development is interested.
- (9) Zhuji Yujia is wholly-owned by Qianyu, which is 40%-owned by Mr. Tang Shiyao (湯仕堯). Under the SFO, each of Mr. Tang Shiyao and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested.
- (10) Ms. Fu Fangying (傅芳英) is the spouse of Mr. Tang Shiyao (湯仕堯) and is therefore deemed to be interested in the same number of Shares in which Mr. Tang Shiyao is interested under the SFO.
- (11) Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) was a wholly-owned subsidiary of Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), which was in turn a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). Under the SFO, each of Xinao (China) Gas Investment Company Limited* and ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which Xinao Gas Development Company Limited* is interested.
- (12) The Shares are held by ENN Energy China Investment Limited, a wholly-owned subsidiary of ENN Energy Holdings Limited (新奧能源控股有限公司). Under the SFO, ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which ENN Energy China Investment Limited is interested.
- (13) Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). Under the SFO, Flat Glass Group Co., Ltd. is deemed to be interested in the same number of Shares in which Flat (Hong Kong) Co., Limited is interested.
- (14) Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) was a wholly-owned subsidiary of Jiaying Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅). Under the SFO, each of Jiaying Jinyuan Investment Co., Ltd.* and Mr. Shen Xiaohong is deemed to be interested in the same number of Shares in which Hong Sung Timber Trading Co., Limited is interested.
- (15) Mingyuan Group Investment Limited was wholly-owned by Mr. Shum Tin Ching (沈天晴). Under the SFO, Mr. Shum Tin Ching is deemed to be interested in the same number of Shares in which Mingyuan Group Investment Limited is interested.
- (16) Ms. Wang Xinmei (王新妹) is the spouse of Mr. Shum Tin Ching (沈天晴). Under the SFO, Ms. Wang Xinmei is deemed to be interested in the same number of Shares in which Mr. Shum Tin Ching is interested.
- (17) Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) was wholly-owned by Mr. Liu Zhenjiang (劉振江). Under the SFO, Mr. Liu Zhenjiang is deemed to be interested in the same number of Shares in which Fashion Home International Trading Co., Limited is interested.
- (18) Ms. Dan Hongying (但紅英) is the spouse of Mr. Liu Zhenjiang (劉振江). Under the SFO, Ms. Dan Hongying is deemed to be interested in the same number of Shares in which Mr. Liu Zhenjiang is interested.

* For identification purpose only

GENERAL INFORMATION

Save as disclosed herein, as at the Latest Practicable Date, there was no person known to any Directors or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

5. Service Agreements

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had a service contract with any member of the Group which was not determinable by the Company or the relevant members of the Group within one year without payment of compensation other than statutory compensation.

6. Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

7. Competing Interest

As at the Latest Practicable Date, none of the Directors and his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under Rule 8.10 of the Listing Rules if any of such Directors or his associates was a controlling Shareholder.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who has given opinion or, advice contained in this circular:

Name	Qualification
Altus Capital Limited	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Jiaxing Zhonglei Assets Appraisal Co., Ltd (嘉興仲磊資產評估有限公司)	A qualified asset valuer in the PRC
Valplus Consulting Limited	A qualified property valuer in Hong Kong

GENERAL INFORMATION

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts was not beneficially interested in any share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and did not have any direct or indirect interest in any assets which since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by, or leased to any member of the Group.

9. Documents on Display

The following document will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jxrqgs.com>) from the date of this circular up to and including the date of the EGM for at least 14 days:

- (a) the Equity Transfer Agreement.

10. Miscellaneous

- (a) The registered office of the Company is located at 5th Floor, Building 3 Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC.
- (b) The principal place of business of the Company in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (c) The H share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The joint company secretaries of the Company are Ms. Zhou Caihong and Ms. Pun Ka Ying.
- (e) The English text of this circular shall prevail over its Chinese text.

SUMMARY

The following content is excerpted from the asset valuation report. For the full information of the valuation project, you should carefully read the full text of the asset valuation report.

Jia Zhong Lei Ping Bao Zi (2023) No. 023

Jiaxing Jiaran Construction Co., Ltd.:

Jiaxing Zhonglei Assets Appraisal Co., Ltd. has been engaged by the Company to assess the market value of the entire shareholders' equity of Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. (the "Xingzhou Jiayuan Company") involved in the proposed equity acquisition by Jiaxing Jiaran Construction Co., Ltd. as at 31 March 2023, using the asset-based approach, in accordance with laws, administrative regulations and the asset valuation standards, and the principles of independence, objectivity and impartiality, and required valuation procedures. The main content of the valuation report is summarized as follows:

- I. Economic behavior: Jiaxing Jiaran Construction Co., Ltd. has engaged us to assess the entire shareholders' equity of Xingzhou Jiayuan Company involved in the proposed equity acquisition by Jiaxing Jiaran Construction Co., Ltd.
- II. Purpose of valuation: To determine the market value of the entire shareholders' equity of Xingzhou Jiayuan Company as at the Valuation Base Date and provide a value reference for the proposed equity acquisition by Jiaxing Jiaran Construction Co., Ltd.
- III. Subject of Valuation: The entire shareholders' equity of Xingzhou Jiayuan Company.
- IV. Scope of valuation: All assets and liabilities of Xingzhou Jiayuan Company which has been audited.
- V. Type of value: Market value.
- VI. Valuation Base Date: 31 March 2023, all pricing standards are effective price standards on the Valuation Base Date.
- VII. Valuation method: Asset-based method.

VIII. Valuation conclusion:

After completion of asset valuation procedures, the estimated market value of the entire shareholders' equity on a going concern basis on the Valuation Base Date is as follows:

Prior to the valuation, the carrying amount of total assets was RMB2,096,227,700, the carrying amount of liabilities was RMB1,750,858,400, and the carrying amount of the entire shareholders' equity was RMB345,369,300; Upon the valuation, the appraised value of total assets was RMB2,116,522,400, the appraised value of total liabilities was RMB1,750,858,400, the appraised value of total net assets (entire shareholders' equity) was RMB365,664,000. The appraised value of the entire shareholders' equity was RMB20,294,800 higher than its carrying amount, representing a value-added rate of 5.88%. The valuation conclusion is set out below:

Summary of Asset Valuation Results (Asset-based Method)

Unit: RMB0,000

Item	Carrying amount A	Valuation amount B	Increase or decrease C=B-A	Value-added rate % D=C/A×100%
1. Current assets	209,532.41	211,498.56	1,966.16	0.94
Including:				
– Cash and cash equivalents	7,094.72	7,094.72	–	–
– Accounts receivables	32,235.52	32,235.52	–	–
– Inventory	162,033.84	164,000.00	19,66.16	1.21
– Other current assets	8,168.32	8,168.32		
2. Non-current assets	90.36	153.68	63.32	70.08
Including: fixed assets				
– Electronic equipment	80.44	134.02	53.58	66.67
– Vehicles	9.92	19.66	9.74	98.10
3. Total assets	209,622.77	211,652.24	2,029.48	0.97
4. Current liabilities	140,635.84	140,635.84	–	–
5. Non-current liabilities	34,450.00	34,450.00	–	–
6. Total liabilities	175,085.84	175,085.84	–	–
7. Net assets (owner's equity)	34,536.93	36,566.40	2,029.48	5.88

For details of the valuation conclusion, please refer to the statement of asset valuation using asset-based method.

IX. Special Issues: The users of the valuation report shall pay attention to the impact of the following special matters on the valuation conclusion.

The valuation and estimation of the following issues are beyond the practicing capacity and capability of our valuers. However, these issues may actually affect the valuation conclusion. Thus, users of this valuation report should pay particular attention to the followings:

- (I) The “appraised value” referred to herein is a fair valuation presented for the purpose set out expressly herein on the assumption that the assets entrusted for valuation maintain their uses on a going concern basis with conditions and external economic environments on the Valuation Base Date, which shall bear no liability for any other purposes.
- (II) The valuation conclusion in the report reflects the fair value of the Valuation Subject for the purpose of the valuation set out herein under the principle of an open market, and does not include any fees or taxes that shall be borne in the ownership registration or change of such assets or makes no tax adjustments for the value addition of the assets valuation. The valuation conclusion shall not be deemed as a guaranteed realizable price of the Valuation Subject.
- (III) Where there are any changes in the number of assets and price standards within the effective term after the Valuation Base Date and up to 30 March 2024, proper adjustments shall be made to the valuation conclusion instead of direct utilization.
- (IV) Citation of conclusions of reports issued by other institutions
None.
- (V) Incompleteness or defects in the ownership documents
None.
- (VI) Limitations on the valuation procedures

In this valuation, the valuation professionals did not conduct any technical testing for all kinds of equipment in respect of their technology parameters and performance as at the Valuation Base Date, and only make conclusions through on-site inspection on the assumption that all related technical information and the track records provided by Xingzhou Jiayuan Company are true and valid.

(VII) Incompleteness of valuation documents

Based on the results of review and verification, there was no incompleteness in valuation documents.

(VIII) Pending legal, economic and other matters as at the Valuation Base Date

Based on the commitments made by Xingzhou Jiayuan Company, it is determined that the assets and liabilities within the scope of valuation do not involve pending legal, economic and other matters.

(IX) The nature and amount of guarantees, leases and its contingent liabilities (contingent assets) and the relationship with the Valuation Subject

On 11 January 2023, Xingzhou Jiayuan Company signed a property lease contract with Yancheng Chengnan Assets Management Co., Ltd. (鹽城市城南資產經營管理有限公司) to lease a property located at F15, Building 7, Xinlong Plaza, Chengnan New District, Yancheng, with a total gross floor area of approximately 542 sq.m. for office use. The lease term is one year, i.e. from 5 December 2022 to 4 December 2023. The annual rent is RMB150,000.

(X) Matters that may affect the valuation conclusion from the Valuation Base Date to the date of the asset valuation report

Based on the commitments made by Xingzhou Jiayuan Company, there were no other significant matters that may affect the premise or conclusion of the valuation and are subject to adjustments from the Valuation Base Date to the date of the asset valuation report.

(XI) Defects in the economic behaviors relating to the asset valuation which may have a significant impact on the valuation conclusion

Based on the commitments made by Xingzhou Jiayuan Company, it is determined that the economic behaviors relating to the valuation had no significant impact on the valuation conclusion.

(XII) Impact of audit disclosures on the appraised value

None.

(XIII) Significant use of expert work and relevant reports

Under the engagement of Jiaxing Jiaran Construction Co., Ltd., Zhejiang Cangxin Certified Public Accountants Co., Ltd. has audited the carrying amount involved in the valuation and issued the ZCKSZS(2023) No. 086

audit report. The audited assets to be appraised consist of current assets and Type II fixed assets with total assets of RMB2,096,227,657.86, the liabilities to be appraised consist of current liabilities and non-current liabilities with total liabilities of RMB1,750,858,377.25, and the entire shareholders' equity totaled RMB345,369,280.61.

(XIV) Other significant disclosable matters

1. We have sent a letter to obtain information on bank deposits and business transactions, but no reply has been received as at the date of the report. Therefore, we have performed an alternative procedure by checking bank statements and original documents of transactions;
2. The project land within the scope of valuation covers an area of 130,827.00 sq.m. with the state-owned land use rights. As of the Valuation Base Date, 87.7412% of the land has been secured with a guarantee amount of RMB650,000,000.00;
3. As of the Valuation Base Date, Xingzhou Jiayuan Company had the registered capital of RMB720,000,000 with the carrying paid-in capital of RMB376,620,600. In particular, Yancheng Xiangyuan Property Co., Ltd. had the registered capital of RMB376,620,600, accounting for 61.54% of the total registered capital. Yancheng Chengnan Real Estate Development Co., Ltd. contributed no paid-in capital.

The users of the valuation report shall pay attention to the impact of the above special matters on the valuation conclusion.

X. Assumptions used in valuation

Due to the changes in the operating environment of the enterprise and the changing factors affecting the value of assets, it is necessary to establish a number of assumptions so that the asset valuers can make a judgment on the value of the assets which fully support our valuation conclusion. This valuation is based on the following premises and assumptions:

(I) General assumptions

1. Transaction assumption

The transaction assumption assumes that all assets to be appraised are in the process of transaction, and the professional staffs conduct the valuation based on a simulated market using the transaction conditions of the assets to be appraised. The transaction assumption is the most fundamental premise for asset valuation.

2. Open market assumption

The open market assumption assumes that both parties to an asset transaction or a proposed asset transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that assets can be publicly traded in the market.

3. Going concern assumption for the enterprise

The going concern assumption for the enterprise assumes that Xingzhou Jiayuan operates in a legal manner and there will be no unforeseeable factors that will render it unable to operate as a going concern.

(II) Special assumptions

1. As a basic assumption and premise, this valuation is based on the specific valuation purpose(s) as stated in the asset valuation report.
2. Assumption of stable economic environment: It is assumed that there are no material changes to the prevailing law, regulations, policies and macroeconomic conditions in the country in the future as well as the political, economic and social environment of regions in which the parties involved operate, and there are no material adverse impact arising from other unforeseeable factors and force majeure factors.
3. Assumption of no material change: It is assumed that there are no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies.
4. Assumption of no adverse impact: It is assumed that there are no other force majeure factors and unforeseeable factors that will have a material adverse impact on the assets to be appraised of the client.
5. Assumption of no defect: It is assumed that there are no title defects in respect of the assets to be appraised or that all existing title defects have been revealed.
6. Assumption of data authenticity: It is assumed that the financial report of the assets to be appraised could truly reflect the actual conditions of the assets to be appraised.

7. Assumption of consistent policies: It is assumed that there are no material changes in the accounting policies and accounting methods of Xingzhou Jiayuan Company.
8. Assumption of simple reproduction: It is assumed that the annual provision for fixed assets depreciation of Xingzhou Jiayuan Company could satisfy the enterprise's renewal expenses required to maintain the scale of fixed assets. Such measures could enable the enterprise to maintain operation and production capacity on an ongoing basis.
9. Assumption of consistent direction: It is assumed that the business scope and mode of Xingzhou Jiayuan Company are consistent with the current direction in terms of the existing management mode and management level, without taking into account the changes in operation capacity that may be caused by the adjustment of management and operation strategy in the future.
10. Assumption of no inflation effect: It is assumed that the operating business or services measured in terms of currency are free from the effects of inflationary factors.
11. It is assumed that the operator of Xingzhou Jiayuan Company is responsible and the company's management is capable to shoulder its duties.
12. Unless otherwise stated, it is assumed that Xingzhou Jiayuan Company is fully subject to all relevant laws and regulations.
13. It is assumed that the accounting policies to be adopted by Xingzhou Jiayuan Company in the future are basically consistent with the accounting policies adopted in the preparation of the report in material aspects.
14. The scope of valuation is only based on the breakdown of the valuation declaration form provided by Xingzhou Jiayuan Company, without taking into account the contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.
15. Assumption of equipment invoice compliance: It is assumed that the appraised entity is an ordinary value-added tax taxpayer and it can obtain VAT invoices in compliance with regulations and laws when purchasing equipment, and the tax authorities in the place where the appraised entity is located allow it to deduct input tax on the purchased equipment.

16. It is assumed that there are no title defects in respect of the assets to be appraised or that all existing title defects have been revealed.

Where there are events that are not in line with the said assumptions, in general the valuation results will be void.

- XI. Validity period for the use of the valuation conclusion: According to the Practicing Standards for the Appraisal of Assets – Procedures of Asset Appraisal, stating that the asset valuation report shall only be used where the Valuation Base Date is less than one year from the economic behaviors, the asset valuation report shall only be used within one year from the Valuation Base Date, i.e. from 31 March 2023 to 30 March 2024. If there are any significant changes in the conditions of assets or the market compared with those on the Valuation Base Date, Jiaying Jiaran Construction Co., Ltd. shall engage a valuation agency to assess updated businesses or conduct revaluation.
- XII. Date of the asset valuation report: The date on which the valuation report is issued and the valuation conclusion is formed is 28 April 2023.

The above content is excerpted from the full text of the valuation report. For the detailed information and reasonable understanding of the valuation conclusion of this valuation project, please refer to the full text of the valuation report.

The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Valplus Consulting Limited, an independent valuer, in connection with its opinion on market value of the property interests held by the Target Company in the People's Republic of China as at 31 March 2023.



Valplus Consulting Limited
Unit 907, 9/F, Houston Centre
63 Mody Road, Tsim Sha Tsui East
Hong Kong

24 May 2023

The Board of Directors
JiaXing Gas Group Co., Ltd.
5/F, Building 3, Hualong Plaza
Economic and Technological
Development Zone, Jiaxing
Zhejiang Province, PRC

Dear Sirs/Madams,

Re: Valuation of a construction in progress (also known as Xin Jia Cheng) located at No.88 Renmin Road South, Yannan High Tech Zone, Yandu District, Yancheng City, Jiangsu Province, the People's Republic of China

In accordance with the instructions from JiaXing Gas Group Co., Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) for us to value the captioned property interests (the “**Property**”) held by 鹽城星洲佳源房地產開發有限公司 (unofficially translated as “Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.” and hereinafter, the “**Target Company**”) located in the People's Republic of China (“**China**” or the “**PRC**”), we confirm that we have made relevant enquires and obtained such further information as we consider necessary for providing you with our opinion on the market value of such property interests in existing state as at 31 March 2023 (the “**Valuation Date**”).

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with the proposed acquisition (the “**Proposed Acquisition**”) of the 10.0% equity interests of the Target Company by the Company under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

The Proposed Acquisition, if materialized, and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Valplus Consulting Limited (“**Valplus**”) is not involved in the negotiation and has no comment on the final agreed consideration. Furthermore, Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. BASIS AND PREMISE OF VALUE

Our valuation represents our opinion on the market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the SEHK, the International Valuation Standards published by the International Valuation Standards Council and the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors.

3. SOURCE OF INFORMATION

In undertaking our valuation of the Property, we have relied on advice, documents, information and materials provided by the management of the Group and its representatives (together, the “**Management**”). The major documents and information include but not limited to (i) title certificates; (ii) construction permits; (iii) pre-sale permits; and (iv) legal opinions dated 22 May 2023 (the “**Legal Opinions**”) provided by the Group’s PRC legal adviser, namely 北京競天公誠(杭州)律師事務所 (unofficially translated as “Jingtian & Gongcheng (Hangzhou) Law Firm”), all of which are set out in the notes of this valuation report.

We would point out that the copies of the aforesaid documents and information of the Property provided to us are mainly compiled in Chinese and thus the translation into English only represents our understanding of the contents of these documents and information.

4. VALUATION METHODOLOGIES

In valuing the Property which is under development and held for sale upon completion, we have adopted the direct comparison approach. This approach calculates the market value of the Property by referring to comparable land transactions and other sales evidence that available in the relevant market. We have also taken into account the expended construction costs.

5. TITLE INVESTIGATION

We have not caused land searches regarding the title of the Property but have been provided by the Group with copies of certain extracts on title documents and other documents in relation to the property interests. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied on the Legal Opinions regarding the title to and the interests in the Property. It is therefore presumed that the property rights are good and marketable, and there are no encumbrances on the property interests which cannot be cleared through normal processes. No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the property valued.

6. SITE INSPECTION

The site inspection of the Property was conducted in April 2023 by our Mr. Ivan Mak, CFA, with over 8 years of relevant experience in valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Rim. No structural survey has been made and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to report whether the property interests are free from rot, infestation or any other defects. No test was carried out on any of the services.

7. VALUATION ASSUMPTIONS

- Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in our valuation;
- No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values;

- All consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers; and
- All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interests and improvements are within the boundaries of the property interests described and that no encroachment or trespass exists, unless noted in the valuation report.

8. LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by and have accepted advice from the Company on such matters as planning approvals, statutory notices, easements, tenures, occupancy, lettings, site, floor areas, rooms, facilities, identifications and all other relevant materials regarding the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. All documents have been used as reference only. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurement to verify the correctness of the areas of the property interests but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation report are based on information contained in the documents provided to us for reference only and, therefore are only approximations. If such information provided by the Company is different from the reality, we reserve our rights to amend our opinions.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined and considered in the valuation report.

9. REMARKS

The Company has reviewed and agreed on the report and confirmed the factual content of the report.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (“RMB”).

We hereby confirm that we have neither present nor prospective interests in the Property, the Group or the value reported herein.

We confirm that we are independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on the SEHK.

Our Valuation Report is enclosed herewith.

Respectfully submitted,
For and on behalf of
VALPLUS CONSULTING LIMITED

Damon S.T. Wan, CFA, FRM, MRICS
Director

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. He has over 6 years of experience in the valuation of properties in Hong Kong, Macau, China and the overseas.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2023
A construction in progress (also known as Xin Jia Cheng) located at No.88 Renmin Road South, Yannan High Tech Zone, Yandu District, Yancheng City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land, having a registered site area of approximately 130,827.00 sq.m., is planned to be developed into a comprehensive development (the “Proposed Development”) with a total gross floor area of approximately 337,517.26 sq.m. (exclusive of (i) basements with a total gross floor area of approximately 132,331.92 sq.m.; and (ii) building insulation layers with a total gross floor area of approximately 2,031.49 sq.m.).</p> <p>The land use right of the Property were granted for terms of (i) 40 years expiring on 16 August 2060 for commercial use; and (ii) 70 years expiring on 16 August 2090 for residential use.</p>	The Property was under construction as at the Valuation Date.	RMB1,640,000,000

Notes:

- 1) Pursuant to (i) a State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) (Contract No.: 3209012019CR0081) entered into between 鹽城市自然資源和規劃局 (unofficially translated as “Natural Resources and Planning Bureau of Yancheng City” and hereinafter, “**Yancheng Bureau**”) and 香港佳源集團有限公司 (officially translated as “Hong Kong Jia Yuan Holdings Limited” and hereinafter, “**Jia Yuan Holdings**”), and dated 28 November 2019; and (ii) a supplementary agreement to the State-owned Construction Land Use Rights Grant Contract entered into between the Yancheng Bureau, Jia Yuan Holdings, and the Target Company and dated 20 December 2019, the land use right of the Property with a total site area of approximately 130,827.00 sq.m. was granted to the Target Company for commercial, office and residential uses, at a total consideration of RMB1,011,202,500. The land use rights were granted for terms of (i) 40 years expiring on 16 August 2060 for commercial use; and (ii) 70 years expiring on 16 August 2090 for residential use, both commencing on the date of handover of the Property. The detailed development parameters as stipulated in the aforesaid contract are summarized as follows:

Plot ratio	Higher than 1 but not higher than to 2.58 (commercial, office and hotel portions shall comprise not less than 35% of total capacity building area)
Site coverage	Not higher than 31%
Greenary ratio	Not less than 32%

- Car parking spaces Save and except for visitor's car parking spaces, there shall exist no open car parking spaces; and all residential and commercial car parking spaces shall be on basement levels
- Others Gross floor area of the basement levels shall not be counted into the capacity building area based on the plot ratio
- 2) Pursuant to a Real Estate Title Certificate 《蘇(2020)鹽城市不動產權第0103996號》(Document No.: Su (2020) Yan Cheng Shi Bu Dong Chan Quan No.0103996), the land use right of the Property with a total site area of approximately 130,827.00 sq.m. was granted to the Target Company for terms (i) expiring on 16 August 2060 for commercial use; and (ii) expiring on 16 August 2090 for residential use.
- 3) Pursuant to a Construction Land Planning Permit 《地字第32090020200064號》(Document No. Di Zi No. 32090020200064) dated 31 July 2020, the Target Company was permitted to plan construction works of the Proposed Development with a gross floor area based on ground plot ratio of not less than 130,827.00 sq.m. and no more than 337,534.00 sq.m. for commercial, office and residential uses.
- 4) Pursuant to 30 Construction Works Planning Permits 《建字第320900202100467、320900202100466、320900202100465、320900202100464、320900202100463、320900202100462、320900202100028、320900202100029、320900202100030、320900202100031、320900202100032、320900202100119、320900202100103、320900202100104、320900202100106、320900202100118、320900202100105、320900202100117、320900202100107、320900202100116、320900202100108、320900202100110、320900202100109、320900202100111、320900202100114、320900202100115、320900202100113、320900202100112、320900202200116及320900202200117號》(Document No. Jian Zi Quan Nos. 320900202100467、320900202100466、320900202100465、320900202100464、320900202100463、320900202100462、320900202100028、320900202100029、320900202100030、320900202100031、320900202100032、320900202100119、320900202100103、320900202100104、320900202100106、320900202100118、320900202100105、320900202100117、320900202100107、320900202100116、320900202100108、320900202100110、320900202100109、320900202100111、320900202100114、320900202100115、320900202100113、320900202100112、320900202200116 and 320900202200117) obtained and dated between 25 January 2021 and 11 May 2022, the Target Company was permitted to construct the Proposed Development with a total planned gross floor area of approximately 208,777.84 sq.m. (exclusive of (i) basements with a total gross floor area of approximately 107,965.41 sq.m.; and (ii) building insulation layers with a total gross floor area of approximately 1,769.76 sq.m.).
- 5) Pursuant to 4 Construction Works Commencement Permits (建築工程施工許可證) (Document Nos. 320905202110080101、320905202101280101、320905202103270301 and 320905202206140201) obtained and dated between 28 January 2021 and 14 June 2022, the Target Company was permitted to commence the construction of the Proposed Development with a total planned gross floor area of approximately 208,777.84 sq.m. (exclusive of (i) basements with a total gross floor area of approximately 107,965.41 sq.m.; and (ii) building insulation layers with a total gross floor area of approximately 1,769.76 sq.m.).

- 6) According to the development proposal provided by the Company, the Proposed Development will comprise a comprehensive medium-to-high-rise residential and commercial development with a total estimated gross floor area of approximately 337,517.26 sq.m. (exclusive of (i) basements with a total gross floor area of approximately 132,331.92 sq.m.; and (ii) building insulation layers with a total gross floor area of approximately 2,031.49 sq.m.). Pursuant to the Management and the Legal Opinion, however, residential and commercial portions with a total gross floor area of approximately 128,739.42 sq.m. (exclusive of (i) basements with a total gross floor area of approximately 24,366.51 sq.m.; and (ii) building insulation layers with a total gross floor area of approximately 261.73 sq.m.) were not yet granted with the construction works planning permits and the construction works commencement permits as the Valuation Date. The details of the Proposed Development are set forth below:

Proposed use	No. of storey	Estimated gross floor area (sq.m.)
Medium-rise apartments (Blocks 1#, 2#, 3#, 5# and 8#)	7 – 8	25,946.63
High-rise apartments (Blocks 6#, 7#, 9#, 10#, 11#, 12#, 13#, 15#, 16#, 17#, 18#, 19#, 20#, 21#, 22# and 23#)	9 – 27	188,711.12
Commercial (Blocks S-1#, S-2#, S-3# and S-4#)	4 – 5	56,905.61
Hotel and office (Block S-5#)	23 – 24	63,844.26
Management office	2	671.69
Ancillary facilities	1	1,437.95
Basement car parks	1 – 2	115,859.65
Total		337,517.26 (exclusive of the basements and building insulation layers)^a

* *Figures above are subject to rounding.*

Note:

a) Exclusive of (i) basement car parks with total gross floor area approximated to 115,859.65 sq.m.; (ii) basement levels of the residential portions with total gross floor area approximated to 16,472.27 sq.m.; and (iii) building insulation layers with total gross floor area approximated to 2,031.49 sq.m.

- 7) Pursuant to the Management, the Property is under development and held by the Target Company for sale upon completion in the PRC.
- 8) Pursuant to 5 Commodity House Presale Permits 《鹽市房預字(2021)第86、87、25、18及17號》(Document No. Yan Shi Fang Yu Zi Nos. 86, 87, 25, 18 and 17) obtained and dated between 7 February 2021 and 27 January 2022, residential-related portions of the Property with a total gross floor area of approximately 150,563.32 sq.m. were permitted to pre-sale.
- 9) Pursuant to the Management, the total construction cost (excluding any land and surcharge cost) incurred and estimated total construction cost (excluding any land and surcharge cost) for the completion of the Proposed Development as at the Valuation Date were approximately RMB578,757,000 and RMB1,165,011,000 respectively. The Proposed Development is scheduled to be completed around December 2026.

- 10) For indicative purpose, the estimated gross development value of the Property is approximately RMB4,297,000,000 by assuming (i) all the outstanding construction permits as stated in Note 6 have been granted to and obtained by the Target Company; and (ii) the Proposed Development has been completed as at the Valuation Date in accordance with the development proposal as stated in Note 6.
- 11) The accommodation value of land parcels of similar premises in the locality as at the Valuation Date are (i) in the range from RMB3,600 per sq.m. to RMB6,000 per sq.m. for the residential portion; and (ii) in the range from RMB1,300 per sq.m. to RMB1,700 per sq.m. for the commercial portion. Appropriate adjustments to the unit rates have been considered to reflect factors including but not limited to time, location, density and quantum in arriving at our opinion on the value. In our valuation, we have adopted average unit rates of approximately RMB4,100 per sq.m. and RMB1,400 per sq.m. to the residential and commercial portions respectively, which are consistent with the range of comparable transactions and are thus considered to be fair and reasonable.
- 12) The Property is situated at the junction of Renmin Road South and Nanhuan Road in Yancheng City, where buildings in the locality are mainly medium to high-rise residential and commercial developments. Yancheng Railway Station and Yancheng Nanyang International Airport are about 10-minutes and 20-minutes driving distance away from the Property respectively. Taxis and buses are accessible to the Property.
- 13) According to the information provided by the Company, the Target Company is a company established in the PRC with limited liability, and is beneficially owned as to 65.0%, 20.0% and 15.0% by 鹽城祥源房地產有限公司 (unofficially translated as “Yancheng Xiangyuan Real Estate Co., Ltd.”), Urban Economics Pte. Ltd. and 鹽城市城南房地產開發有限責任公司 (unofficially translated as “Yancheng Chengnan Real Estate Development Co., Ltd.” and hereinafter, “**Yancheng Chengnan**”) respectively as at the Valuation Date. Yancheng Chengnan was ultimately wholly-owned by 鹽城市人民政府 (unofficially translated as “Yancheng People’s Government”). Upon the completion of the Proposed Acquisition, the Company will own 10.0% equity interests in the Target Company.
- 14) We have been provided with the Legal Opinions, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- (a) the Target Company is the legal holder of the land use rights of the Property;
 - (b) pursuant to the mortgage agreement dated 25 April 2021, the Property is subject to a mortgage loan amount of RMB650,000,000 in favour of a group of lenders (“**Lenders**”) including 中國建設銀行股份有限公司鹽城城南支行 (unofficially translated as “China Construction Bank Company Limited Yancheng Chengnan Branch”) and 上海銀行股份有限公司鹽城分行 (unofficially translated as “Shanghai Bank Company Limited Yancheng Branch”) for a term of 2 years from 26 April 2021 to 25 April 2023;
 - (c) the Property is free from any litigation, arbitration or administrative penalties which may cause adverse effects to the ownership of the Property;
 - (d) the Target Company is entitled to occupy, use, make profit from, transfer, lease and mortgage the Property, subject to the approval by the Lenders;
 - (e) the Target Company will be entitled to obtain the real estate title certificates of the Property under construction after completion of the Proposed Development and make application and registration to the relevant officials in accordance with the PRC Law. Upon receipt of the aforesaid real estate title certificates, the Target Company will transfer the registered ownership to the buyers of the pre-sold units of commodity houses; and
 - (f) the following legal documents are obtained:
 - Real Estate Title Certificate
 - Construction Land Planning Permit
 - Construction Works Planning Permits Applicable to Blocks 1# to 3#, 5# to 13#, 15# to 17#, 19#, 20#, 22#, S-4# and the related basements, management office and ancillary facilities only

Construction Works Commencement
Permits

Applicable to Blocks 1# to 3#, 5# to 13#, 15# to 17#,
19#, 20#, 22#, S-4# and the related basements,
management office and ancillary facilities only

Commodity House Presale Permits

Applicable to Blocks 1# to 3#, 5# to 8#, 10# to 13#,
15#, 16#, 19# and 20# only

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

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

(Stock Code: 9908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at the meeting room of the Company, 4th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the People’s Republic of China (“**PRC**”) on Friday, 9 June 2023 at 9:30 a.m. for the purpose of considering, and if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. To consider and approve the Equity Transfer Agreement and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him for the purpose of giving effect to the Acquisition and the transactions contemplated thereunder.

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

Jiaxing, the PRC
24 May 2023

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

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. In case of a corporation, the same must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If this form of proxy is signed by an attorney of a shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
4. In order to be valid, the form of proxy together with the notarised power of attorney or other authorization document, if any, must be deposited at the Company’s registered office in the PRC (for domestic shareholders) or at the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H shares) not less than 24 hours before the time fixed for the EGM (i.e. not later than 9:30 a.m. on Thursday, 8 June 2023 (Hong Kong time)).
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, holders of H shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 June 2023 (Hong Kong time). Shareholders whose names appear on the register of members of the Company on Tuesday, 6 June 2023 are entitled to attend and vote at the EGM.
6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the form of proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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, our executive Directors are Mr. Sun Lianqing and Mr. Xu Songqiang, our non-executive Directors are Mr. Xu Jiong, Mr. Zheng Huanli, Mr. Fu Songquan and Mr. Ruan Hongliang, and our independent non-executive Directors are Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu.