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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
IN RELATION TO
2024-2026 NATURAL GAS FRAMEWORK AGREEMENT**

2024-2026 NATURAL GAS FRAMEWORK AGREEMENT

On 27 November 2023, the Company and Ningbo Intercity entered into the 2024-2026 Natural Gas Framework Agreement in substitution for the Existing Master Supply Agreement, pursuant to which the Group agreed to purchase from Ningbo Intercity, and Ningbo Intercity agreed to sell to the Group, PNG and LNG in the Operating Area for the period from 1 January 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ningbo Intercity is wholly owned by 新奥燃气发展有限公司 (Xinao Gas Development Company Limited*), which is in turn wholly owned by ENN (China), a substantial Shareholder. As such, Ningbo Intercity is an associate of ENN (China) pursuant to Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the 2024-2026 Natural Gas Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) relating to the highest of the New Annual Caps for the transactions contemplated under the 2024-2026 Natural Gas Framework Agreement exceeds 25%, the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) are subject to the announcement, annual review, annual reporting, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DESPATCH OF CIRCULAR

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, the 2024-2026 Natural Gas Framework Agreement. A circular containing, among other things, (i) details of the 2024-2026 Natural Gas Framework Agreement and the New Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, is expected to be despatched to the Shareholders on or before 18 December 2023.

INTRODUCTION

References are made to the prospectus of the Company dated 29 June 2022, the announcement of the Company dated 15 March 2023 and the circular of the Company dated 24 April 2023 in respect of the Existing Master Supply Agreement and the related annual caps up to the year ending 31 December 2024.

On 27 November 2023, the Company and Ningbo Intercity entered into the 2024-2026 Natural Gas Framework Agreement in substitution for the Existing Master Supply Agreement, pursuant to which the Group agreed to purchase from Ningbo Intercity, and Ningbo Intercity agreed to sell to the Group, PNG and LNG in the Operating Area for the period from 1 January 2024 to 31 December 2026.

PRINCIPAL TERMS OF THE 2024-2026 NATURAL GAS FRAMEWORK AGREEMENT

On 27 November 2023, the Company entered into the 2024-2026 Natural Gas Framework Agreement with Ningbo Intercity. Set out below are the principal terms of the 2024-2026 Natural Gas Framework Agreement:

- Date:** 27 November 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
- Term:** 1 January 2024 to 31 December 2026
- Nature of transaction:** The Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and LNG in the Operating Area.
- Pricing basis:** The detailed terms and conditions (such as the manner of payment, price, price adjustment mechanisms, volume and delivery arrangements) shall be determined in specific agreements to be made between the Group and Ningbo Intercity.
- The gas price at which Ningbo Intercity charges the Group for the supply of PNG and LNG from Ningbo Intercity to the Group 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. To understand the market prices and to ensure that the purchase price and terms offered by Ningbo Intercity to the Group for supply of PNG and LNG are fair and reasonable, on normal commercial terms and comparable to those offered by independent third parties, the Group shall obtain quotations from at least two independent third party suppliers for the supply of PNG and LNG in similar quantities and price components from time to time but in any case no less than twice a year.
- Other terms:** The 2024-2026 Natural Gas Framework Agreement shall take effect and substitute the Existing Master Supply Agreement after the necessary approval is obtained from the Independent Shareholders at the EGM. With effect from the date on which the 2024-2026 Natural Gas Framework Agreement comes into operation, the 2024-2026 Natural Gas Framework Agreement shall supersede the Existing Master Supply Agreement in all respects and all rights and obligations of the parties thereunder shall cease and determine forthwith.

NEW ANNUAL CAPS AND BASIS OF DETERMINATION

(a) Historical transaction amounts, existing annual caps and New Annual Caps

For the three years ended 31 December 2020, 2021 and 2022 and the ten months ended 31 October 2023, the historical transaction amounts of the Group incurred by the Group in relation to the purchase of PNG and LNG in the Operating Area under the Existing Master Supply Agreement are as follows:

	For the year ended 31 December			For the ten months ended
	2020	2021	2022	31 October
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
	(audited)	(audited)	(audited)	(unaudited)
Annual cap	–	–	1,800	1,400
Historical transaction amount	<u>368.9</u>	<u>1,104.7</u>	<u>483.3</u>	<u>625.2</u>

The Directors expect that the aggregate transaction amount under the Existing Master Supply Agreement for the period from 1 January 2023 up to the date of this announcement has not exceeded the annual cap for the year ending 31 December 2023 of RMB1,400 million. The Company proposes that the below New Annual Caps be set for the transactions contemplated under the 2024-2026 Natural Gas Framework Agreement:

	For the year ending 31 December		
	2024	2025	2026
	(RMB million)	(RMB million)	(RMB million)
Existing annual caps	1,062	–	–
New Annual Caps	<u>1,550</u>	<u>1,600</u>	<u>1,700</u>

(b) Basis of determination for the New Annual Caps

In determining the New Annual Caps, the Directors took into account: (i) the historical transaction amounts as set out above; (ii) the expected growing demand for PNG and LNG by industrial, commercial and residential users in the Operating Area in the light of, among others, completion of the construction project of a comprehensive gas source station of the Group in Huzhou by the end of the year ending 31 December 2023; and (iii) the range of historical market prices of LNG and PNG and the anticipated market prices of LNG and PNG, including the reference prices in previous transactions with other independent PNG and LNG suppliers of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024-2026 NATURAL GAS FRAMEWORK 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 《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. Taking into account the Group's need for a steady and reliable supply of PNG from Ningbo Intercity, which has access to LNG station in Zhoushan, Zhejiang Province, it is expected that the Group will continue to purchase PNG and LNG from Ningbo Intercity in the ordinary and usual course of business.

The Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser in respect of the 2024-2026 Natural Gas Framework Agreement and transactions contemplated thereunder (including the New Annual Caps)), after reviewing the terms of the 2024-2026 Natural Gas Framework Agreement, are of the view that the 2024-2026 Natural Gas Framework Agreement has been entered into in the ordinary and usual course of business of the Group, and the terms of the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE 2024-2026 NATURAL GAS FRAMEWORK AGREEMENT

The Group is principally engaged in (i) the sale of gas, mainly PNG (under the concessions) and LNG 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) other businesses, including sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and 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).

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 substantial Shareholder. As such, Ningbo Intercity is an associate of ENN (China) pursuant to Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the 2024-2026 Natural Gas Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) relating to the highest of the New Annual Caps for the transactions contemplated under the 2024-2026 Natural Gas Framework Agreement exceeds 25%, the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) are subject to the announcement, annual review, annual reporting, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Su Li, an executive Director, is a director of Ningbo Intercity. For good corporate governance and in accordance with the requirements under the articles of association of the Company, Ms. Su Li had abstained from voting on the board resolution approving the 2024-2026 Natural Gas Framework Agreement. None of the other Directors had any material interest in the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps) and therefore none of them was required to abstain from voting on the relevant Board resolution.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps). The Independent Financial Adviser has been 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 2024-2026 Natural Gas Framework Agreement by way of an ordinary resolution at the EGM.

DESPATCH OF CIRCULAR

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, the 2024-2026 Natural Gas Framework Agreement. A circular containing, among other things, (i) details of the 2024-2026 Natural Gas Framework Agreement and the New Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, is expected to be despatched to the Shareholders on or before 18 December 2023.

DEFINITIONS

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

“2024-2026 Natural Gas Framework 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 27 November 2023, pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and LNG in the Operating Area for the period from 1 January 2024 to 31 December 2026, in substitution for the Existing Master Supply Agreement
“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 the Independent Shareholders to consider and, if thought fit, approve, among others, the 2024-2026 Natural Gas Framework Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“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 and a substantial Shareholder

“Existing 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 (as supplemented by the supplemental agreement dated 14 March 2023), pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and LNG in the Operating Area for the period from 1 January 2022 to 31 December 2024
“Group”	collectively, the Company and its subsidiaries from time to time
“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 2024-2026 Natural Gas Framework Agreement (including the New Annual Caps)
“Independent Financial Adviser”	Central China International Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024-2026 Natural Gas Framework Agreement (including the New Annual Caps)
“Independent Shareholders”	Shareholders other than ENN (China)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“New Annual Caps”	the proposed annual caps for the three years ending 31 December 2024, 2025 and 2026 for transactions contemplated under the 2024-2026 Natural Gas Framework Agreement
“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 Nanxun, as described in the prospectus of the Company dated 29 June 2022
“PNG”	piped natural gas
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company, comprising domestic shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Huzhou City, Zhejiang Province, the PRC, 27 November 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 Xinfu as independent non-executive Directors.

* For identification purposes only