

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華潤燃氣控股有限公司
China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

CONTINUING CONNECTED TRANSACTIONS
CHENZHOU PROJECT FRAMEWORK AGREEMENT

FRAMEWORK AGREEMENT

On 22 June 2021, CR Gas Chenzhou, an indirect wholly-owned subsidiary of the Company, and CR Sanjiu Chenzhou, an indirect non-wholly-owned subsidiary of CR Pharmaceutical, entered into the Framework Agreement, pursuant to which CR Gas Chenzhou will construct a energy station on the Land to be provided by CR Sanjiu, after which CR Gas Chenzhou will supply and CR Sanjiu Chenzhou will purchase energy for cooling and heating, steam and part of electricity to the Southern China production manufacturing centre of CR Sanjiu Chenzhou.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CRH, the controlling shareholder of the Company, is also a controlling shareholder of CR Pharmaceutical, by virtue of being interested in approximately 53.05% of the issued share capital of CR Pharmaceutical and which in turn is interested in approximately 63.60% of the issued share capital of CR Sanjiu. Accordingly, CR Sanjiu and its subsidiary, CR Sanjiu Chenzhou are connected persons of the Company and the Energy Supply Transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Energy Supply Transactions exceed 0.1% but are all less than 5%, the Energy Supply Transactions constitute continuing connected transactions of the Company being subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 22 June 2021, CR Gas Chenzhou, an indirect wholly-owned subsidiary of the Company, and CR Sanjiu Chenzhou, an indirect non-wholly-owned subsidiary of CR Pharmaceutical, entered into the Framework Agreement, pursuant to which CR Gas Chenzhou will construct a energy station on the Land to be provided by CR Sanjiu Chenzhou, after which CR Gas Chenzhou will supply and CR Sanjiu Chenzhou will purchase energy for cooling and heating, steam and part of electricity to the Southern China production manufacturing centre of CR Sanjiu Chenzhou.

Details of the Framework Agreements are as follow:

FRAMEWORK AGREEMENT

Date: 22 June 2021

Parties:

- (1) CR Gas Chenzhou, an indirect wholly-owned subsidiary of the Company established in the PRC; and
- (2) CR Sanjiu Chenzhou, a direct wholly-owned subsidiary of CR Sanjiu established in the PRC.

Subject matter of the Framework Agreement: **Energy Station Construction**

Pursuant to the Framework Agreement:

1. CR Sanjiu Chenzhou will provide the Land and be responsible for obtaining all necessary administrative permits required for the use of the Land and filing the plan to the local government; and
2. CR Gas Chenzhou will be responsible for the investment, construction and operation of the Energy Station to be constructed on the Land, upon completion of which will be used by CR Gas Chenzhou for supplying energy for cooling and heating, steam and supplying part of electricity to the Southern China production manufacturing centre of CR Sanjiu Chenzhou. CR Gas Chenzhou will also be responsible for providing all necessary design and technical support for the administrative permits and filings required to be made by CR Sanjiu Chenzhou in respect of the use of the Land.

Part of the Energy Station Construction is expected to be completed by June 2022, after which the Energy Supply Transactions contemplated under the Framework Agreement will commence. The rest of the Energy Station Construction is expected to be completed between June 2023 to December 2025.

The Land provided by CR Sanjiu Chenzhou is owned by and will continue be owned by CR Sanjiu Chenzhou. The rights to the assets resulting from investments made by CR Gas Chenzhou for the Chenzhou Project belong to CR Gas Chenzhou and shall be disposed of in accordance with the terms and conditions of the Framework Agreement.

Energy Supply Transactions

Pursuant to the Framework Agreement, CR Gas Chenzhou will supply energy for cooling and heating, steam and part of electricity to the Southern China production manufacturing centre of CR Sanjiu Chenzhou.

Subject to extension of the term of the Framework Agreement, the parties expect the energy supply to last about 20 years, commencing on Commencement Date. It is expected that the energy station will commence operation in or about June 2022, subject to any adjustment to the operation commencement date of the Energy Station shall be confirmed by the parties in writing six months in advance.

Term of the Framework Agreement:

The Framework Agreement will become effective on the date of the agreement for a term of three years. Prior to the expiration of the term of the Framework Agreement, the parties shall submit the Energy Supply Transactions under the Framework Agreement to the authorities of their respective holding companies, being the Company (in the case of CR Gas Chenzhou) and CR Sanjiu (in the case of CR Sanjiu Chenzhou) for consideration, and the parties shall procure the authorities of their respective holding companies to approve the extension of the term of the Framework Agreement, each extension shall not exceed 3 years or such other duration permitted under the applicable laws and regulations, and the relevant extensions of terms are subject to the applicable laws and regulation as well as obtaining the approval of the independent shareholders of the Company (where applicable). The same extension mechanism applies to each and every extended term of the Framework Agreement. If the parties fail to obtain the above approvals from their respective holding companies, the Framework Agreement shall automatically lapse on the expiry date of the Framework Agreement.

In the event that the Framework Agreement is not extended in accordance with the terms of the Framework Agreement or that the Framework Agreement is terminated through no fault of CR Gas Chenzhou, subject to compliance with all relevant rules and regulations by CR Gas Chenzhou and the Company (including the applicable requirements under the Listing Rules), CR Gas Chenzhou shall transfer to CR Sanjiu Chenzhou the construction of the Energy Station constructed pursuant to the Framework Agreement in accordance with applicable rules governing the transfer of state-owned assets; in addition, subject to compliance with applicable approving procedures, CR Sanjiu Chenzhou shall compensate CR Gas Chenzhou based on the remainder of the term for energy supply as contemplated by the parties.

Prices for energy consumption and basis of pricing: For the three years beginning on the Commencement Date, the prices to be paid by CR Sanjiu Chenzhou in respect of its energy consumption under the Framework Agreement will be as follows:–

Electricity: the price of the national electricity grid of Hunan Province of the PRC minus RMB0.02 per kwh

Steam: RMB271.3 per tonne, which is calculated based on the price of steam produced by natural gas boilers per tonne and the price of steam produced by biomass boilers per tonne. The price of steam produced by natural gas boilers is in turn based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission in China for industrial natural gas prices and costs of operation of the boilers as at the date of the Framework Agreement. Since there is no market-guided public price for steam produced by biomass boilers, the price of steam produced by biomass boilers is in turn based on the predicted theoretical costs plus reasonable profit (with reference to the profit margin of steam produced by natural gas boilers in the transactions contemplated under the Framework Agreement) as at the date of the Framework Agreement.

Provision of cooling energy: RMB0.35 per kwh, which is calculated based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission in China for industrial use and costs of operation of the boilers as at the date of the Framework Agreement, the average daily price of the national electricity grid of Hunan Province of the PRC as at the date of the Framework Agreement, various coefficients relating to creation of energy for cooling and costs of relevant operations

Provision of heating energy: RMB0.55 per kwh, which is calculated based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission in China for industrial use and costs of operation of the boilers as at the date of the Framework Agreement, a coefficient relating to creation of energy for heating and costs of relevant operations

Pursuant to the Framework Agreement, no adjustment to the prices set out above will be permitted during the a trial-run period being the first three years from the Commencement Date. Thereafter, prices can be adjusted should there be any changes to the factors determining the prices set out above.

The parties agree that, the prices for energy supply pursuant to the Framework Agreement shall in no event exceed market prices.

Payment: CR Gas Chenzhou will be responsible for installation and maintenance of meters to be used for measuring the amount of energy consumption under the Framework Agreement. Both parties will record and confirm meter readings on a monthly basis.

CR Sanjiu Chenzhou agrees to make monthly payments for its energy consumption in advance based on the estimated amount of energy to be consumed for the relevant month, and settle the balance for the amount specified in the bill based on the records on the actual energy consumed for the relevant month.

ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT

In determining the annual caps, the Company has considered the expected energy demand calculated by the expected size and operating scale of the Southern China manufacturing center as advised by CR Sanjiu Chenzhou and related pricing of energy.

The Directors expect that the Energy Supply Transactions contemplated under the Framework Agreement will commence in or around June 2022 and the maximum aggregate consideration of the Energy Supply Transactions contemplated under the Framework Agreement will not exceed the following:

	Annual Cap <i>(RMB million)</i>
For the year ending on 31 December 2022	33
For the year ending on 31 December 2023	65
From 1 January 2024 to the expiry date of the Framework Agreement (ie 21 June 2024)	33

The estimates of the annual caps above are the aggregate amount of the maximum consideration of purchases under the Energy Supply Transactions contemplated under the Framework Agreement, each of such maximum consideration is calculated based on the prices per unit of energy to be sold and purchased under the Framework Agreement as set out in the section headed “FRAMEWORK AGREEMENT – Prices for energy consumption and basis of pricing” multiplied by the estimated amount of energy to be purchased and supplied during each relevant period under the Framework Agreement.

The Company considered that the terms of the transactions contemplated under the Framework Agreement are on normal commercial terms.

INTERNAL CONTROL MEASURES

To ensure that the Company complies with the Framework Agreement from time to time, the Company will adopt a series of internal control measures in its daily operations. These internal control measures will be carried out and monitored by the financial department, legal department and audit department of the Company and the measures of which include:

1. the Company has adopted and implemented a connected transaction management system in respect of the connected transactions, according to which, the legal department and the financial department are responsible for collecting information in relation to the connected transactions and monitoring connected transactions that have occurred quarterly, assessing the fairness of transaction terms and pricing terms and ensuring that all transactions under the Framework Agreement comply with the terms of the Framework Agreement;
2. the independent non-executive directors of the Company will review the continuing connected transactions under the Framework Agreement to ensure that the Framework Agreement is concluded on normal commercial terms, is fair and reasonable, and is performed in accordance with the terms of the Framework Agreement. The Company's auditors will also conduct an annual review of the pricing and annual caps of the continuing connected transactions under the Framework Agreement; and
3. the internal audit department of the Company will monitor and evaluate on a regular basis whether the process of connected transaction complies with the Company's internal control requirements.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group is principally engaged in downstream gas distribution in the PRC. The Directors believe that by providing integrated energy supply through the use of natural gas decentralized energy and multiple thermal energy in the transactions contemplated under the Framework Agreement, the scope of energy supply of the Group can be expanded as compared to the usual gas supply of the Group, providing the Group with an opportunity to develop and provide energy to new customers, which is consistent with the business and commercial objectives of the Group in exploring market opportunities for gas and gas related products and services in the PRC and is beneficial to the Group by bringing in an additional source of revenue and profits.

The Directors (including all independent non-executive Directors) have approved the execution of the Framework Agreement and the transactions contemplated thereunder. They are of the opinion that the Energy Supply Transactions contemplated under the Framework Agreement entered into between CR Gas Chenzhou and CR Sanjiu Chenzhou and the general terms and conditions of the Framework Agreement are: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis) and (iii) the terms of the Framework Agreement (including the proposed annual caps) are fair and reasonable and the transactions contemplated under the Framework Agreement are in the interests of the Company and the Shareholders as a whole.

Each of the Directors has confirmed that he/she does not have any material interest in the transactions contemplated under the Framework Agreement and no Director is required to abstain from voting on the board resolutions in respect of the Framework Agreement (including the annual caps).

INFORMATION OF CR SANJIU CHENZHOU

CR Sanjiu Chenzhou is principally engaged in manufacture and distribution of pharmaceutical products. It is a wholly-owned subsidiary of CR Sanjiu, a company incorporated in the PRC and shares of which are listed on the Shenzhen Stock Exchange. As at the date of this announcement, CR Sanjiu is indirectly owned as to approximately 63.60% by CR Pharmaceutical, a company incorporated in Hong Kong and shares of which are listed on the Stock Exchange, which in turn is ultimately beneficially owned as to 53.05% by China Resources Company Limited, which is under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CRH, the controlling shareholder of the Company, is also a controlling shareholder of CR Pharmaceutical, by virtue of being interested in approximately 53.05% of the issued share capital of CR Pharmaceutical and which in turn is interested in approximately 63.60% of the issued share capital of CR Sanjiu. Accordingly, CR Sanjiu and its subsidiary, CR Sanjiu Chenzhou are connected persons of the Company and the Energy Supply Transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Energy Supply Transactions exceed 0.1% but are all less than 5%, the Energy Supply Transactions constitute continuing connected transactions of the Company being subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	:	the board of directors of the Company;
“Chenzhou Project”	:	the project involving the Energy Station Construction and the Energy Supply Transactions as contemplated;
“Commencement Date”	:	the day that the Energy Station begins operating;
“Company”	:	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“CR Gas Chenzhou”	:	郴州華潤燃氣有限公司(Chenzhou China Resources Gas Company Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

“CR Pharmaceutical”	:	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited;
“CR Sanjiu”	:	華潤三九醫藥股份有限公司(China Resources Sanjiu Medical & Pharmaceutical Company Limited*), a company incorporated in the PRC with limited liability, the issued shares of which are listed on the Shenzhen Stock Exchange;
“CR Sanjiu Chenzhou”	:	華潤三九(郴州)製藥有限公司(China Resources Sanjiu (Chenzhou) Pharmaceutical Company Limited*), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of CR Pharmaceutical;
“CRH”	:	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
“Director(s)”	:	director(s) of the Company;
“Energy Station”	:	the energy station constructed by CR Gas Chenzhou for the purpose of the Energy Supply Transactions;
“Energy Station Construction”	:	the construction of Energy Station by CR Gas Chenzhou on the Land to be provided by CR Sanjiu Chenzhou;
“Energy Supply Transactions”	:	the supply of energy for heating and cooling, steam and part of electricity by CR Gas Chenzhou to the Southern China production manufacturing centre of CR Sanjiu Chenzhou as contemplated under the Framework Agreement;
“Framework Agreements”	:	the framework agreements dated 22 June 2021 entered into by CR Gas Chenzhou and CR Sanjiu Chenzhou in respect of the Chenzhou Project;
“Group”	:	the Company and its subsidiaries;
“kwh”	:	kilowatt-hour;
“Land”	:	the land located in the area of Changchong industrial park of the Economic and Technological Development Zone of Chenzhou city of the PRC with a site area of approximately 19,000 square meters;
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	:	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region;
“RMB”	:	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	:	Shareholder(s) of the Company; and
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited.

By Order of the Board
China Resources Gas Group Limited
Wang Chuandong
Chairman

Hong Kong, 22 June 2021

As at the date of this announcement, the directors of the Company are Mr. Shi Baofeng and Mr. Ge Bin, being Executive Directors; Mr. Wang Chuandong, Mr. Chen Ying, Mr. Wang Yan and Madam Wan Suet Fei, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Yu Hon To, David, Mr. Yang Yuchuan and Mr. Hu Xiaoyong, being Independent Non-executive Directors.

* *The English names of the PRC-incorporated company are only English translations of the corresponding official Chinese name and are provided for identification purposes only.*