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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

NEW FRAMEWORK AGREEMENTS

Reference is made to the Company's announcements dated 30 December 2015 and 31 December 2018 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

The continuing connected transactions contemplated under the Existing Framework Agreements are due to expire on 31 December 2021. In order to continue the continuing connected transactions, on 31 December 2021, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas, as well as Loufan CR Gas which has not previously entered into any continuing connected transactions under the Existing Framework Agreements, has entered into a New Framework Agreement with Shanxi Gas for the purchase and supply of natural gas for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shanxi Gas is interested in 10% of the registered capital of Hongdong CR Gas, a subsidiary of the Company. Shanxi Gas is a substantial shareholder of Hongdong CR Gas and hence a connected person at the subsidiary level of the Company. Therefore, transactions between the Group and Shanxi Gas constitute connected transactions of the Company.

Pursuant to Rule 14A.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under the New Framework Agreements have to be aggregated and the Company must use the largest annual cap during the term of the New Framework Agreements in calculating the assets ratio, revenue ratio and consideration ratio of the continuing connected transactions. As all applicable percentage ratios calculated under Rule 14A.81, Rule 14A.78 and Rule 14.07 of the Listing Rules in respect of the aggregate maximum annual consideration payable by the Group to Shanxi Gas under the New Framework Agreements are less than 5%, the continuing connected transactions contemplated under the New Framework Agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Rule 14A.76.

BACKGROUND

Reference is made to the Company's announcements dated 30 December 2015 and 31 December 2018 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

The Existing Framework Agreements are due to expire on 31 December 2021. Details of the New Framework Agreements are as follow:

NEW FRAMEWORK AGREEMENTS DETAILS

(a) Date

On 31 December 2021, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas has entered into a New Framework Agreement with Shanxi Gas for the purchase and supply of natural gas for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

(b) Parties

Purchaser under each of the New Framework Agreements (as the case may be):

- (i) Yangquan CR Gas;
- (ii) Datong CR Gas;
- (iii) Hongdong CR Gas;
- (iv) Huozhou CR Gas;
- (v) Yangqu CR Gas; or
- (vi) Loufan CR Gas;

Supplier under each of the New Framework Agreements

- (i) Shanxi Gas.

(c) Transaction Nature

Pursuant to each of the New Framework Agreements, Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas, each a non-wholly owned subsidiary of the Company, will respectively purchase and Shanxi Gas will respectively supply an annual volume of natural gas during the term of the agreement, which is three years commencing from 1 January 2022 and expiring on 31 December 2024. Under the respective New Framework Agreements, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas has agreed to enter into annual supply contracts and supplemental contracts (if any) (collectively, the “**Individual Agreements**”) with Shanxi Gas to confirm the annual volume of natural gas for each of the year 2022, 2023 and 2024. The actual volume of natural gas to be purchased by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas and supplied by Shanxi Gas respectively shall be subject to confirmation in the Individual Agreements.

Under the respective New Framework Agreements to which each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas is a party, subject to confirmation in the respective Individual Agreements, Shanxi Gas will supply to each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas the reference volume of natural gas as set out in columns (II) to (IV) of Table A below for the years 2022 to 2024, respectively:

Table A

(I)	(II) 2022 Minimum Volume (<i>m</i>³)	(III) 2023 Minimum Volume (<i>m</i>³)	(IV) 2024 Minimum Volume (<i>m</i>³)
Yangquan CR Gas	59,886,302	59,886,302	59,886,302
Datong CR Gas	130,550,623	130,550,623	130,550,623
Hongdong CR Gas	10,800,198	10,800,198	10,800,198
Huozhou CR Gas	9,653,256	9,653,256	9,653,256
Yangqu CR Gas	8,057,814	8,057,814	8,057,814
Loufan CR Gas	76,307	76,307	76,307

(d) Prices and basis of pricing

The prices for the purchase and supply of natural gas under each of the New Framework Agreements are determined with reference to the regulations pursuant to the documents in effect published by the National Development and Reform Commission (國家發展和改革委員會), Shanxi Development and Reform Commission (山西省發展和改革委員會) and upstream gas suppliers from time to time, subject to the price adjustments of natural gas and pipeline fee made by the National Development and Reform Commission (國家發展和改革委員會), upstream gas suppliers and any other relevant PRC government authorities.

(e) Term

Each of the New Framework Agreements shall be valid for a period of three years from 1 January 2022 to 31 December 2024.

(f) Payment

Under the respective New Framework Agreement, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas agrees to make monthly payments for the natural gas fee in advance based on the respective estimated volume of gas to be consumed for the relevant month, and settle the balance for the amount specified in the bill based on the respective records on the actual volume of gas consumed for the relevant month between (i) each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas and (ii) Shanxi Gas.

ANNUAL CAPS UNDER THE NEW FRAMEWORK AGREEMENTS

Historical figures under the Existing Framework Agreements

The Existing Framework Agreements are for a term of three years commencing on 1 January 2019 and expiring on 31 December 2021. The annual caps and actual transacted amounts for each of the years ended on 31 December during the period of 2019 to 2021 are as follow:

Year	Annual Cap (RMB)	Actual Transacted Amount (RMB)
For the year ended 31 December 2019	746,092,000	665,424,672
For the year ended 31 December 2020	811,090,000	628,364,707
For the year ending 31 December 2021	865,582,000	839,993,993*

* The figure is calculated up to 30 November 2021 plus the estimated amount as of 31 December 2021

The annual caps under the New Framework Agreements

In determining the new annual caps, the Company has considered several assumptions and factors, including the relevant data of previous transactions, the past consumption of natural gas, the existing scale and operations of each of the relevant members of the Group involved in these transactions, the anticipated growth and development of natural gas distribution business of the Group, the anticipated growth of the gas users as a result of the economic growth and anticipated increase in the population of the relevant areas in Yangquan city, Datong city, Hongdong county, Huozhou city, Yangqu county and Loufan county.

The Directors expect the maximum aggregate annual consideration of purchases of natural gas by Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas from Shanxi Gas pursuant to all New Framework Agreements will not exceed the following:

Table B

Year	Annual Cap (RMB)
For the year ending on 31 December 2022	1,306,564,883
For the year ending on 31 December 2023	1,550,981,266
For the year ending on 31 December 2024	1,723,936,344

The estimates of the annual caps as shown in the Table B above are the aggregate amount of the maximum considerations of purchases under each of the New Framework Agreements, each of such maximum consideration is calculated based on the estimated prices per m³ at which natural gas is to be sold and purchased and the estimated volume of natural gas to be sold and purchased under the respective New Framework Agreement.

A breakdown of the annual caps by each of the New Framework Agreements is as follows:

	2022 (RMB)	2023 (RMB)	2024 (RMB)
Yangquan CR Gas	426,738,270	493,845,600	519,601,250
Datong CR Gas	556,800,000	720,000,000	840,000,000
Hongdong CR Gas	85,800,000	102,960,000	107,250,000
Huozhou CR Gas	26,852,000	32,222,400	33,565,000
Yangqu CR Gas	208,489,932	199,073,830	219,807,504
Loufan CR Gas	1,884,681	2,879,436	3,712,590

The estimated prices per m³ at which natural gas is to be sold and purchased pursuant to each of the New Framework Agreements are estimated by reference to prevailing market price, the historical prices at which natural gas was sold and purchased over the past years, and the relevant policies stipulated by the respective provincial government authorities. The outbreak and development of the COVID-19 pandemic and the resulting fluctuations in the global demand and supply of energy has posed challenges to the development of the natural gas market in China and caused fluctuations in the price and supply of natural gas in the past two years. There are still uncertainties in the trend of international nature gas prices. The Company has taken into account the volatility and changing nature of the natural gas industry recently in determining the estimated prices per m³ at which natural gas is to be sold and purchased and the volume of natural gas to be sold and purchased under the respective New Framework Agreement and have accordingly included a buffer of approximately 1%, 15% and 20% in respect of each of the annual caps for 2022, 2023 and 2024 respectively to account for possible fluctuations in the price and supply of natural gas.

The Company considered that the terms of the transactions pursuant to each of the New Framework Agreements are on normal commercial terms.

REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in downstream gas distribution in the PRC. The Directors believe that the continuing connected transactions are (i) necessary for the operation of the Group's businesses as an ongoing concern, (ii) beneficial for the business operation of the Group, (iii) consistent with the businesses and commercial objectives of the Group in exploring market opportunities for gas and gas related products and services in the PRC, (iv) helping Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Yangquan city, Datong city, Hongdong county, Huozhou city, Yangqu county, and Loufan county.

Each of the New Framework Agreements is for a term of three years. The Company believes that this is normal in accordance with the business practice in the PRC and would provide further stability in the supply of natural gas from Shanxi Gas for the Group's continuous operations in the relevant cities and counties.

BOARD CONFIRMATION

The Directors (including all independent non-executive Directors) have approved the execution of the New Framework Agreements and the transactions contemplated thereunder. They are of the opinion that the continuing connected transactions under the New Framework Agreements entered into between the Group and Shanxi Gas 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 New Framework Agreements (including the new proposed annual caps) are fair and reasonable and the continuing connected transactions are in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Shanxi Gas does not hold any interest in the shares of the Company. In addition, each Director has confirmed that he has no material interest in the transactions contemplated under the New Framework Agreements. No Director is required to abstain from voting on the resolutions in respect of the New Framework Agreements (including the new annual caps).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanxi Gas is interested in 10% of the registered capital of Hongdong CR Gas a subsidiary of the Company. Shanxi Gas is a substantial shareholder of Hongdong CR Gas and hence a connected person at the subsidiary level of the Company. Therefore, transactions between the Group and Shanxi Gas constitute connected transactions of the Company.

Pursuant to Rule 14A.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under the New Framework Agreements have to be aggregated and the Company must use the largest annual cap during the term of the New Framework Agreements in calculating the assets ratio, revenue ratio and consideration ratio of the continuing connected transactions. As all applicable percentage ratios calculated under Rule 14A.81, Rule 14A.78 and Rule 14.07 of the Listing Rules in respect of the aggregate maximum annual consideration payable by the Group to Shanxi Gas under the New Framework Agreements are less than 5%, the continuing connected transactions contemplated under the New Framework Agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Rule 14A.76.

INFORMATION ABOUT THE PARTIES AND THE COMPANY

Shanxi Gas

Shanxi Gas is a limited liability company established in the PRC and engaged in energy development, manufacturing and supply of natural gas in the PRC. Shanxi Gas is a wholly-owned subsidiary of Shanxi Energy Corporation, a limited liability company established in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600617). Shanxi Gas is ultimately controlled by and under the supervision of The State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province of the PRC.

Datong CR Gas

Datong CR Gas a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Datong CR Gas is primarily engaged in the provision of natural gas supply, sales of natural gas appliances and related installation and transportation services.

Hongdong CR Gas

Hongdong CR Gas is a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Hongdong CR Gas is primarily engaged in natural gas operations such as compressed natural gas development and utilization, leasing of natural gas equipment, sales of natural gas appliances, and related maintenance and installation services.

Huozhou CR Gas

Huozhou CR Gas is a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Huozhou CR Gas is primarily engaged in management of the compressed natural gas filling station, maintenance of gas equipment, sales of natural gas appliances and development of related infrastructure construction services.

Loufan CR Gas

Loufan CR Gas is a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Loufan CR Gas is primarily engaged in the provision of natural gas supply, natural gas pipeline installation and maintenance and sales of natural gas appliances.

Yangqu CR Gas

Yangqu CR Gas is a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Yangqu CR Gas is primarily engaged in the provision of natural gas supply, gas management, and compressed natural gas filling stations, sales of natural gas pipelines, appliances, and related maintenance services.

Yangquan CR Gas

Yangquan CR Gas is a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company. Yangquan CR Gas is primarily engaged in the provision of natural gas supply, related installation and transportation services, coal and natural gas pipelines supply, development and utilization of compressed natural gas, sales of natural gas appliances, and development of electric vehicle charging station related infrastructure construction services.

The Company

The Company is an investment holding company which through its subsidiaries and jointly controlled entities in the PRC, operates city gas distribution projects in China including natural gas pipelines and compressed natural gas filling stations.

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;
- “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 of Hong Kong Limited;
- “Datong CR Gas” : 大同華潤燃氣有限公司 (translated as Datong China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company;
- “Director(s)” : director(s) of the Company;

“Existing Framework Agreements”	:	the five separate framework agreements dated 31 December 2018 and entered into by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas as purchaser respectively with Shanxi Gas as supplier, the details of which are disclosed in the announcement of the Company dated 31 December 2018;
“Group”	:	the Company and its subsidiaries;
“Hongdong CR Gas”	:	洪洞華潤恒富燃氣有限公司 (translated as Hongdong China Resources Hengfu Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company;
“Huozhou CR Gas”	:	霍州華潤燃氣有限公司 (translated as Huozhou China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company;
“Loufan CR Gas”	:	婁煩華潤燃氣有限公司 (translated as Loufan China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the company;
“New Framework Agreements”	:	the six separate new framework agreements all dated 31 December 2021 and entered into by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas as purchaser respectively with Shanxi Gas as supplier, which are more particularly described under the section “New Framework Agreements Details” of this announcement, and each a “New Framework Agreement”;
“PRC”	:	The People’s Republic of China;
“RMB”	:	Renminbi, the lawful currency of the PRC;
“Shanxi Energy Corporation”	:	山西省國新能源股份有限公司 (translated as Shanxi Guoxin Energy Corporation Limited)*, a limited liability company established in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600617);
“Shanxi Gas”	:	山西天然氣有限公司 (translated as Shanxi Natural Gas Limited)*, a limited liability company established in the PRC and is interested in 10% of the registered capital of Hongdong CR Gas;

- “Shareholder(s)” : Shareholder(s) of the Company;
- “Yangqu CR Gas” : 陽曲華潤燃氣有限公司 (translated as Yangqu China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company;
- “Yangquan CR Gas” : 陽泉華潤燃氣有限公司 (translated as Yangquan China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company; and
- “m³” : cubic meters.

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

Hong Kong, 31 December 2021

As at the date of this announcement, the directors of the Company are Mr. YANG Ping and Mr. GE Bin, being Executive Director; Mr. WANG Chuandong, Mr. WANG Gaoqiang, Mr. LIU Xiaoyong and Mr. LIU Jian, 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.*