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湖州燃气股份有限公司

Huzhou Gas Co., Ltd.*

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

(Stock Code: 6661)

**CONTINUING CONNECTED TRANSACTIONS
SUPPLEMENTAL AGREEMENT
TO MASTER SUPPLY AGREEMENT**

On 14 March 2023, the Company entered into the Supplemental Agreement with Ningbo Intercity, pursuant to which the parties agreed to amend the pricing basis of the gas price at which Ningbo Intercity charges the Group for the supply of PNG from Ningbo Intercity to the Group under the Master Supply Agreement with effect from 1 April 2023 from government regulated prices to prices determined by the parties with reference to prevailing market prices, subject to the terms and conditions under the Supplemental Agreement.

Listing Rules Implications

At the time of listing of the Company, the Company obtained a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders' approval requirements in respect of the continuing connected transactions under the Master Supply Agreement pursuant to Rule 14A.105 of the Listing Rules. The proposed change in pricing basis constitutes a material variation of the terms of the Master Supply Agreement and therefore the Company shall re-comply with the announcement and independent shareholders' approval requirements in respect of the Supplemental Agreement and the transactions contemplated thereunder pursuant to Rule 14A.54 of the Listing Rules.

BACKGROUND

Reference is made to the Prospectus in respect of the Master Supply Agreement entered into between Ningbo Intercity and the Company, pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and liquefied natural gas in the Operating Area for a period from 1 January 2022 to 31 December 2024. Under the Master Supply Agreement, the gas price at which Ningbo Intercity charges the Group for the supply of PNG is based on the government regulated gate price (門站價格) of natural gas.

On 8 December 2022, the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) issued the 《省發展改革委關於天然氣省級門站價格等有關事項的通知》浙發改價格[2022]307號 (Notice of the Provincial Development and Reform Commission on Natural Gas Provincial Gate Station Prices and Other Matters Zhejiang Development Reform Price [2022] No. 307*) which states that, with the integration of the provincial pipeline network into the national pipeline network and with the view of realising separation of pipeline gas transmission and sales of gas (管銷分離), from 1 April 2023, the provincial gate price of natural gas, which is currently published by the government from time to time, will no longer be published, whereas the pipeline gas transmission price shall remain to be published by the government from time to time.

This change entails that the gas price at which Ningbo Intercity charges the Group for the supply of PNG, which is currently based on the government regulated gate price of natural gas, will no longer be regulated by the government from 1 April 2023 and shall be determined by parties with reference to prevailing market prices.

THE SUPPLEMENTAL AGREEMENT

On 14 March 2023, the Company entered into the Supplemental Agreement with Ningbo Intercity. Set out below are the principal terms of the Supplemental Agreement:

Date : 14 March 2023

Parties : (1) the Company (for itself and on behalf of its subsidiaries), as purchaser; and
(2) Ningbo Intercity (for itself and on behalf of its subsidiaries), as supplier

Subject matter : The parties agreed to amend the pricing basis of the gas price charged by Ningbo Intercity to the Group for the supply of PNG from Ningbo Intercity to the Group under the Master Supply Agreement with effect from 1 April 2023 from government regulated prices to prices determined between the parties after arm's length negotiations taking into account the specific needs of the Group including the required volume with reference to the prevailing market prices.

To ensure the purchase price and terms offered by Ningbo Intercity to the Group are fair and reasonable, on normal commercial terms and comparable to those offered by independent third parties, the Group shall obtain quotes from independent third party suppliers for supply of PNG in similar quantities from time to time to understand the market prices.

Other terms : The Supplemental Agreement shall become effective on the date of obtaining the approval of the Independent Shareholders at the EGM.

Save for the aforementioned change of pricing basis, all other terms of the Master Supply Agreement and the annual caps have not been altered.

Reasons for and Benefits of the Supplemental Agreement

Ningbo Intercity has been a principal natural gas supplier of the Group since September 2020 as Ningbo Intercity was the designated pilot natural gas supplier for the Group during the early stage of natural gas supply chain reform under the《關於印發2020年浙江省能源領域體制改革工作要點的通知》浙發改能源[2020]12號 (Notice on Issuing of the Summary of Structural Reforms in Energy Sector in 2020 Zhefagai Energy [2020] No. 12*) issued by the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) and Zhejiang Energy Regulatory Office of National Energy Administration (浙江省能源局) on 20 January 2020. The Company and Ningbo Intercity entered into the Master Supply Agreement dated 26 May 2022 pursuant to which Ningbo Intercity agreed to supply, among others, PNG to the Group at a gas price based on the government regulated gate price for a period from 1 January 2022 to 31 December 2024. On 8 December 2022, the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) issued the《省發展改革委關於天然氣省級門站價格等有關事項的通知》浙發改價格[2022] 307號 (Notice of the Provincial Development and Reform Commission on Natural Gas Provincial Gate Station Prices and Other Matters Zhejiang Development Reform Price [2022] No. 307*) which states that the gas price will no longer be government regulated from 1 April 2023. In response to this policy change, and taking into account the Group's need for a steady and reliable supply of PNG from Ningbo Intercity, the Company has entered into the Supplemental Agreement with Ningbo Intercity in order to make the consequential change to the pricing term of the Master Supply Agreement such that the gas price at which Ningbo Intercity charges the Group for the supply of PNG from Ningbo Intercity to the Group under the Master Supply Agreement shall be at prices determined between the parties after arm's length negotiations taking into account the specific needs of the Group including the required volume with reference to the prevailing market prices.

The Directors (excluding the independent non-executive Directors), after reviewing the terms of the Supplemental Agreement, are of the view that the Supplemental Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, Ningbo Intercity is wholly-owned by 新奧燃氣發展有限公司 (Xinao Gas Development Company Limited*), which is in turn wholly-owned by ENN (China), a controlling Shareholder. As such, Ningbo Intercity is an associate of ENN (China), and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

Since the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) relating to the largest annual cap for the PNG and liquefied natural gas charges under the Master Supply Agreement exceeds 25%, the transactions contemplated under the Master Supply Agreement are subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the time of listing of the Company, the Company obtained a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders' approval requirements in respect of the continuing connected transactions under the Master Supply Agreement pursuant to Rule 14A.105 of the Listing Rules. The proposed change in pricing basis constitutes a material variation of the terms of the Master Supply Agreement and therefore the Company shall re-comply with the announcement and independent shareholders' approval requirements in respect of the Supplemental Agreement and the transactions contemplated thereunder pursuant to Rule 14A.54 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders in relation to the Supplemental Agreement. An independent financial adviser is expected to be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will seek approval from the Independent Shareholders in respect of the Supplemental Agreement at the EGM.

INFORMATION OF THE PARTIES TO THE SUPPLEMENTAL AGREEMENT

The Group is principally engaged in (i) the sale of gas, mainly PNG (under the concessions) and liquefied natural gas in Huzhou; (ii) the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties; and (iii) others, including sale of energy, household gas appliances and the leasing of properties in the PRC.

Ningbo Intercity is a company established in the PRC which is primarily engaged in the upstream supply of natural gas. As at the date of this announcement, Ningbo Intercity is wholly-owned by 新奧燃氣發展有限公司 (Xinao Gas Development Company Limited*), which is in turn wholly-owned by ENN (China). ENN (China) is wholly-owned by ENN Energy Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability which is listed on the Main Board of the Stock Exchange (Stock Code: 2688).

DESPATCH OF CIRCULAR

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, the Supplemental Agreement. A circular containing, among other things, (i) details of the Supplemental Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, is expected to be despatched within 15 business days from the publication of this announcement.

DEFINITIONS

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

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | 湖州燃氣股份有限公司 (Huzhou Gas Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened for Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the transactions contemplated thereunder |
| “ENN (China)” | 新奧(中國)燃氣投資有限公司 (Xinao (China) Gas Investment Company Limited*), a limited liability company established under the laws of the PRC, a controlling Shareholder |
| “Group” | the Company and its subsidiaries |
| “H Shares” | overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange |
| “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 Supplemental Agreement |
| “Independent Shareholders” | Shareholders other than ENN (China) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Master Supply Agreement” | the master supply agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Ningbo Intercity (for itself and on behalf of its subsidiaries) dated 26 May 2022, pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and liquefied natural gas in the Operating Area for a period from 1 January 2022 to 31 December 2024 |
| “Ningbo Intercity” | 寧波城際能源貿易有限公司 (Ningbo Chengji Energy Trading Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of ENN (China) and, unless the context otherwise requires, includes its subsidiaries |
| “Operating Area” | the operating areas where the Group is granted exclusive right to operate in Wuxing and the Nanxun, as described in the Prospectus |
| “PNG” | piped natural gas |
| “PRC” | the People’s Republic of China |
| “Prospectus” | the prospectus of the Company dated 29 June 2022 |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholder(s)” | holder(s) of shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Agreement” | the supplemental agreement to the Master Supply Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Ningbo Intercity (for itself and on behalf of its subsidiaries) dated 14 March 2023, pursuant to which the parties agreed to change the pricing basis |
| “%” | per cent |

By order of the Board
Huzhou Gas Co., Ltd.*
Wang Hua
Chairman

Huzhou City, Zhejiang Province, the PRC, 15 March 2023

As at the date of this announcement, the Board comprises Mr. Wang Hua, Ms. Su Li and Mr. Pan Haiming as executive Directors; Mr. Liu Jianfeng and Ms. Wu Zhanghuan as non-executive Directors; and Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa as independent non-executive Directors.

* For identification purposes only