ENN 新奥

新奥能源控股有限公司
ENN Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2688)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE REVISION OF ANNUAL CAPS UNDER THE EXISTING MASTER LNG TERMINAL USAGE SERVICES AGREEMENT AND RENEWAL OF OTHER EXISTING MASTER AGREEMENTS

Independent Financial Adviser
SOMERLEY CAPITAL LIMITED

THE REVISION OF ANNUAL CAPS UNDER THE EXISTING MASTER LNG TERMINAL USAGE SERVICES AGREEMENT AND THE NEW MASTER AGREEMENTS

References are made to the announcements of the Company dated 30 November 2020 and 17 November 2021 in relation to, among other things, certain continuing connected transactions between the Group and the LCNG Group or the ENN-NG Group (as the case may be) under the Existing Master LNG Terminal Usage Services Agreement and the Other Existing Master Agreements, including (i) LNG terminal usage services; (ii) natural gas purchasing; (iii) construction services; (iv) equipment purchasing and modification and enhancement services; and (v) information technology services. Such transactions are conducted by the Group in its ordinary and usual course of business, and are subject to the Existing Master LNG Terminal Usage Services Agreement and the respective Other Existing Master Agreements and the specific agreements entered into and to be entered into from time to time pursuant thereto by the relevant members of the Group.

According to the current circumstances, the Group expects that the annual transaction amounts of the Existing Master LNG Terminal Usage Services Agreement in the next few years may be lower than the annual caps as disclosed by the Company in the announcement dated 30 November 2020. Therefore, the Company has revised its relevant annual caps. Apart from the Existing Master LNG Terminal Usage Services Agreement, the Other Existing Master Agreements will expire on 31 December 2023, and it is expected that the Group will continue to enter into transactions similar to those as contemplated thereunder. Therefore, on 12 December 2023, the Company entered into the Renewed Master Natural Gas Purchasing Agreement and the Renewed Master Construction Services Agreement with ENN-NG, and the Renewed Master Equipment Purchasing and Modification Services Agreement and the Renewed Master Information Technology Services Agreement with LCNG respectively to renew the Other Existing Master Agreements after the expiry thereof.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Adhering to the good corporate governance practice in the past, the revision of the annual caps of the Existing Master LNG Terminal Usage Services Agreement and the terms of the New Master Agreements have been reviewed by the Independent Board Committee (comprising all the independent non-executive Directors), which provided recommendations to the Board. The Board has also engaged, on a voluntary basis, Somerley Capital Limited as the independent financial adviser of the Company, which advised the Independent Board Committee on the Transactions at its meeting held on 6 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, LCNG, through its subsidiaries, holds approximately 34.04% of the issued share capital of the Company, therefore LCNG is a controlling shareholder and a connected person of the Company. The subsidiaries (including ENN-NG) and associates of LCNG are also regarded as connected persons of the Company. Therefore, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Renewed Master Natural Gas Purchasing Agreement, together with the revised annual caps of the Existing Master LNG Terminal Usage Services Agreement on an aggregate basis, are more than 0.1% but all of them are less than 5%; and (ii) one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under each of the New Master Agreements (except for the Renewed Master Natural Gas Purchasing Agreement) are more than 0.1% but all of them are less than 5%, each of the Transactions is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

References are made to the announcements of the Company dated 30 November 2020 and 17 November 2021 in relation to, among other things, certain continuing connected transactions between the Group and the LCNG Group or the ENN-NG Group (as the case may be) under the Existing Master LNG Terminal Usage Services Agreement and the Other Existing Master Agreements, including (i) LNG terminal usage services; (ii) natural gas purchasing; (iii) construction services; (iv) equipment purchasing and modification and enhancement services; and (v) information technology services. Such transactions are conducted by the Group in its ordinary and usual course of business, and are subject to the Existing Master LNG Terminal Usage Services Agreement and the respective Other Existing Master Agreements and the specific agreements entered into and to be entered into from time to time pursuant thereto by the relevant members of the Group.

According to the current circumstances, the Group expects that the annual transaction amounts of the Existing Master LNG Terminal Usage Services Agreement in the next few years may be lower than the annual caps as disclosed by the Company in the announcement dated 30 November 2020. Therefore, the Company has revised its relevant annual caps. Apart from the Existing Master LNG Terminal Usage Services Agreement, the Other Existing Master Agreements will expire on 31 December 2023, and it is expected that the Group will continue to enter into transactions similar to those as contemplated thereunder. Therefore, on 12 December 2023, the Company entered into the Renewed Master Natural Gas Purchasing Agreement and the Renewed Master Construction Services Agreement with ENN-NG, and the Renewed Master Equipment Purchasing and Modification Services Agreement and the Renewed Master Information Technology Services Agreement with the LCNG respectively to renew the Existing Master Agreements after the expiry thereof. A summary of abovementioned transactions is set out in sub-sections (1) to (5) of section II below.

The Existing Master LNG Terminal Usage Services Agreement and the New Master Agreements entered into between the Company and LCNG or ENN-NG respectively are non-exclusive in nature. The Group has the right to enter into similar agreements with independent third parties (if any) for related services of the same category, which is a common practice in the industry. When deciding to choose between LCNG, ENN-NG or an independent third party as the service provider, the Group will conduct a screening process based on the type of transaction. The details of the screening procedures are set out in the section headed "**Pricing mechanism and other terms**" of the Existing Master LNG Terminal Usage Services Agreement and each New Master Agreements in sub-sections (1) to (5) of section II below.

Each of the proposed annual caps only represents the maximum transaction amount best estimated by the Company for the Existing Master LNG Terminal Usage Services Agreement and the New Master Agreements after taking into account the relevant factors. Therefore, the actual transaction amounts in respect of the Transactions may or may not reach the respective proposed annual caps.

II. DETAILS OF EACH CONTINUING CONNECTED TRANSACTIONS

1. EXISTING MASTER LNG TERMINAL USAGE SERVICES AGREEMENT

Date	:	28 September 2018
Parties	:	(i) the Company; and (ii) LCNG
Term	:	From 1 October 2018 to 31 December 2028 (both dates inclusive)
Subject matter	:	During the term of the agreement, the LCNG Group will provide LNG terminal usage services to the Group, such that the Group will be able to receive imported LNG through the Zhoushan LNG Terminal.

Pricing mechanism and other terms

The service fee for LNG terminal in China is generally determined in accordance with the charge standard approved by the local price bureau which is determined with reference to the factors such as the investment cost, turnover rate, operating costs, rate of returns, etc. of the LNG terminal. The price bureau has the right to review and adjust the charge standard from time to time.

Fees payable by the Group to the LCNG Group will be determined on the basis of normal commercial terms and in accordance with the above-mentioned charge standard approved by Zhejiang Provincial Price Bureau. Such fees shall be calculated based on the actual volume of LNG used and time incurred, and shall be settled at the end of each month in accordance with the market practice and payable to the account designated by the LCNG Group.

The Group will ensure that the price offered by the LCNG Group to the Group is determined on the basis of normal commercial terms. The Group will obtain quotations from other similar LNG terminal service providers in the market (if any) to ensure that the terms offered by the LCNG Group to the Group are no less favourable than those offered by independent third-party to the Group. If there are no other similar LNG terminal service providers in the market, the Group will compare the terms offered by the LCNG Group to the Group with the terms offered by the LCNG Group to independent third-party customers (if any) to ensure that the terms offered by the LCNG Group to the Group are no less favourable than those offered by the LCNG Group to independent third-party customers.

Historical transaction amounts and analysis

The historical transaction amounts under the Existing Master LNG Terminal Usage Services Agreement for the two years ended 31 December 2022 and the nine months ended 30 September 2023 were as follows:

	Historical transaction amounts			**Annual caps**		
	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the nine months ended 30 September 2023**	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
RMB million	728	329	377	924	1,294	1,294
(approximately in HK$ million)	799	360	414	1,014	1,420	1,420

The historical transaction amounts for the two years ended 31 December 2022 as shown in the table above did not exceed their respective annual caps. In 2022, due to the economic downturn and the resurgent COVID-19 pandemic, China's gas consumption recorded a negative growth for the first time since statistics were available, which impacted on the growth in gas sales volume of the Group. As a result, the volume of imported LNG received through the Zhoushan LNG Terminal had significantly reduced. Negative factors such as slow economic recovery continue to impact on the Group's gas sales volume in 2023, therefore the Group expects that the transaction amount in 2023 will not exceed its annual cap.

Revised annual caps and the basis for determining the revised annual caps

Taking into account the overall demand for LNG within the Group and the availability of window periods for other domestic LNG terminals, the Group expects that the existing annual caps under the Existing Master LNG Terminal Usage Services Agreement will not be appropriate with respect to the needs of the Group's business development for each of the years ending 31 December 2024 to 2028. Therefore, the Company amends the existing annual caps as follows:

	Existing annual caps			Revised annual caps		
	For the year ending 31 December 2024	For the year ending 31 December 2025	For each of the years ending 31 December 2026 to 2028	For the year ending 31 December 2024	For the year ending 31 December 2025	For each of the years ending 31 December 2026 to 2028
RMB million	1,294	1,294	1,294	800	800	800
(approximately in HK$ million)	1,420	1,420	1,420	878	878	878

The Company has decided to revise the annual caps of the Existing Master LNG Terminal Usage Services Agreement after considering the following factors:

1. estimated potential LNG demand and distribution capability of the Group;

2. the Group's annual LNG import volume from international LNG suppliers estimated to be executed under the existing long-term LNG procurement contracts based on the historical transaction volume; and

3. the current service fee level for the Zhoushan LNG Terminal.

Reasons for and benefits of the revision of annual caps

Currently, the Group has three international LNG purchase and sales contracts that are operated on a regular basis. In order to ensure stable availability of window periods of terminals for arranging vessel schedules, the Group entered into the Existing Master LNG Terminal Usage Services Agreement with LCNG on 28 September 2018. The aforementioned "**historical transaction amount and analysis**" also reflects the transaction amounts incurred by the Group for the performance of those purchase and sales contracts. In the future, the Group will remain in need of continuous reliance on Zhoushan LNG Terminal to secure priority usage rights for the performance of those international LNG purchase and sales contracts.

In terms of further increasing independent international resource procurement, the Company currently adopted a cautious strategy. The Chinese government has explicitly stated its objective of "ensuring a long-term natural gas self-sufficiency rate of not less than 50%", and domestic gas production has been steadily increasing. Meanwhile, the number of domestic receiving terminals has reached 27, with a combined annual receiving capacity of approximately 120 million tons. According to the unofficial domestic statistics, the current long-term LNG contract volume in China exceeds 79 million tons per year. In the first half of 2023, nearly 10 million tons per year of new LNG long-term contract volume was signed.

With the operation of more LNG receiving terminals and the gradual opening of right of use of receiving terminals granted by China Oil and Gas Pipeline Network Corporation, the Group will be able to explore the use of other receiving terminals based on the needs of the operational areas covered by the Group. Consequently, the demand for services of the Zhoushan LNG Terminal will decrease.

Opinions of the Board

The Board (including the Independent Board Committee, after considering the recommendation from the independent financial adviser) is of the view that the transactions under the Existing Master LNG Terminal Usage Services Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms and the revised annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. RENEWED MASTER NATURAL GAS PURCHASING AGREEMENT

Transaction background

The Group is mainly engaged in the gas distribution business in China. Effectively maintaining the stability of gas supply for urban gas projects is crucial to the business development of the Group. Propelled by a series of domestic "dual carbon" policies, natural gas, as an important propeller in the dual carbon transformation, plays an important role in replacing coal and oil. Therefore, there is still a huge room for development of natural gas consumption. The Company is convinced that stable and diversified gas source procurement channels are crucial to the Group's success. As a result, the Group has continuously optimized gas source procurement channels for many years, including from the three major petroleum and natural gas companies in China, international and/or domestic sources from other independent third-party sources and ENN-NG, and has strengthened collaboration with these suppliers. As the Existing Master Natural Gas Purchasing Agreement will expire on 31 December 2023, the Company entered into the Renewed Master Natural Gas Purchasing Agreement with ENN-NG on 12 December 2023, principal terms of which are set out below:

Date	**:**	12 December 2023
Parties	**:**	(i) The Company; and (ii) ENN-NG
Duration	**:**	From the 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	**:**	The ENN-NG Group agreed to sell and the Group agreed to purchase natural gas produced and/or sold by the ENN-NG Group during the term of the agreement.

Pricing mechanism and other terms

Fees payable by the Group to the ENN-NG Group for purchasing natural gas are determined on the basis of normal commercial terms with reference to the government's guidance price or relevant public market price, such as the quoted price by other LNG terminals nearby and the public market price obtained from gas websites widely accepted in the PRC.

Prior to issuing any purchase orders to or entering into any purchase contracts with the ENN-NG Group, the Group will obtain the above-mentioned relevant reference price or will compare with the fee quotations offered by at least two nearby independent suppliers (where applicable). Natural gas supplier will be selected after taking into account factors such as the natural gas prices, payment terms and transportation costs. The Group and the ENN-NG Group will enter into individual contracts or relevant written confirmations in relation to the purchase of natural gas. The fees will be paid by the Group in accordance to the agreed time and price stated in the purchase plan prior to the delivery of natural gas according to the market practice. The Group will make the payment through a bank wire transfer to the account designated by the ENN-NG Group. Both parties will settle the payment based on the agreed accounting cycle and the actual delivery circumstances. If there is any remaining balance after the settlement, such balance will be used as advance payment for the purchase in the next cycle.

Reasons for and benefits of entering into the Renewed Master Natural Gas Purchasing Agreement

By leveraging on ENN-NG's Zhoushan LNG Terminal and its strong access to natural gas resources, the Group on one hand can establish a more flexible resource pool to effectively respond to potential fluctuations in the markets' resource supply and demand, thereby strengthening the Group's capabilities in downstream distribution and natural gas supply. In situations where the market's resource supply is abundant, the Group can opt for the most cost-effective choices and adjust the resource procurement structure accordingly. Conversely, if the market's resource supply is limited, the supply provided by ENN-NG can enhance the security and stability of the Group's resources. Therefore, the Company considers that it is in the interests of the Group to procure natural gas from ENN-NG Group.

Historical transaction amounts and analysis

The historical transaction amounts under the Existing Master Natural Gas Purchasing Agreement for the two years ended 31 December 2022 and the nine months ended 30 September 2023 were as follows:

	Historical transaction amounts			Annual caps		
	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
RMB million	2,019	1,259	1,318	2,200	2,200	2,200
(approximately in HK$ million)	2,216	1,382	1,447	2,415	2,415	2,415

The historical transaction amounts for the two years ended 31 December 2021 and 2022 above did not exceed the annual caps for the corresponding years. As mentioned in the section headed "**historical transaction amounts and analysis**" in respect of the Existing Master LNG Terminal Usage Services Agreement above, the domestic gas demand was weak, leading to a low utilisation rate of the annual cap in 2022. Since 2023, the domestic pipeline gas price has remained at a high level, while the international LNG spot prices have fallen sharply. The Group has increased its purchases of natural gas from ENN-NG, which significantly benefits the overall procurement costs. As a result, the Group expects that the transaction amount in 2023 will not exceed its annual cap.

Proposed annual caps and basis of determination

The proposed annual caps for the three years ending 31 December 2026 estimated by the Group and the basis of determination of the annual caps are set out below:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB million	1,750	1,750	1,750
(approximately in HK$ million)	1,921	1,921	1,921

The annual caps for the Renewed Master Natural Gas Purchasing Agreement are determined with reference to the following:

1. the estimated potential natural gas demand and distribution capability of the Group;

2. the historical volume of natural gas purchased by the Group from three major oils, ENN-NG Group and other suppliers, as well as their respective percentage;

3. the estimated volume of natural gas available to be supplied by the ENN-NG Group; and

4. the current international and domestic market price of natural gas.

Opinions of the Board

The Board (including the Independent Board Committee, after considering the recommendation from the independent financial adviser) is of the view that the transactions under the Renewed Master Natural Gas Purchasing Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. RENEWED MASTER CONSTRUCTION SERVICES AGREEMENT

Transaction background

Based on the business nature, the Group requires the construction of high-pressure, medium-pressure and thermal pipelines, pressure regulating stations and gas storage facilities from time to time. Such construction work requires the engagement of construction service providers qualified with state-recognised Grade A engineering license. The Company is not eligible to acquire such qualification due to the constraints of the PRC laws, rules, policies and practices as to the conditions and/or qualifications required to be met as an operator. ENN-NG is one of the nationwide construction service providers possessing the Grade A engineering license. The Group has been employing ENN-NG (as a member of the LCNG Group) to provide relevant services from time to time. Following the continuous development of the Group's businesses, ENN-NG has also provided the Group with engineering design and construction services for depot and integrated energy projects upon the Group's request or after ENN-NG has made a successful tender. As the Existing Master Construction Services Agreement will expire on 31 December 2023, it is expected that the Group will continue to seek engineering design and construction services from ENN-NG Group in the ordinary course of business after the expiry of the Existing Master Construction Services Agreement. Therefore, the Company entered into the Renewed Master Construction Services Agreement with ENN-NG on 12 December 2023, principal terms of which are set out below:

Date	:	12 December 2023
Parties	:	(i) The Company; and (ii) ENN-NG
Duration	:	From the 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	:	If the ENN-NG Group is being awarded the tender in the tendering and bidding process conducted by the Group, it shall, upon request from the Group, provide engineering design and construction services, including but not limited to engineering procurement construction services in relation to engineering design, construction of pipelines, pressure regulating stations, gas storage facilities and integrated energy projects.

Pricing mechanism and other terms

The fees payable by the Group to the ENN-NG Group will be on normal commercial terms determined by reference to market rates (being the pricing guidelines as published by local governments for the same type of services).

In accordance with the market practice, the Group will pay in advance part of the aforesaid fees to the ENN-NG Group before the commencement of the construction work. The remaining fees will be paid after the commencement of the construction work in accordance with the progress of the construction and after such progress is confirmed.

The Group will issue tenders in accordance with the actual conditions for each construction work. A construction service provider will be selected by the construction evaluation committee of the Group after considering and evaluating the pricing proposals, qualifications, relevant reputation, delivery capability and track record (if applicable), etc. of each construction service providers.

Reasons for and benefits of entering into the Renewed Master Construction Services Agreement

The Company considers that it is in the interests of the Group to allow the ENN-NG Group to participate in the tendering and bidding process, and to provide construction services after winning the bids, for the following reasons:

1. ENN-NG Group possesses relevant qualification and has more than 25 years of relevant construction experiences, combined with the long-term and stable business relationship between the Group and the ENN-NG Group; and

2. the ENN-NG Group can provide assurance on the quality and safety of relevant construction works, which is of great importance to the Group for its stable and safe natural gas distribution to its downstream customers.

Historical transaction amounts and analysis

The historical transaction amounts under the Existing Master Construction Services Agreement for the year ended 31 December 2022 and nine months ended 30 September 2023 were as follows:

	Historical transaction amounts		**Annual caps**	
	For the year ended 31 December 2022	**For the nine months ended 30 September 2023**	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
RMB million	937	554	1,650	1,650
(approximately in HK$ million)	1,029	608	1,811	1,811

The historical transaction amounts for the year ended 31 December 2022 as shown in the table above did not exceed its annual cap. Due to the impact of the pandemic on construction progress, the annual cap utilisation rate in 2022 was low. The negative impact of 2022 continues into 2023, and the outbreak of the pandemic at the beginning of the year affected the progress of the construction projects, resulting in some major project delays and postponement of settlements to the fourth quarter of 2023, where the estimated annual cap utilisation rate will then be increased to approximately 65%, but the Company expects that the actual amount incurred in 2023 will not exceed the annual cap.

Proposed annual caps and basis of determination

The proposed annual caps for the three years ending 31 December 2026 and the basis of determination of the annual caps are set out as follows:

	For the year ending 31 December 2024	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
RMB million	1,200	1,200	1,200
(approximately in HK$ million)	1,317	1,317	1,317

The annual caps for the Renewed Master Construction Services Agreement are determined with reference to the following:

1. the expected amount of construction work of the Group in the next three years (including the construction works post pandemic recovery and those affected by and postponed due to COVID-19 pandemic mentioned above, as well as the construction works brought about by the growth of integrated energy business);

2. the ratio of the amount of construction work of ENN-NG Group under the Existing Master Construction Services Agreement among the total amount of construction work of the Group in the previous years; and

3. the prevailing and expected local government pricing guidelines.

Opinions of the Board

The Board (including the Independent Board Committee, after considering the opinion of the independent financial adviser) is of the view that the transactions under the Renewed Master Construction Services Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms and related annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. RENEWED MASTER EQUIPMENT PURCHASING AND MODIFICATION SERVICES AGREEMENT

Transaction background

The Group requires the procurement of various types of equipment during its ordinary course of business (particularly its integrated energy business and value added business that are under the strong development by the Group), in order to meet the diverse needs of customers in terms of product variety, safety, intelligence and energy saving. The combined compound growth rate (CAGR) of integrated energy business and value added business over the past five years has reached approximately 55%. In addition, the gross profit ratio has seen significant growth, rising from approximately 7.3% in 2018 to approximately 31.9% in 2022. With the rapid expansion of these businesses and technological iteration, the Group has high demand for intelligent enhancement or modification on existing equipment. To strive for operational excellence, reduction of operating costs, increase in operational efficiency and increase in service quality, the Group will acquire hi-tech equipment according to its business needs to achieve such objectives and enhance customer satisfaction. LCNG Group has engaged in the development and innovation of equipment and services related to the energy industry for a long period of time, and is one of the suppliers of the Group. The Existing Master Equipment Purchasing and Modification Services Agreement entered into between the Company and LCNG will expire on 31 December 2023. As the Group will continue to purchase equipment and request equipment modification services from the LCNG Group in the ordinary course of business after the expiry of the Existing Master Equipment Purchasing and Modification Services Agreement, the Company entered into the Renewed Master Equipment Purchasing and Modification Services Agreement with LCNG on 12 December 2023, the principal terms of which are set out below:

Date	**:**	12 December 2023
Parties	**:**	(i) The Company; and (ii) LCNG
Duration	**:**	From the 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	**:**	Upon request from the Group, the LCNG Group will provide equipment and equipment modification and enhancement services, including but not limited to micro and small gas turbines, pressure monitoring terminals, gas detection terminals, Bluetooth cards, smart flow meters, pressure gauge, data card readers and the modification and enhancement services of such equipment.

Pricing mechanism and other terms

The fees payable by the Group to the LCNG Group will be on normal commercial terms determined by the following: (i) the tendering and bidding or quotation process conducted by the Group; or (ii) with reference to the market price charged for the same equipment and services provided by independent third party suppliers. The LCNG Group will provide the same equipment and equipment modification and enhancement services to the Group on terms and conditions no less favourable to the Group than those offered to independent third parties.

Payment for equipment procurement is payable by the Group within six months after the inspection of the relevant equipment, whereas payment for equipment modification and enhancement services is payable by the Group in accordance with the progress of the matter within six months after the quality of such matter is confirmed.

Prior to issuing any purchase order/contract or entering into any equipment modification and enhancement services contract with the LCNG Group, the Group will simultaneously invite the suppliers on its list of equipment suppliers (including the LCNG Group) who are qualified to bid or offer quotation on the provision of equipment and equipment modification and enhancement services. The equipment purchasing evaluation committee of the Group will select a supplier after considering and evaluating the pricing proposals, relevant reputation, experiences in the industry, delivery capability and track record (if applicable), etc. of each supplier through tendering and bidding or quotation procedures.

Reasons for and benefits of entering into the Renewed Master Equipment Purchasing and Modification Services Agreement

The Company considers that engaging in the equipment purchasing and modification service transactions with the LCNG Group is in the interests of the Group for the following reasons:

1. the LCNG Group has been providing equipment and equipment modification and upgrade services to the Group, and its products are of relatively higher quality, applicability and operational efficiency and it is able to offer more competitive prices and quality services as compared to third party suppliers;

2. the Group can coordinate with the LCNG Group more efficiently on after-sales services to further enhance operational efficiency and service quality; and

3. the Group does not need to incur additional research and development costs on related aspects.

Historical transaction amounts and analysis

The historical transaction amounts under the Existing Master Equipment Purchasing and Modification Services Agreement for the year ended 31 December 2022 and nine months ended 30 September 2023 were as follows:

	Historical transaction amounts		Annual caps	
	For the year ended 31 December 2022	For the nine months ended 30 September 2023	For the year ended 31 December 2022	For the year ending 31 December 2023
RMB million	180	120	200	250
(approximately in HK$ million)	198	132	220	274

The historical transaction amounts for the year ended 31 December 2022 as shown in the table above did not exceed its annual cap, and it is expected that the total transaction amounts in 2023 will not exceed its annual cap. The utilisation rate of 2023 annual cap for the nine months ended 30 September 2023 was only 48%, which was due to the significant outbreak of the pandemic at the beginning of the year and the subsequent economic recovery pressure, which resulted in delayed progress in construction projects. As a result, there has been a decrease in demand for equipment procurement related to the projects. To manage the inventory effectively, the Group has also controlled the pace of procurement. In addition, there are more settlement of the affected projects in the fourth quarter. The Company expects that the actual transaction amount in 2023 will be around RMB200 million, which will not exceed the annual cap.

Proposed annual caps and basis of determination

The proposed annual caps for the three years ending 31 December 2026, and the basis of determination of the annual caps are set out as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB million	350	400	450
(approximately in HK$ million)	384	439	494

The annual caps for the Renewed Master Equipment Purchasing and Modification Services Agreement are determined with reference to the following:

1. the Group's business plan and its estimated quantity of equipment purchase and the scale of modification and enhancement services required by the Group (such as security equipment and energy usage data monitoring equipment) from LCNG Group for the purpose of management, modification and upgrades of equipment;

2. the favourable policies implemented by the PRC government to achieve the dual carbon goals, safe gas distribution and stable development of the real estate sector;

3. the data of historical transactions between the Group and the LCNG Group; and

4. the estimated market prices charged for the corresponding equipment and services.

Opinions of the Board

The Board (including the Independent Board Committee, after considering the opinion of the independent financial adviser) is of the view that the transactions under the Renewed Master Equipment Purchasing and Modification Services Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms and related annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. RENEWED MASTER INFORMATION TECHNOLOGY SERVICES AGREEMENT

The Group focuses on natural gas and integrated energy sale. In order to reduce costs and adapt to the increasingly informationalised business environment in a more flexible way to construct a smart enterprise, the Group has been requesting the LCNG Group to provide information technology services since 2016. As the Existing Master Information Technology Services Agreement will expire by 31 December 2023, it is expected that after its expiry, the Group will continue to seek information technology services from LCNG Group in the ordinary course of business. Therefore, the Company entered into the Renewed Information Technology Services Agreement with LCNG on 12 December 2023, principal terms of which are set out below:

Date	**:**	12 December 2023
Parties	**:**	(i) The Company; and (ii) LCNG
Duration	**:**	From the 1 January 2024 to 31 December 2026 (both days inclusive)
Subject matter	**:**	Upon request from the Group, the LCNG Group will provide the Group with information technology services, including but not limited to information technology infrastructure construction, operation and maintenance, product development and SaaS, as well as consultation, design, development, operation and maintenance services for information technology applications such as software and platforms.

Pricing mechanism and other terms

The fees payable by the Group to the LCNG Group will be on normal commercial terms determined by the following: (i) the tendering and bidding or quotation process conducted by the Group; or (ii) with reference to the market rate of the same services provided by independent third parties. The LCNG Group will provide the same information technology support services to the Group on terms and conditions no less favourable than those offered to independent third parties.

For each new standalone information technology application of the Group, the selection process of information technology services provider (including the LCNG Group) will be based on tendering and bidding. An information technology service provider will be selected by the information technology evaluation committee of the Group after considering and evaluating the pricing proposals, overall strength, relevant reputation, delivery capability and track record (if applicable), etc., of each information technology service provider. Considering the continuity of the existing information technology applications, the Group will obtain quotations from at least three information technology service providers (which may include the LCNG Group) for upgrading and iterating the existing information technology applications, to ensure the fairness of the price offered by the service providers of such applications. If there is no tendering and bidding procedure, the Group will obtain quotations from at least three information technology service providers (which may include the LCNG Group) in its selection process.

For services provided under the Renewed Master Information Technology Services Agreement, the Group will also enter into a service level agreement with the LCNG Group to guarantee the quality of its services on infrastructure and operation and maintenance. The operation and maintenance service fees will be payable by the Group to the LCNG Group on a quarterly basis after such services are confirmed by both parties, while the service fees for the consultation, design and development of new information technology applications, such as software and platforms, will be payable in accordance with the progress of the provision of such services and after the progress and quality of such services provided are confirmed.

Reasons for and benefits of entering into the Renewed Master Information Technology Services Agreement

The Company considers that using the information technology services provided by the LCNG Group is in the interests of the Group for the following reasons:

1. the Group can streamline its organisational structure and focus its internal resources on business strategic matters and core business development;

2. the LCNG Group is a professional services provider with a strong capability in the realm of information technology and will put the Group's data security on top priority; and

3. the LCNG Group has a deep understanding on the Group's strategy as well as business needs, hence it can respond to the Group's needs promptly and provide the Group with comprehensive services and develop necessary applications for operation and maintenance.

Historical transaction amounts and analysis

The historical transaction amounts under the Existing Master Information Technology Services Agreement for the year ended 31 December 2022 and nine months ended 30 September 2023 were as follows:

	Historical transaction amounts		**Annual caps**	
	For the year ended 31 December 2022	**For the nine months ended 30 September 2023**	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
RMB million	328	221	400	420
(approximately in HK$ million)	360	243	439	461

The historical transaction amounts for the year ended 31 December 2022 as shown in the table above did not exceed its annual cap. The utilisation rate for the annual cap for the year ending 31 December 2023 so far was lower than expected due to timing difference in the settlement of transaction amounts for the nine months ended 30 September 2023. However, these transaction amounts have been subsequently settled. The Company therefore expects that the actual transaction amount in 2023 will be around RMB362 million, which will not exceed the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The proposed annual caps for the three years ending 31 December 2026, and the basis of determination of the annual caps are set out as follows:

	For the year ending 31 December 2024	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
RMB million	500	530	550
(approximately in HK$ million)	549	582	604

The annual caps for the Renewed Master Information Technology Services Agreement are determined with reference to the following:

1. under the new development pressures in the natural gas industry, the Group is steadfastly implementing new strategic planning and upgrading its business to adapt and transform. While continuing to strengthen the foundation of natural gas business, the Group is vigorously expanding its integrated energy business and accelerating the growth of value added business. To achieve more efficient, intelligent, and sustainable operations and management, ranging from improving efficiency and reducing costs to driving innovation and enhancing customer experience, the Group needs to further enhance its digital capabilities. This will aid in achieving a more sustainable supply of products and services and better positioning ourselves to respond to market changes and competitive pressures;

2. the data of historical transactions between the Group and the LCNG Group;

3. making reference to market price charged for such services; and

4. by integrating the information technology services currently provided by LCNG Group to the Group, along with the potential needs for additional application development services in the next three years, at the same time taking into account factors such as inflation and the Group's increased demand for existing and new service offerings based on the Group's business growth.

Opinions of the Board

The Board (including the Independent Board Committee, after considering the opinion of the independent financial adviser) is of the view that the transactions under the Renewed Master Information Technology Services Agreement will be conducted in the ordinary and usual course of business of the Group based on normal commercial terms or better, and that the relevant terms and related annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is one of the largest clean energy distributors in the PRC and is principally engaged in the investment and construction, as well as operation and management of gas pipeline infrastructures, integrated energy stations and vehicle and ship refueling stations, the sales and distribution of piped gas, LNG and other multi-energy products, and energy trading business and provision of other services in relation to energy supply in the PRC.

ENN-NG (a controlling shareholder of the Company) is a limited company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600803.SH). The business segments of the ENN-NG Group include obtaining upstream natural gas resources, LNG terminals, natural gas downstream distribution, energy engineering, and energy chemical business. As at the date of this announcement, 72.41% of the issued share capital of ENN-NG, which is a non-wholly owned indirect subsidiary of LCNG, are owned by Mr. Wang and Ms. Zhao Baoju (the spouse of Mr. Wang).

LCNG (a controlling shareholder of the Company) is a limited liability company established under the laws of the PRC. The businesses of LCNG Group cover not only the energy sector of ENN-NG, but also the lifestyle sector, including real estate, tourism, cultural and healthcare industry; and the high-tech sector, including smart city operations, industrial network operation, cloud computing and artificial intelligence. As at the date of this announcement, Mr. Wang and Ms. Zhao Baoju (the spouse of Mr. Wang) collectively own the entire issued share capital of LCNG.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, LCNG, through its subsidiaries, holds approximately 34.04% of the issued share capital of the Company, therefore LCNG is a controlling shareholder and a connected person of the Company. The subsidiaries (including ENN-NG) and associates of LCNG are also regarded as connected persons of the Company. Therefore, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Renewed Master Natural Gas Purchasing Agreement, together with the revised annual caps of the Existing Master LNG Terminal Usage Services Agreement on an aggregate basis, are more than 0.1% but all of them are less than 5%; and (ii) one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under each of the New Master Agreements (except for the Renewed Master Natural Gas Purchasing Agreement) are more than 0.1% but all of them are less than 5%, each of the Transactions is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that (i) Mr. Wang is a shareholder of ENN-NG; (ii) Mr. Wang Zizheng (a non-executive Director of the Company) is the son of Mr. Wang; (iii) Mr. Wang, Mr. Wang Zizheng, Mr. Zheng Hongtao (an executive Director of the Company), Mr. Wang Dongzhi (an executive Director of the Company) and Ms. Zhang Jin (an executive Director of the Company) are directors and/or hold senior management positions of LCNG, ENN-NG and/or other subsidiaries of LCNG Group, they are deemed to have significant interests in the

Transactions and have abstained from voting on relevant board resolutions. Save as disclosed above, no other Director has a material interest in the Transactions.

V. GENERAL INFORMATION

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, for reviewing all connected transactions of the Company (including the Transactions) which are subject to the announcement requirements of the Listing Rules from time to time and providing recommendations to the Board. Adhering to the good corporate governance practice in the past, the revision of the annual caps of the Existing Master LNG Terminal Usage Services Agreement and the terms of the New Master Agreements have been reviewed by the Independent Board Committee (comprising all the independent non-executive Directors), which provided recommendations to the Board. The Board has also engaged, on a voluntary basis, Somerley Capital Limited as the independent financial adviser of the Company, which advised the Independent Board Committee on the Transactions at its meeting held on 6 December 2023.

VI. CORPORATE GOVERNANCE MEASURES AND INTERNAL CONTROL PROCEDURES

In order to protect the interests of the Company and the Shareholders as a whole, the Company has been conducting work for the reporting and disclosure of connected transactions and continuing connected transactions as required by the Listing Rules. In order to further ensure that the continuing connected transactions entered into between the Group and connected persons are conducted on normal commercial terms or better as disclosed and based on the aforesaid pricing mechanisms, the Company continues to adopt the following corporate governance measures and internal control procedures:

1. All specific contracts to be signed under all master agreements must be pre-approved by the Company's operational department, finance department, legal department and other relevant management personnel according to the internal system to ensure that the continuing connected transactions contemplated are carried out in strict compliance with the terms and conditions contained in the relevant master agreements. If amendments to the terms and conditions contained in such master agreements are required due to change of actual conditions, the relevant approval procedures have to be re-complied with (including but not limited to obtaining approvals from the Board and compliance with the relevant requirements under the Listing Rules);

2. The finance department of the Company is responsible for the continuous monitoring and review of the pricing terms, payment arrangements and actual transaction amounts of the continuing connected transactions to be entered and ensures that the relevant transactions are carried out in accordance with the terms of the relevant master agreements and will not exceed the respective annual caps;

3. The internal control department and the risk management department of the Company will review the continuing connected transactions under each master agreement regularly, to (i) consider whether the pricing policies and the payment method, early warning system on balances of annual caps are implemented effectively; (ii) consider whether the executed contracts are entered into on normal commercial terms or better, and whether the terms are fair and reasonable; and (iii) make recommendations to the management from time to time to ensure that the internal control procedures in respect of the continuing connected transactions remain complete and effective;

4. The independent auditor of the Company will conduct annual review and opine on the implementation and whether the continuing connected transaction amounts are within the annual caps in accordance with the requirements of the Listing Rules every year; and

5. The Board and the audit committee of the Company will review the continuing connected transactions implementation report every year. The independent non-executive Directors will express their views on the continuing connected transactions during the reporting period in the annual report, including but not limited to whether the continuing connected transactions are fair and reasonable, whether they are conducted on normal commercial terms or better and whether they are in the interests of the Company and the Shareholders as a whole.

The Board considers that the above corporate governance measures and internal control procedures adopted by the Company concerning all continuing connected transactions are appropriate and sufficient, and that the procedures and measures give sufficient assurance to the Shareholders that the continuing connected transactions will be appropriately monitored by the Company.

VII. DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Company"	ENN Energy Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688.HK);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"ENN-NG"	ENN Natural Gas Co., Ltd., a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600803.SH), a controlling shareholder of the Company;
"ENN-NG Group"	ENN-NG and its subsidiaries and associates (as the case may be);

"Existing Master Construction Services Agreement"	the master construction services agreement dated 17 November 2021 entered into between the Company and ENN-NG for a term commencing from 1 January 2022 and expiring on 31 December 2023, details of which are set out in the announcement of the Company dated 17 November 2021;
"Existing Master Equipment Purchasing and Modification Services Agreement"	the master equipment purchasing and modification services agreement dated 17 November 2021 entered into between the Company and LCNG for a term commencing from 1 January 2022 and expiring on 31 December 2023, details of which are set out in the announcement of the Company dated 17 November 2021;
"Existing Master Information Technology Services Agreement"	the master information technology services agreement dated 17 November 2021 entered into between the Company and LCNG for a term commencing from 1 January 2022 and expiring on 31 December 2023, details of which are set out in the announcement of the Company dated 17 November 2021;
"Existing Master LNG Terminal Usage Services Agreement"	the master LNG terminal usage services agreement dated 28 September 2018 entered into between the Company and LCNG for a term commencing from 1 October 2018 and expiring on 31 December 2028, details of which are set out in the announcements of the Company dated 28 September 2018 and 30 November 2020;
"Existing Master Natural Gas Purchasing Agreement"	the master natural gas purchasing agreement dated 30 November 2020 entered into between the Company and ENN-NG for a term commencing from 1 January 2021 and expiring on 31 December 2023, details of which are set out in the announcement of the Company dated 30 November 2020;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors;
"LCNG"	Langfang City Natural Gas Company Limited, a limited liability company incorporated in the PRC, which is wholly-owned by Mr. Wang and Ms. Zhao Baoju (the spouse of Mr. Wang) as at the date of this announcement;
"LCNG Group"	LCNG and its subsidiaries and associates (as the case may be);

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LNG"	liquefied natural gas;
"Mr. Wang"	Mr. Wang Yusuo, the chairman, an executive Director and a controlling shareholder of the Company as at the date of this announcement;
"New Master Agreements"	Renewed Master Natural Gas Purchasing Agreement, Renewed Master Construction Services Agreement, Renewed Master Equipment Purchasing and Modification Services Agreement and Renewed Master Information Technology Services Agreement;
"Other Existing Master Agreements"	Existing Master Natural Gas Purchasing Agreement, Existing Master Construction Services Agreement, Existing Master Equipment Purchasing and Modification Services Agreement and Existing Master Information Technology Services Agreement;
"percentage ratios"	the percentage ratios under Rule 14.07 of the Listing Rules, other than the profits ratio and equity capital ratio;
"PRC"	the People's Republic of China and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
"Renewed Master Construction Services Agreement"	the master construction services agreement dated 12 December 2023 entered into between the Company and ENN-NG for a term commencing from 1 January 2024 and expiring on 31 December 2026;
"Renewed Master Equipment Purchasing and Modification Services Agreement"	the master equipment purchasing and modification services agreement dated 12 December 2023 entered into between the Company and LCNG for a term commencing from 1 January 2024 and expiring on 31 December 2026;
"Renewed Master Information Technology Services Agreement"	the master information technology services agreement dated 12 December 2023 entered into between the Company and LCNG for a term commencing from 1 January 2024 and expiring on 31 December 2026;
"Renewed Master Natural Gas Purchasing Agreement"	the master natural gas purchasing agreement dated 12 December 2023 entered into between the Company and ENN-NG for a term commencing from 1 January 2024 and expiring on 31 December 2026;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholder(s)"	the registered holder(s) of the share(s) of the Company;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Transactions"	the transactions contemplated under the Existing Master LNG Terminal Usage Services Agreement and the New Master Agreements;
"Zhoushan LNG Terminal"	the Zhoushan LNG terminal owned by the LCNG Group, located in the economic development zone of Zhoushan city in the Zhejiang province; and
"%"	percentage.

Note: For information purposes only, the translation of RMB to HK$ in this announcement is based at the rate of RMB1.00 to HK$1.0977.

By order of the Board
ENN Energy Holdings Limited
WANG Yusuo
Chairman

Hong Kong, 12 December 2023

As at the date of this announcement, the Board comprises of the following directors: six executive directors, namely Mr. WANG Yusuo (Chairman), Mr. ZHENG Hongtao (Executive Chairman), Ms. WU Xiaojing (Chief Executive Officer), Mr. LIU Jianfeng (President), Mr. WANG Dongzhi and Ms. ZHANG Jin; one non-executive director, namely Mr. WANG Zizheng; and four independent non-executive directors, namely Mr. MA Zhixiang, Mr. YUEN Po Kwong, Mr. LAW Yee Kwan, Quinn and Ms. WONG Lai, Sarah.