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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF THE EXISTING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 22 June 2021 in relation to, among other things, the Existing Framework Agreement entered into in respect of the Energy Supply Transactions. As the Existing Framework Agreement will expire on 21 June 2024 and the Group intends to continue the relevant transactions upon the expiry of the relevant term, on 21 June 2024, the Company has renewed the Existing Framework Agreement entered into by CR Gas Chenzhou (a subsidiary of the Company) and CR Sanjiu Chenzhou in respect of the Energy Supply Transactions for a term with effect from the date of the New Framework Agreement to 31 December 2025.

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 New Framework Agreement, pursuant to which CR Gas Chenzhou will supply and CR Sanjiu Chenzhou will purchase energy for supply of 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 63.00% 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 New 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 New Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RENEWAL OF THE EXISTING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 22 June 2021 in relation to, among other things, the Existing Framework Agreement entered into in respect of the Energy Supply Transactions. As the terms of the Existing Framework Agreement will expire on 21 June 2024 and the Group intends to continue the relevant transactions upon the expiry of the respective terms, on 21 June 2024, the Company has renewed the Existing Framework Agreement entered into by CR Gas Chenzhou (a subsidiary of the Company) and CR Sanjiu Chenzhou in respect of the Energy Supply Transactions for a term with effect from the date of the New Framework Agreement to 31 December 2025.

THE NEW FRAMEWORK AGREEMENT

Details of the New Framework Agreement are as follow:

- Date:** 21 June 2024
- 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.

Nature of transaction: Pursuant to the New Framework Agreement, CR Gas Chenzhou is responsible for the investment, construction and operation of the Energy Station constructed on the Land provided by CR Sanjiu Chenzhou, and CR Gas Chenzhou supplies energy for cooling and heating, steam and part of electricity to the Southern China production manufacturing centre of CR Sanjiu Chenzhou.

Term of the Framework Agreement: The New Framework Agreement will become effective from the date of the agreement to 31 December 2025.

Prior to the expiration of the term of the New Framework Agreement, the parties shall submit the Energy Supply Transactions under the New 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 New Framework Agreement, each extension shall not exceed three 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 regulations 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 New 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 New Framework Agreement is not extended in accordance with the terms of the New Framework Agreement or that the New 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 New 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: The prices to be paid by CR Sanjiu Chenzhou in respect of its energy consumption under the New 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: RMB313.07 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 industrial natural gas announced by Chenzhou Municipal Development and Reform Commission in China and costs of operation of the boilers as at the date of the New 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 New Framework Agreement.

Provision of cooling energy: RMB0.34 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 New Framework Agreement, the average daily price of the national electricity grid of Hunan Province of the PRC as at the date of the New Framework Agreement, various coefficients relating to creation of energy for cooling and costs of relevant operations.

Provision of heating energy: RMB0.66 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 New Framework Agreement, various coefficients relating to creation of energy for heating and costs of relevant operations.

Pursuant to the New Framework Agreement, if there is any change in the price of natural gas for industrial use as announced by the Chenzhou Municipal Development and Reform Commission in China in determining the above price, the parties agree to separately negotiate the price of energy supply.

The parties agree that, the prices for energy supply pursuant to the New 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 New 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.

HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAPS

The annual caps and historical amounts under the Existing Framework Agreement for the two years ended 31 December 2023 and six months ended 20 June 2024 are set out below:

	Annual Cap <i>(RMB million)</i>	Historical Transaction Amount <i>(RMB million)</i>
For the year ended 31 December 2022	33	0
For the year ended 31 December 2023	65	5.2
From 1 January 2024 to the expiry date of the Existing Framework Agreement (but up to 20 June 2024 for the Actual Transaction Amount)	33	10.5

In determining the annual caps, the Company has considered multiple factors including historical transaction amount, the expected energy demand calculated by the expected size and operating scale of the Southern China manufacturing centre as advised by CR Sanjiu Chenzhou and related pricing of energy.

Within the term of the New Framework Agreement, the annual caps of Energy Supply Transactions between the Group and CR Sanjiu Chenzhou are as follows:

	Annual Cap <i>(RMB million)</i>
For the year ending 31 December 2024	25
For the year ending 31 December 2025	65

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 New Framework Agreement, each of such maximum consideration is calculated based on the prices per unit of energy to be sold and purchased under the New Framework Agreement as set out in the section headed “THE NEW 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 New Framework Agreement.

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

INTERNAL CONTROL MEASURES

To ensure that the Company complies with the New 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 quarterly and ensuring that all transactions under the New Framework Agreement comply with the terms of the New Framework Agreement;
2. the independent non-executive directors of the Company will review the continuing connected transactions under the New Framework Agreement to ensure that the New Framework Agreement is concluded on normal commercial terms, is fair and reasonable, and is performed in accordance with the terms of the New 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 New 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 NEW 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 New Framework Agreement, the scope of energy supply 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 New Framework Agreement and the transactions contemplated thereunder. They are of the opinion that the Energy Supply Transactions contemplated under the New Framework Agreement entered into between CR Gas Chenzhou and CR Sanjiu Chenzhou and the general terms and conditions of the New 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) or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) the terms of the New Framework Agreement (including the proposed annual caps) are fair and reasonable and the transactions contemplated under the New 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 New Framework Agreement and no Director is required to abstain from voting on the board resolutions in respect of the New Framework Agreement (including the annual caps).

INFORMATION ON THE PARTIES

The Group and CR Gas Chenzhou

The Company is incorporated in Bermuda with limited liability and its ultimate holding company is CRC, a state-owned enterprise under the supervision of the SASAC. The principal businesses of the Company include the purchases and sales of natural gas, the construction and operation of pipeline facilities, comprehensive services, combined cooling, heating and power, and gas for vehicles and vessels. The Company is an indirect non-wholly-owned subsidiary of CRH, which indirectly held 61.46% interest in the Company as at the date of this announcement, and CRH is ultimately beneficially owned by CRC. CRC is beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

CRC is a company established in the PRC with limited liability and a state-owned enterprise under the supervision of the SASAC. It is the holding company of CRH and a conglomerate operating various businesses in the PRC and Hong Kong, including but not limited to consumer goods, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging industries.

CR Gas Chenzhou is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

CR Sanjiu Chenzhou

CR Sanjiu Chenzhou is a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of CR Pharmaceutical. CR Sanjiu Chenzhou is principally engaged in the manufacture and distribution of pharmaceutical products. It is a wholly-owned subsidiary of CR Sanjiu. As at the date of this announcement, CR Sanjiu, a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange was indirectly owned as to approximately 63.00% by CR Pharmaceutical, which is indirectly owned as to 53.05% by CRH, which is ultimately beneficially owned by CRC.

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 63.00% 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 New 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 New Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are only subject to the reporting, announcement and annual review 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:

- “associate” : has the meaning ascribed to it under the Listing Rules;
- “Board” : the board of directors of the Company;
- “Chenzhou Project” : the project involving the Energy Station Construction and the Energy Supply Transactions as contemplated;
- “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 shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1193);
- “connected persons” : has the meaning ascribed to it under the Listing Rules;
- “continuing connected transactions” : has the meaning ascribed to it under the Listing Rules;
- “controlling shareholder” : has the meaning ascribed to it under the Listing Rules;

“CRC”	:	中國華潤有限公司(China Resources Company Limited*), a company established in the PRC with limited liability, a state-owned enterprise under the supervision of SASAC and the ultimate holding company of the Company;
“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, 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 (Stock Code: 3320);
“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 (Stock Code: 000999), and an indirect non-wholly-owned subsidiary of CR Pharmaceutical;
“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”	:	華潤(集團)有限公司(China Resources (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability, the intermediate holding company of the Company and CR Pharmaceutical;
“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 provided by CR Sanjiu Chenzhou;
“Energy Supply Transactions”	:	the supply of energy for cooling and heating, steam and part of electricity from CR Gas Chenzhou to the Southern China production manufacturing centre of CR Sanjiu Chenzhou;
“Existing Framework Agreement”	:	the framework agreement dated 22 June 2021 entered into by CR Gas Chenzhou and CR Sanjiu Chenzhou in respect of the Chenzhou Project, details are set out in the announcement of the Company dated 22 June 2021;
“Group”	:	the Company and its subsidiaries;

“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC;
“independent third party(ies)”	:	party(ies) which is/are independent of the Group and the connected persons of the Company;
“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;
“New Framework Agreement”	:	the framework agreement dated 21 June 2024 entered into by CR Gas Chenzhou and CR Sanjiu Chenzhou in respect of the Chenzhou Project, from 21 June 2024 to 31 December 2025;
“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;
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited; and
“%”	:	per cent.

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

Hong Kong, 21 June 2024

As at the date of this announcement, the directors of the Company are Mr. Yang Ping and Mr. Li Xiaoshuang, being Executive Directors; Mr. Wang Chuandong, Mr. Wang Gaoqiang, Mr. Liu Jian and Ms. Ge Lu, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Yu Hon To, David, Mr. Yang Yuchuan and Mr. Li Pok Yan, 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.*